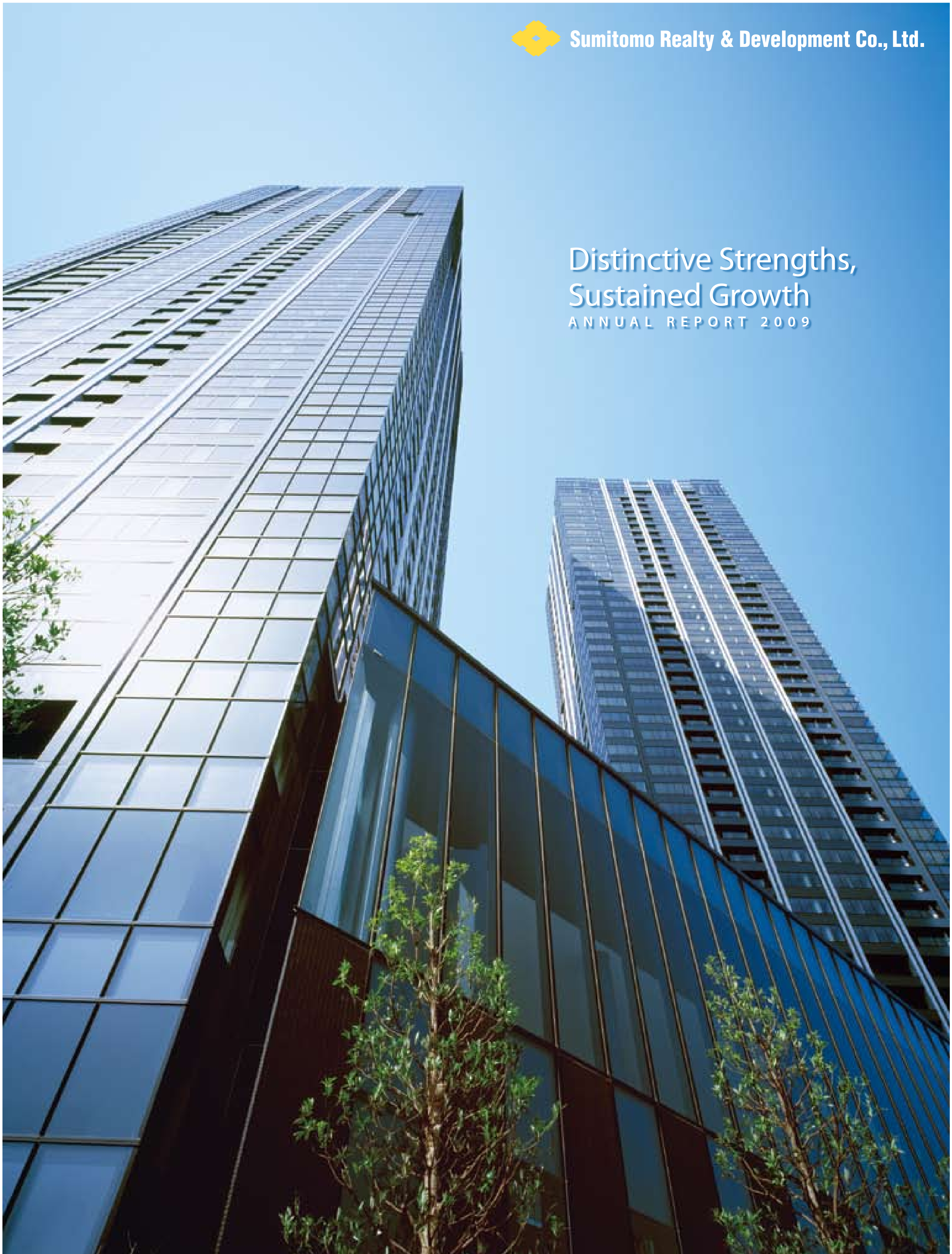
Sumitomo Realty & Development Co., Ltd.

Distinctive Strengths, Sustained Growth

ANNUAL REPORT 2009



ABOUT THE COMPANY

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

With operations centered on four areas—leasing, sales, construction and brokerage—the Company has achieved a combination of growth potential and balanced operations that will drive its success in the challenging markets of the 21st century. Sumitomo Realty remains committed to the creation of comfortable work and living environments that contribute to a higher quality of life.

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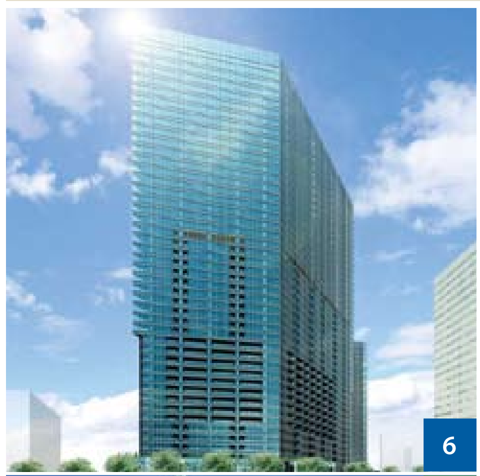

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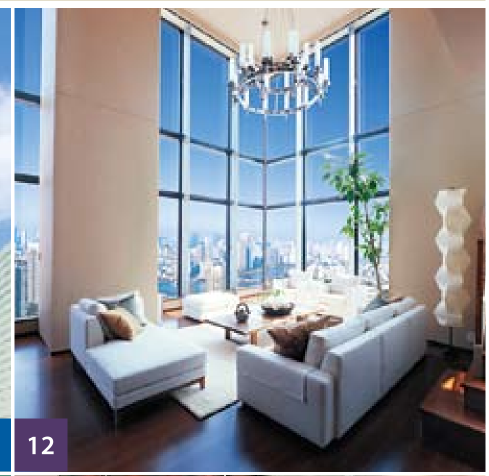

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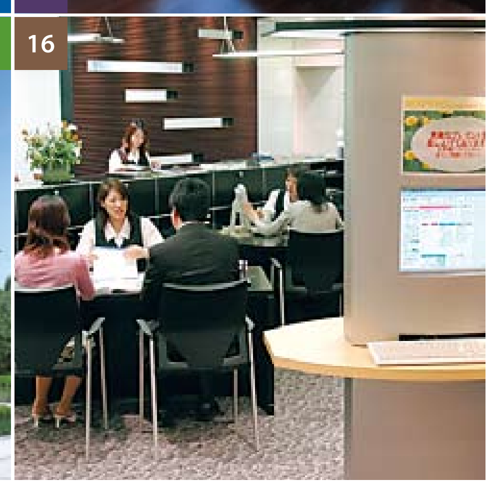

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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. 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.

CONSOLIDATED FINANCIAL HIGHLIGHTS

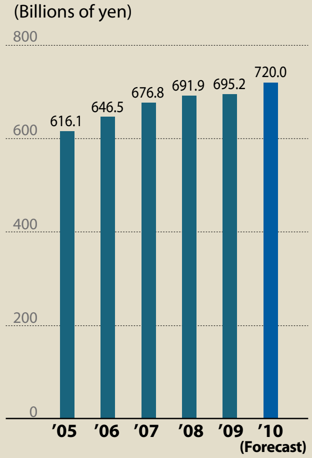
Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars[1]
	2009	2008	2007	2009
For the Year				
Revenue from operations	¥695,240	¥691,928	¥676,834	$7,077,675
Operating income	146,366	154,608	137,176	1,490,034
Ordinary profit*	113,582	125,176	112,406	1,156,286
Net income	46,205	63,133	50,300	470,376
At Year-End				
Total assets	¥3,006,412	¥2,894,004	¥2,747,900	$30,605,843
Shareholders' equity[2]	436,667	427,423	409,197	4,445,353
Interest-bearing debt	1,847,627	1,665,042	1,473,644	18,809,193
Per Share Data (Yen and U.S. Dollars)				
Net income	¥ 97.39	¥133.00	¥105.92	$0.99
Shareholders' equity	920.74	900.57	861.93	9.37
Cash dividend applicable to the year	20.00	18.00	14.00	0.20

Notes: 1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥98.23=U.S. $1, the prevailing exchange rate at March 31, 2009.
2. Shareholders' equity = Net assets – Minority interests

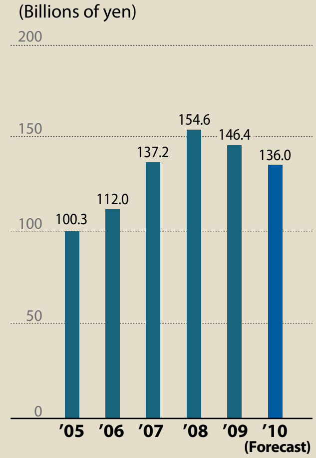
REVENUE FROM OPERATIONS

(Billions of yen)



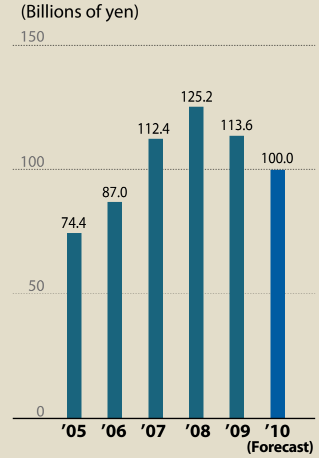
OPERATING INCOME

(Billions of yen)



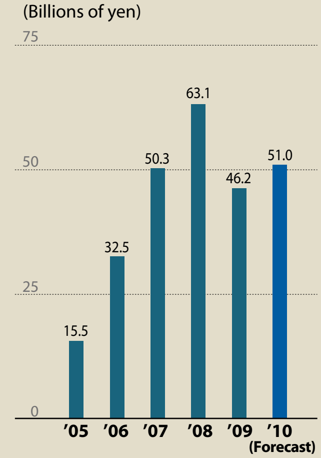
ORDINARY PROFIT*

(Billions of yen)



NET INCOME

(Billions of yen)



* Ordinary profit, which equals operating income after adjustment for non-operating gains/losses, is a management index that is widely used in Japan. Due to differences in accounting standards, ordinary profit is not broken out in the Company's English-language financial statements, but it is included here because it plays an important role in the calculation of incentive payments for directors.

AT A GLANCE

Balanced Portfolio

Our achievement of sustained growth has been the result of our well-balanced operations. We have a balanced portfolio in four operational fields—leasing, sales, construction and brokerage—that have different risk profiles and capital requirements.

CHARACTERISTICS OF OUR FOUR OPERATIONAL FIELDS

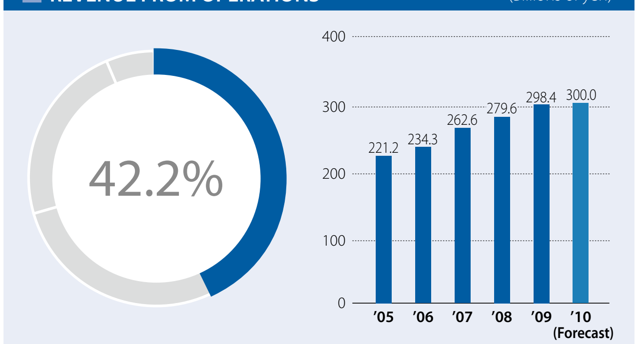
Leasing and sales are our traditional main fields of business. These are capital-intensive fields; returns and risk are both high and substantial upfront investment is required, but the level of human resources is relatively low. In leasing, the period from the initial investment to the generation of revenue—the operational cycle—is long, but once a building is opened for occupancy it provides a stable, sustained source of revenue. The sales business, however, is characterized by a shorter operational cycle with volatile market conditions. Nonetheless, revenue and profit are both relatively high. Our housing construction operations and brokerage operations are order-based businesses with low capital requirements and no sales risk but substantial human resources requirements. These operations have been developed more recently. In housing construction, the operational cycle is short, about six months to a year, but product development capabilities are very important. Brokerage operations have the shortest operational cycle of our fields of business but require strong, highly competitve service networks.

LEASING

Office building, condominium and other property leasing and management and related activities

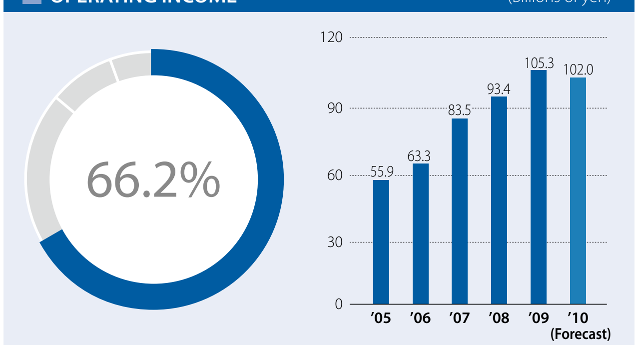
REVENUE FROM OPERATIONS

(Billions of yen)



OPERATING INCOME

(Billions of yen)

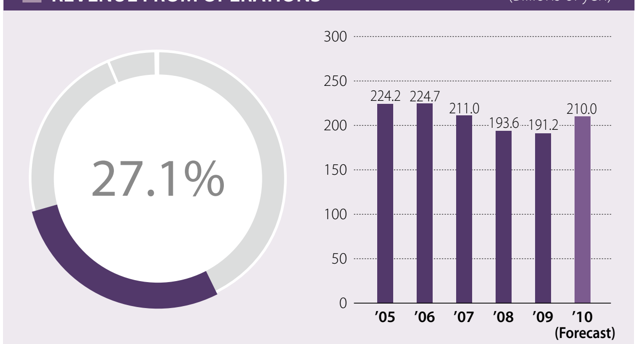


SALES

Mid- and high-rise condominium, detached house and housing lot development and sales and related activities

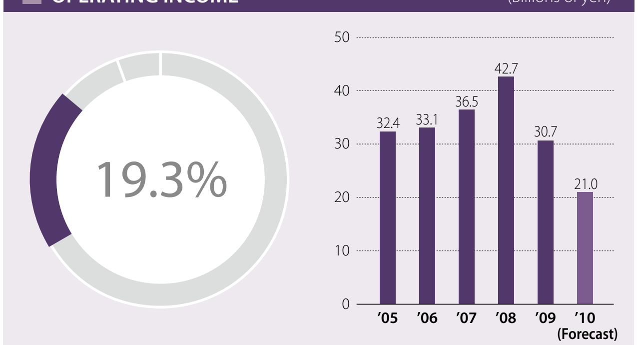
REVENUE FROM OPERATIONS

(Billions of yen)



OPERATING INCOME

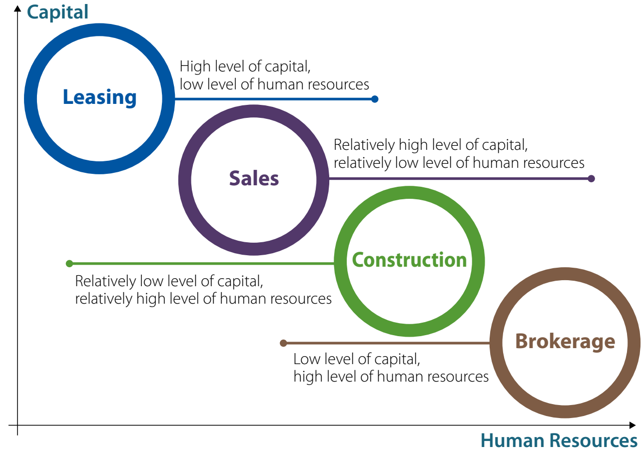
(Billions of yen)



TAKING STEPS TO MAINTAIN WELL-BALANCED OPERATIONS

Sumitomo Realty's four operational fields have complementary operational cycles and market characteristics, and in the past the adverse effects of changing market conditions on a particular field have generally been offset by favorable performances in others. As a result, the Company has been able to continue to record increases in revenue and profit over the medium to long term. In the future, our basic strategy will entail taking steps to maintain well-balanced growth in our operational portfolio. Moreover, to further reinforce our growth prospects, we will endeavor to develop a strong market presence in a fifth core field of operations, and are currently searching for the field that would best complement our existing operations.

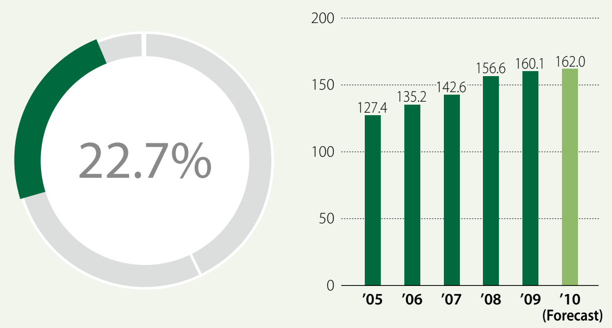
SUMITOMO REALTY'S BALANCED PORTFOLIO



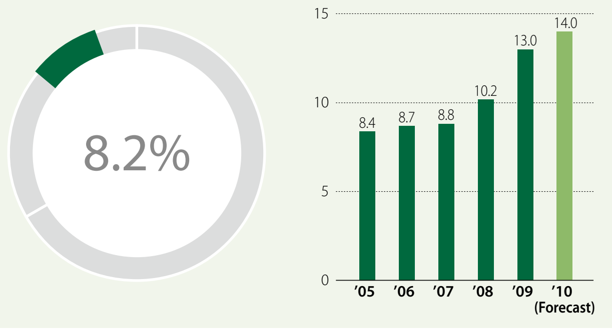
CONSTRUCTION

Custom home construction and remodeling and related activities

REVENUE FROM OPERATIONS (Billions of yen)



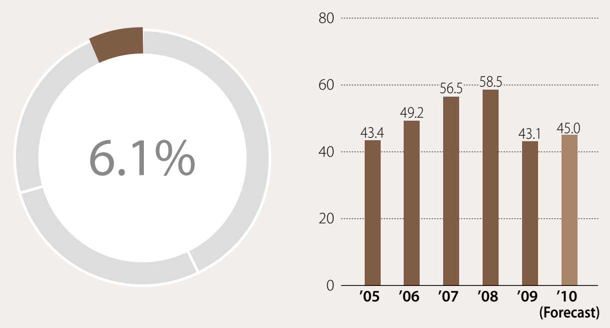
OPERATING INCOME (Billions of yen)



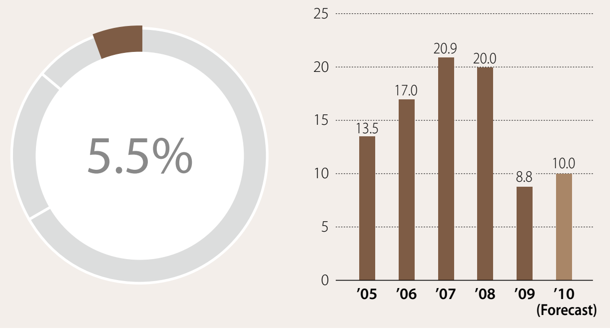
BROKERAGE

Brokerage and sales on consignment of real estate and related activities by Sumitomo Real Estate Sales Co., Ltd.

REVENUE FROM OPERATIONS (Billions of yen)



OPERATING INCOME (Billions of yen)



A MESSAGE FROM THE MANAGEMENT

Junji Takashima
Chairman

Kenichi Onodera
President

We will further increase our efforts to achieve our medium-term targets and beyond that, to maintain sustainable growth.

PROGRESS MADE IN THE MEDIUM-TERM MANAGEMENT PLAN

As our mainstay businesses, leasing and sales generate approximately 80% of our operating income. It takes a minimum of two to three years from the time we acquire land—the "raw material" for these businesses—until we finish the product, and many large-scale development projects require five years or more.

We aim to optimize the value of the land we acquire, and to maximize revenues, we create three-year medium-term management plans instead of single fiscal-year plans. The steady implementation of these plans is our highest management priority.

We have implemented three medium-term management plans since 1997, and each was successfully completed. The current fiscal year is the second year of the Fourth Plan (the Third Growth Plan). The plan's basic objectives are to continue to record growth in revenue and profit and to maintain the pace of growth. The progress we have made toward realizing these objectives is shown in the table on the next page. Since October 2008, the deterioration in the economic environment has significantly exceeded expectations. As a result, it will be difficult to achieve the initial performance targets, as they were based on the conditions three years ago when we formulated the plan.

However, if we add our forecast performance for the plan's third year to the results we have achieved in its first two years, then we can see that we will achieve increases in revenue and profit as we have done in each of the previous plans. Moreover, the amounts of the increases that we are forecasting are comparable to those achieved under the previous plans.

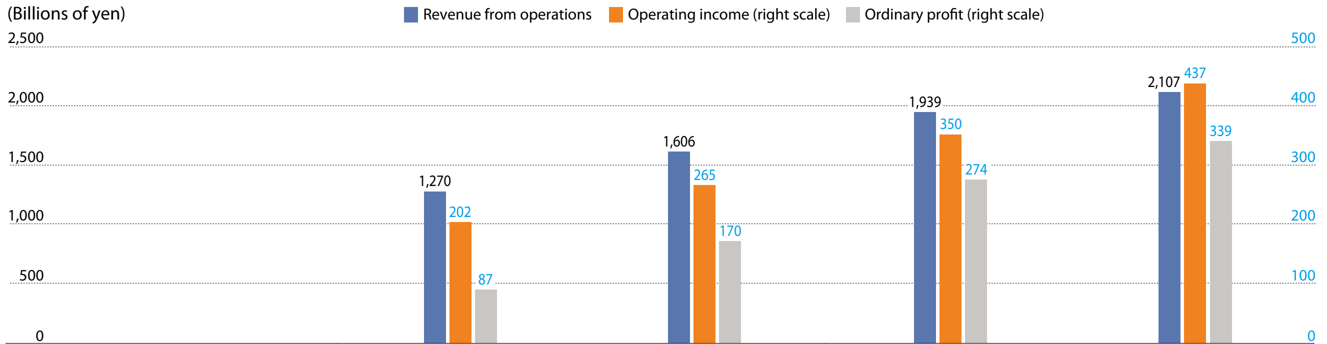
RESULTS IN THE MARCH 2009 FISCAL YEAR

In the March 2009 fiscal year, the second year of the Fourth Management Plan, the leasing business was supported by our progress in increasing rents for existing tenants and by full-year contributions from buildings that were opened for occupancy during the previous fiscal year. These factors, together with the contribution made by the construction business, were the main growth drivers in the year under review. However, they were unable to fully counteract the impact of the severe operating environment, and we recorded declines in revenue and profit in both sales and brokerage.

As a result, overall revenue from operations increased 0.5%, to ¥695.2 billion; operating income decreased 5.3%, to ¥146.4 billion; ordinary profit was down 9.3%, to ¥113.6 billion; and net income fell 26.8%, to ¥46.2 billion. In this way, we achieved the twelfth consecutive fiscal year of higher revenue from operations, but we were unable to realize an increase in profits, as we had done in each of the preceding eleven fiscal years. Nonetheless, we maintained profits at a high level. Our operating income and ordinary profit in the year under review were the second highest levels in our history, surpassed only by the record-setting performance in the March 2008 fiscal year.

While ordinary profit was down year on year, under the current three-year plan we forecast an increase in comparison with the previous plan. Accordingly, with an emphasis on continuing stable dividends, dividends for the year under review were increased by

GROWTH UNDER MEDIUM-TERM MANAGEMENT PLANS



(Years ended March 31)	1st Plan*2 1999–2001	2nd Plan 2002–2004	3rd Plan 2005–2007	4th Plan*3 2008–2010
Revenue from operations	1,270	1,606 +336	1,939 +334	2,107 +168
Operating income	202	265 +63	350 +85	437 +87
Ordinary profit	87	170 +83	274 +104	339 +65

*1. Cumulative total for the period covered by each plan.
*2. The figures shown for the 1st Plan are the cumulative total for the final three years of the plan.
*3. Figures are the sum of the March 2008 fiscal year results, the March 2009 fiscal year results and the March 2010 fiscal year forecasts.

¥2 per share, to ¥20 per share. Moreover, we plan to maintain dividends of ¥20 per share in the March 2010 fiscal year as well.

OUTLOOK FOR THE NEXT FISCAL YEAR

Our forecasts for the March 2010 fiscal year, the final year of the current medium-term management plan, target revenue from operations of ¥720.0 billion, for the thirteenth consecutive fiscal year of increase, as well as higher revenues in each of the four segments in our business portfolio. However, the uncertainty about how economic conditions will develop was a factor in our setting relatively conservative targets for operating income, ¥136.0 billion, and ordinary profit, ¥100.0 billion.

Looking at our operating environment, there are signs of improvement in certain sectors, such as a recovery in condominium sales, but the economic situation does not yet support an optimistic outlook. We will continue striving to enhance our sales and marketing systems and to steadily achieve our performance targets for the March 2010 fiscal year, aiming to connect these efforts to the next medium-term management plan, which starts from the March 2011 fiscal year.

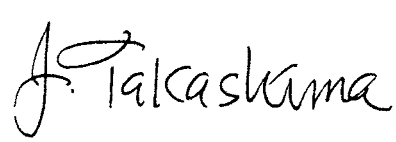
TOWARD SUSTAINABLE GROWTH

The leasing segment, which provides approximately 70% of our operating income, surpassed ¥100.0 billion for the first time in the March 2009 fiscal year. In the coming years, we plan to further expand our revenue base in leasing, our core segment. In the March 2010 fiscal year we will open eight new buildings with a total floor space of 120,000 tsubo*, and in the following three years we plan to open a further eleven buildings with a total floor space of 170,000 tsubo. Under the next medium-term management plan, which we will formulate shortly, in consideration of the strengthened revenue base in the leasing segment, we will reverse the temporary downturn in our performance and return to the growth track that we have followed in each of the previous plans.

Going forward, we will further increase our efforts to achieve our medium-term targets and beyond that, to maintain sustainable growth. We ask for the continued support of our shareholders and investors as we strive to achieve these goals.

* 1 tsubo = 3.3 m^2

June 2009



Junji Takashima, Chairman

Kenichi Onodera, President

Sumitomo Fudosan Iidabashi Ekimae Building
(Completed May 2008)

Sumitomo Fudosan Nishi Shinjuku Building No. 5
(Completed May 2008)

Sumitomo Fudosan Ochanomizu First Building
(Completed July 2008)

REVIEW OF OPERATIONS

LEASING

In leasing operations, Sumitomo Realty has worked to create new opportunities by implementing innovative initiatives. In this way, the Company has established a position of leadership in the leasing industry. Our leasing business is characterized by an outstanding portfolio that includes many new, upscale buildings in central Tokyo and by a direct involvement in operations.

SUMITOMO REALTY'S STRENGTHS

The Company made its full-scale entry into the leasing business in the latter half of the 1970s. In 1995, following the collapse of Japan's economic bubble, we were the first company in the industry to restart construction work on office buildings. We paid particular attention to large-scale projects in urban areas, especially those areas legally designated for redevelopment.

We currently operate about 200 buildings for lease. The advanced interior features of our buildings are complemented with distinctive exterior designs, including hotel-like entranceways and all-glass exteriors. Sumitomo Realty creates innovative buildings with strong market presences.

OVERVIEW OF THE FISCAL YEAR

In the Tokyo office building market, which accounts for more than 90% of our portfolio, the favorable market conditions continued in the first half of the year and vacancy rates and new contract rents were relatively stable. However, demand slumped from the second half of the year and vacancy rates increased. The main factors were that the deteriorating business sentiment and corporate performance within Japan caused tenant companies to become increasingly aware of the need to cut costs and cautious about increasing floor space, and that certain companies even began withdrawing from businesses.

In this environment, the Company's vacancy rate for existing buildings worsened from 3.8% at the end of the previous fiscal year, to 5.1% at the end of the year under review. However, through the first half of the fiscal year, we were able to raise rents for existing tenants when leases were renewed. In addition, buildings opened for occupancy during the previous year were open for the full year in the fiscal year under review, such as the Sumitomo Fudosan Harajuku Building and Sumitomo Fudosan Yotsuya Building. These two factors contributed to our performance. Further, the Sumitomo Fudosan Iidabashi Ekimae Building and the Sumitomo Fudosan Nishi Shinjuku Building No. 5 that opened during the year, were able to attract more tenants than was initially forecast and achieved almost full occupancy.

As a result, we were able to record substantial increases in both revenue and profit. Revenue from operations increased 6.7%, to ¥298.4 billion, and operating income was up 12.8%, to ¥105.3 billion.

OUTLOOK

In the March 2010 fiscal year, we expect earnings from existing buildings to decrease due to the effects of the economic recession. However, we forecast that the full-year results of such properties as the Sumitomo Fudosan Iidabashi Ekimae Building and the Sumitomo Fudosan Nishi Shinjuku Building No. 5, and the

Sumitomo Fudosan Akihabara Building
(Completed June 2009)

Sumitomo Fudosan Shiodome Hamarikyu Building
(Completed August 2009)

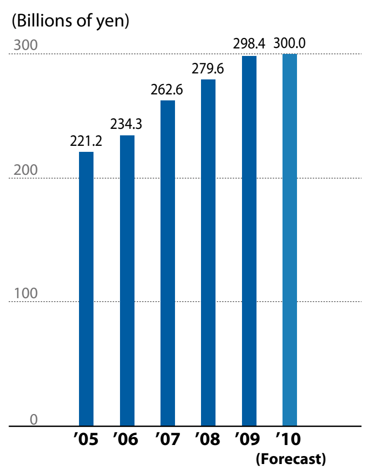
Sumitomo Fudosan Aobadai Tower
(Completed August 2009)

new buildings scheduled to be opened during the year, such as the Sumitomo Fudosan Akihabara Building and the Sumitomo Fudosan Shiodome Hamarikyu Building will contribute to performance.

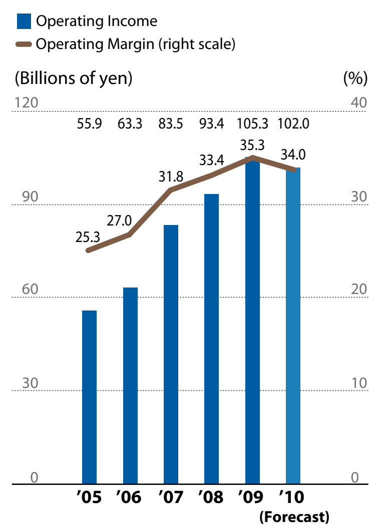
As a result, we expect to not only secure another year of increased revenues, but for revenue from operations to reach ¥300.0 billion for the first time, an increase of 0.6% year on year. However, we forecast operating income to decrease 3.2%, to ¥102.0 billion.

We plan to complete eight buildings with total floor space of 115,300 tsubo in the March 2010 fiscal year.

REVENUE FROM OPERATIONS



OPERATING INCOME AND OPERATING MARGIN

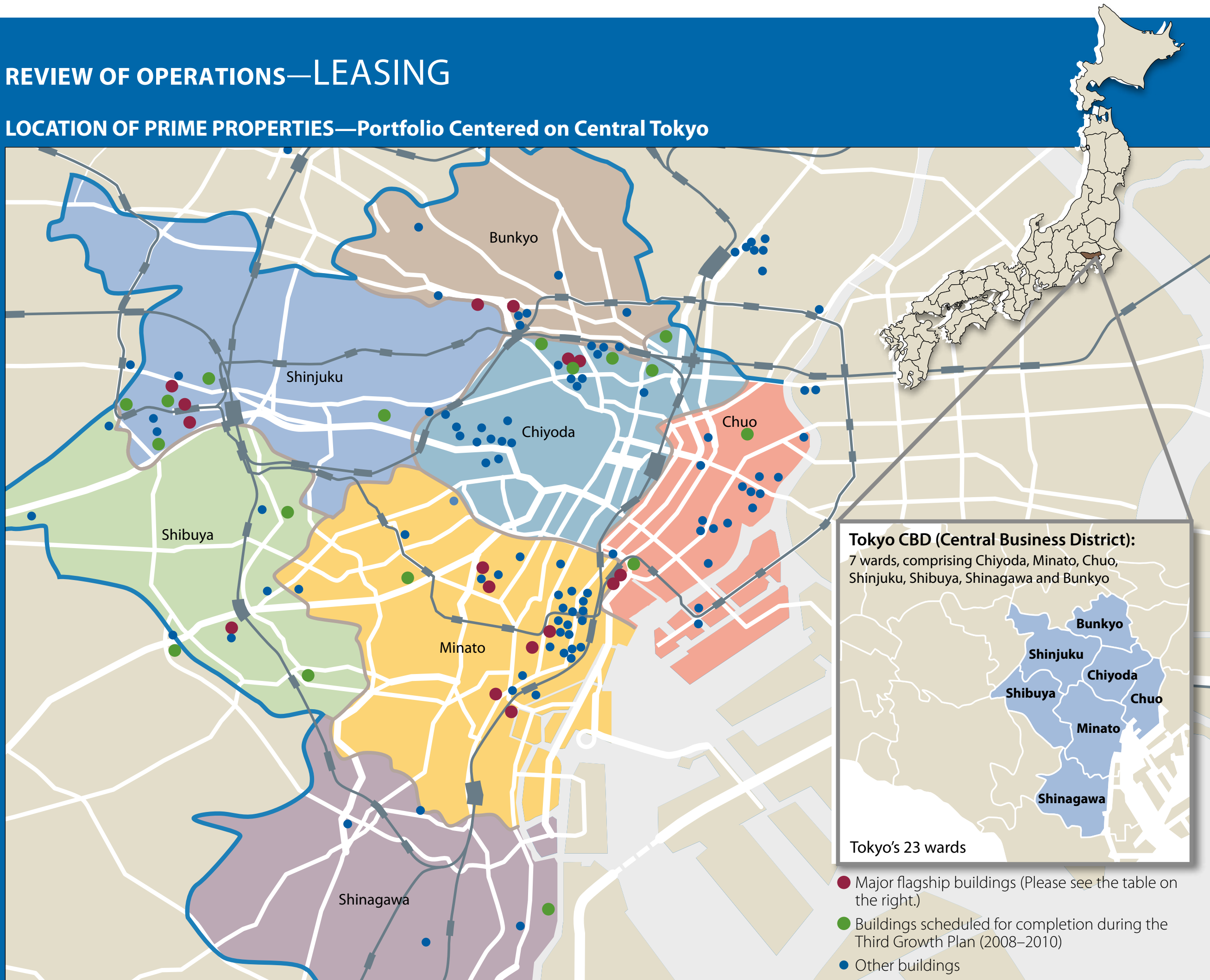


PRINCIPAL OFFICE BUILDING DEVELOPMENT PROJECTS IN THE MARCH 2010 FISCAL YEAR

Name	Location (Tokyo CBD)	Completion	Gross floor area (Tsubo*)
Sumitomo Fudosan Nishi Shinjuku Building	Shinjuku Ward	Apr. 09	11,900
Sumitomo Fudosan Kanda Building No.2 (SPC)	Chiyoda Ward	June 09	6,300
Sumitomo Fudosan Akihabara Building (SPC)	Chiyoda Ward	June 09	9,700
Sumitomo Fudosan Shiodome Hamarikyu Building (SPC)	Chuo Ward	Aug. 09	14,500
Sumitomo Fudosan Aobadai Tower (SPC)	Meguro Ward	Aug. 09	17,300
Ebisu SS Building	Shibuya Ward	Sept. 09	2,700
Sumitomo Fudosan Shinagawa Sea-side Building	Shinagawa Ward	Nov. 09	6,600
Nishi Shinjuku 6-Chome West Project	Shinjuku Ward	Feb. 10	46,300
Total			115,300

* 1 tsubo=3.3 m^2

LOCATION OF PRIME PROPERTIES—Portfolio Centered on Central Tokyo



	Before 1981	1982–1996	1997 and after
Earthquake protection	Previous quake-resistant structure	New quake-resistant structure	Anti-sway structure
Ceiling height*	2.5 m	2.7 m	2.9–3.3 m
Floor load	300 kg/m²	300–500 kg/m²	500–1,000 kg/m²
Air conditioning	Central air conditioning system	Climate control zones	Separate climate control systems
Power capacity	45 VA/m²	60–70 VA/m²	85 VA/m² and over

* Includes raised floors

SUMITOMO REALTY'S PORTFOLIO

Our portfolio includes many competitive prime properties located in central Tokyo. As of the end of March 2009, our leasing portfolio had a gross floor area of 3.5 million square meters and an average age of 14 years, the lowest among Japan's major real estate companies. About 43% of the buildings in our portfolio were completed in the past 10 years. Also, 94% of the buildings in our portfolio were located in the 23 wards of Tokyo, with 86% in Tokyo's central business district. Furthermore, 81% of the portfolio was made up of large-scale buildings of more than 10,000 square meters of gross floor area. More than 98% of the buildings meet or exceed earthquake-resistance standards that took effect in 1981 and are a key yardstick for earthquake safety. Moreover, nearly half of our buildings have been completed since 1997, when we took the lead in the application of new building design concepts. These high-quality buildings offer leading-edge earthquake-resistant structures, separate climate control systems for each suite, reinforced floors for heavy loads, high-capacity electrical systems, high ceilings and other attractive features, and they are the focus of strong demand from many tenants.

COMPETITIVE GROWTH FOUNDATION

Including the buildings that we expect to open during the Fourth Plan (the Third Growth Plan), prime properties will account for an even higher percentage of our portfolio. To respond to the change in market demand toward prime properties and away from buildings that are older, smaller or in less attractive locations, we have been investing aggressively in new building construction, thereby further increasing the concentration of prime properties in our portfolio.

MAJOR FLAGSHIP BUILDINGS

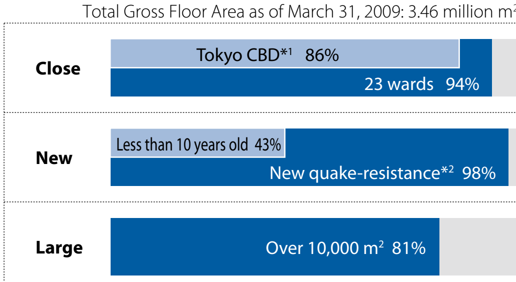
Name	No. of floors (aboveground / underground)	Completion	Location (Tokyo CBD)	Gross floor area (m^2)
Izumi Garden Tower	43 / 4	Oct. 02	Minato Ward	205,574
Shinjuku Sumitomo Building	52 / 4	Mar. 74	Shinjuku Ward	177,467
Shinjuku Oak City	38 / 2	Jan. 03	Shinjuku Ward	117,446
Shiodome Sumitomo Building	25 / 3	July 04	Minato Ward	99,913
Sumitomo Fudosan Mita Twin Building West	43 / 2	Sept. 06	Minato Ward	98,338
Tokyo Shiodome Building	37 / 4	Jan. 05	Minato Ward	95,128
Shinjuku NS Building	30 / 3	Sept. 82	Shinjuku Ward	75,046
Shibakoen First Building	35 / 2	June 00	Minato Ward	63,822
Chiyoda First Building West	32 / 2	Jan. 04	Chiyoda Ward	61,501
Sumitomo Fudosan Iidabashi Building No. 3	24 / 2	Oct. 02	Shinjuku Ward	53,047
Sumitomo Fudosan Iidabashi First Building	14 / 2	Mar. 00	Bunkyo Ward	52,747
Chiyoda First Building East	17 / 2	Oct. 98	Chiyoda Ward	37,473
Sumitomo Fudosan Shibakoen Tower	30 / 2	Oct. 01	Minato Ward	35,549
Sumitomo Fudosan Mita Twin Building East	17 / 1	Aug. 06	Minato Ward	35,047
Shibuya Infoss Tower	21 / 4	Mar. 98	Shibuya Ward	34,460
Roppongi First Building	20 / 4	Oct. 93	Minato Ward	31,516

Note: Figures for gross floor area indicate the area managed by Sumitomo Realty.

Izumi Garden Tower
(Completed October 2002)

LEASING PORTFOLIO

Total Gross Floor Area as of March 31, 2009: 3.46 million m^2



*1. Tokyo CBD (Central Business District): 7 wards, comprising Chiyoda, Minato, Chuo, Shinjuku, Shibuya, Shinagawa and Bunkyo

*2. New standards that took effect in 1981.

GROWING DEMAND FOR PRIME PROPERTIES

In the central Tokyo office building market, there is strong demand for buildings that meet the criteria for prime properties; they are close to stations and business areas, are new and feature modern amenities and offer large areas on each floor. These prime properties generate high levels of revenues, while it remains difficult to find tenants for buildings that are far from stations, old or small.

CLOSE—LOCATIONS IN THE CENTRAL BUSINESS DISTRICT

To be a prime property, a building must be in the central business district and near a major station. In the Tokyo central business district, where many of Japan's leading companies have their offices, this is an even more important factor. Large, recently constructed buildings in good locations are in short supply, which has been a key element in our land acquisition efforts.

NEW—BRAND-NEW AND RECENTLY CONSTRUCTED BUILDINGS

The strong demand for recently constructed buildings is a result of tenant needs for the following features:

1. Reinforced floors, high-capacity electrical systems and uninterruptible power supplies to accommodate large computer servers
2. Separate climate control systems for each suite and high ceilings
3. Advanced earthquake countermeasures, such as vibration damping and earthquake-resistant construction
4. Advanced security systems

LARGE—LARGE-SCALE BUILDINGS

Buildings that can accommodate multiple units on a single floor enable tenant companies to increase the efficiency of their operations, and in recent years there has been a trend for companies to consolidate their offices. As a result, demand for large-scale buildings continues to increase.

In the Tokyo central business district, where buildings that meet the three conditions for prime properties—close, new and large—are in strong demand, our competitive portfolio will provide a strong foundation for us to utilize our strengths—development of high-value-added office buildings, tenant leasing and property management. We will utilize that foundation to maximize the earnings potential of our office building operations and build a strong base for the achievement of sustainable growth in the years ahead.

Principal Projects from Next Medium-Term Management Plan (from 2011)

Targeting the achievement of the current medium-term management plan and subsequent growth, the Company is advancing principal projects in Central Tokyo. In addition, the next medium-term management plan calls for opening 11 buildings with floor space of 170,000 tsubo. In this way, we will further expand our earnings foundation, our core business, in the years ahead.

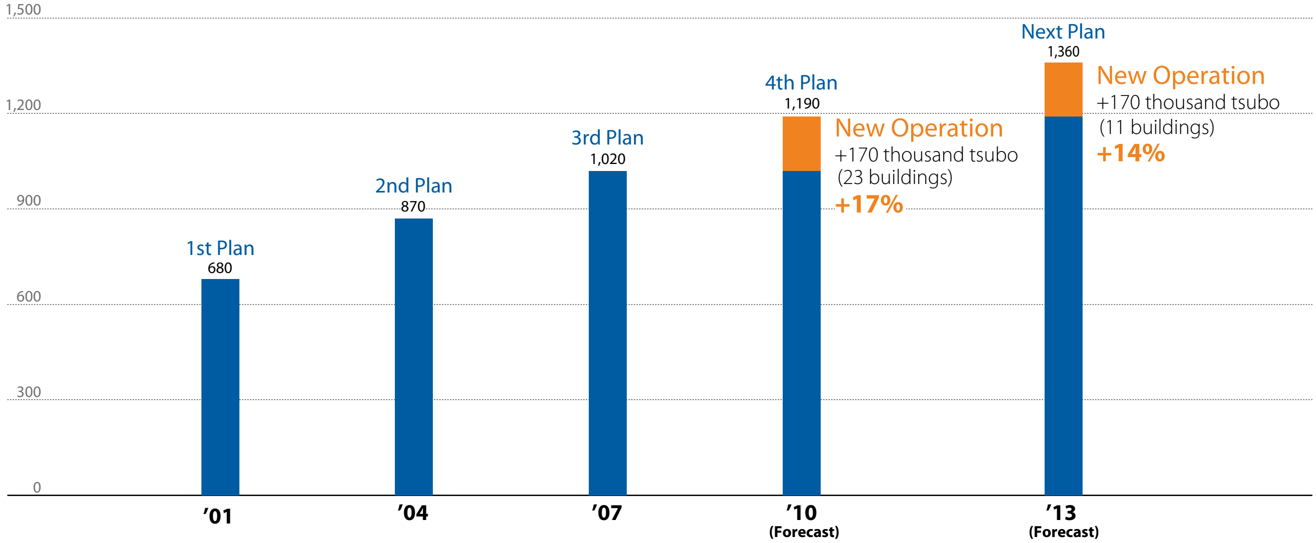
PRINCIPAL PROJECTS

Projects	Location	Completion*1	Gross floor area (Tsubo*2)
Projects in the 5th Management Plan (from 2011 to 2013)			
Koraku 2-Chome West Project	Bunkyo Ward	2011	23,500
Shibuya Higashi 1-Chome Project	Shibuya Ward	2011	16,000
Shibuya Uguisudani Project	Shibuya Ward	2011	15,000
Kojimachi 1-Chome Project	Chiyoda Ward	2011	5,000
Iidabashi Fujimi Project	Chiyoda Ward	2011	6,900
Nishi Shinjuku 8-Chome Project	Shinjuku Ward	2012	54,000
Shibaura Project	Minato Ward	2012	7,000
Nibancho Project	Chiyoda Ward	2012	6,000
Shibuya Nanpeidai Project	Shibuya Ward	2012	18,000
Others			18,600
Total		Apr. 10–Mar. 13	170,000
Projects after the 6th Management Plan (from 2014)			
Nihonbashi 2-Chome Project	Chuo Ward		28,000
Roppongi 3-Chome Project	Minato Ward		46,000

*1. Fiscal year ending March 31
*2. 1 tsubo=3.3 m²

POSITIONING OF FUTURE DEVELOPMENT PROJECTS (TOKYO CENTRAL BUSINESS DISTRICT)

Total Gross Floor Area for Leasing (Years ended March 31)



Koraku 2-Chome West Project

Gross floor area . . . .23,500 tsubo*
Floors . . . . .34 above ground, 3 below ground
Completion . . . . . April 2010 (plan)

Shibuya Nanpeidai Project

Gross floor area . . . .18,000 tsubo*
Floors . . . . .21 above ground, 2 below ground
Completion . . January 2012 (plan)

Nishi Shinjuku 8-Chome Project

Gross floor area . . . .54,000 tsubo*
Floors . . . . .40 above ground, 3 below ground
Completion . . .August 2011 (plan)

Shibuya Higashi 1-Chome Project

Gross floor area . . . .16,000 tsubo*
Floors . . . . .25 above ground, 3 below ground
Completion . . .August 2010 (plan)

* 1 tsubo = 3.3m²

City Towers Toyosu The Twin

REVIEW OF OPERATIONS

SALES

Sumitomo Realty is a pioneer in the Japanese market in condominium development for sales. The Company established its condominium sales business earlier than almost all of its competitors. The Company is building attractive condominiums in good locations and working to raise its brand value.

SUMITOMO REALTY'S STRENGTHS

Sumitomo Realty's condominium operations are centered in Japan's six largest urban areas—the Tokyo metropolitan area, Osaka/Kobe, Sapporo, Sendai, Nagoya and Fukuoka. Moreover, in recent years we have enhanced our presence in other major cities, such as Niigata and Hiroshima. The Company develops and sells about 5,000 units a year.

Over the past decade, we have been one of the leading suppliers of condominium units nationwide. This strong position is the result of our central urban strategy, which we implemented ahead of competitors, and our aggressive approach to large-scale and high-rise condominiums. Our landmark exterior designs, the rich array of common facilities that is made possible by the scale of the buildings and elegant entrances make our condominiums sought after by a wide range of consumers with diverse lifestyles. As a result, our high operating margin is at the top of the industry.

The risk of market fluctuations is a critical factor in the condominium business. Consequently, the Company's policy is to offer a stable supply of condominiums and to enhance the Sumitomo Realty brand through the ongoing sale of high-quality units. In the years ahead, the Company will continue striving to maintain its strong position and further expand its business.

OVERVIEW OF THE FISCAL YEAR

Conditions in the condominium market, which accounts for more than 90% of our sales in this segment, continued to be sluggish, and the number of new units supplied in the Tokyo metropolitan area fell to less than 50,000 during the year. In particular, the percentage of units sold substantially declined in the third quarter. However, from the fourth quarter signs of market recovery could be seen, as consumer purchasing motivation improved due to the decline in mortgage interest rates and an effective tax reduction brought about by revisions to the tax system. Consequently, the number of units sold began to increase, principally properties in favorable locations.

In this environment, the number of condominium units, detached houses and land lots delivered increased by 265 from the previous year, to 4,008. In addition, the number of condominium units sold was up by 638, to 3,269.

As a result, revenue from operations was down 1.2%, to ¥191.2 billion, and operating income fell 28.1%, to ¥30.7 billion. While the total number of condominium units, detached houses and land lots delivered increased, as a consequence of the recording of a large number of highly profitable large-scale condominiums in the previous fiscal year, the average price per unit and the operating margin both decreased, and we recorded declines in both revenue and profit.

City Tower Azabu Juban

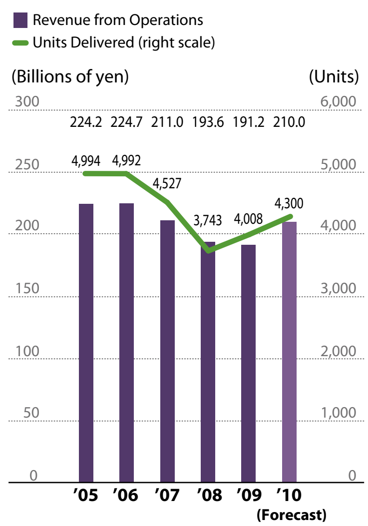
Osaki West City Towers

OUTLOOK

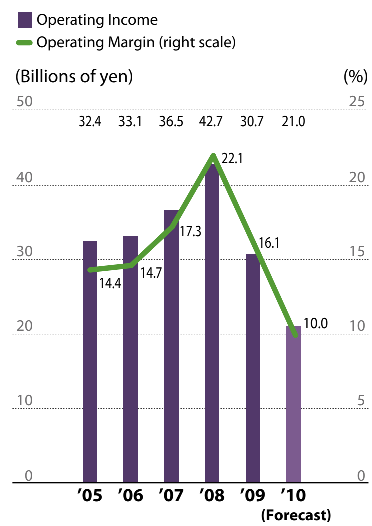
In the March 2010 fiscal year, we plan to deliver a total of 4,300 condominium units, detached houses and land lots, an increase of 292 year on year. Also, of the 4,200 condominium units and detached houses that we expect to deliver in the March 2010 fiscal year, approximately 15% had already been sold at the end of March 2009 (30% in the previous fiscal year). Accordingly, we plan to continue working to bolster our sales system and to promote sales.

As a result, in the March 2010 fiscal year we are forecasting revenue from operations of ¥210.0 billion, up 9.8%, and operating income of ¥21.0 billion, down 31.7%. This decline in operating income is attributable to the establishment of conservative profit margins due to the lack of transparency in the future operating environment.

REVENUE FROM OPERATIONS



OPERATING INCOME AND OPERATING MARGIN



PRINCIPAL CONDOMINIUM DEVELOPMENT PROJECTS (2010–2011)

Name	Location	No. of units for sale	No. of floors	Scheduled delivery[*1]
City Tower Azabu Juban	Minato Ward, Tokyo	381	38	2010
Osaki West City Towers	Shinagawa Ward, Tokyo	848[*2]	39	2010
City Towers Toyosu The Twin-Tower N	Koto Ward, Tokyo	461[*2]	48	2010
Aquras	Edogawa Ward, Tokyo	567[*2]	14	2010
City Terrace Akishima	Akishima shi, Tokyo	392	14	2010
City Tower Ikebukuro West Tower	Toshima Ward, Tokyo	147	34	2010
City Tower Ariake	Koto Ward, Tokyo	483[*2]	33	2011
Toyosu II	Koto Ward, Tokyo	850	44	2011
City Tower Osaka Temma-The River & Parks	Osaka shi, Osaka	650	45	2011
Southern Sky Tower Residence	Hachioji shi, Tokyo	371	41	2011
City Tower Warabi	Warabi shi, Saitama	268	30	2011

*1. Fiscal year ending March 31
*2. Number of units includes the units of business partners.

REMODELING (Shinchiku Sokkurisan)

CUSTOM HOMES J-URBAN TRAD

REVIEW OF OPERATIONS

CONSTRUCTION

In the construction business, Sumitomo Realty's business consists of the construction of custom homes and house remodeling. Our construction operations are order based and do not require substantial amounts of capital.

SUMITOMO REALTY'S STRENGTHS

Remodeling

In 1996, Sumitomo Realty launched the Shinchiku Sokkurisan Full Remodeling Package. This product addresses the concern that remodeling can sometimes be more expensive than rebuilding in Japan due to the risk of cost overruns. With Shinchiku Sokkurisan, a house can be fully remodeled at half the cost and in half the time required to rebuild it. And because Shinchiku Sokkurisan uses less materials, it is also environmentally friendly. We were the first major real estate company to offer this type of product, and Shinchiku Sokkurisan has been well received in the marketplace. Cumulative sales have surpassed 50,000 units, and we anticipate continued growth in Shinchiku Sokkurisan sales in the years ahead.

Shinchiku Sokkurisan

- Sales engineer system: Most of our sales personnel have engineering qualifications.
- Carpenters: We use carpenters who work exclusively for Sumitomo Realty.
- Fixed price: We provide the customer with a fixed price per unit of floor area, so there are no concerns about additional construction charges.
- No need for temporary moves: We remodel homes while the customers continue to live in them, which is a major advantage.
- Earthquake resistance: We incorporate earthquake-resistance strengthening measures based on a computerized analysis of the home as well as measures to prevent damage from termites and moisture.

Custom homes

In 1995, Sumitomo Realty launched the American Comfort line of high-quality, low-cost Western-style homes in Japan using the know-how that the Company acquired in building and selling homes constructed with the two-by-four method in California.

In April 2003, we launched the J-Urban home design, which combines the excellent security features of condominiums with the superior ventilation and lighting of detached houses. J-Urban has been highly evaluated in the marketplace and has received a Good Design Award from the Japan Industrial Design Promotion Organization. In March 2009, we commenced sales of J-URBAN TRAD, which is the latest product in the J-Urban series and offers environmentally friendly functions, such as solar electric power systems, and the aesthetic sense and functionality of traditional Japanese houses.

J-Urban III

Custom Homes

- Advanced performance: Our original Power Column Method makes these homes 1.3 times more earthquake resistant than conventional two-by-four homes.
- Fixed price: We have an easily understood pricing system, and the use of original materials and large-volume procurement enables us to achieve price reductions.
- Complete after-sales support: Our homes are backed by a 20-year guarantee and our specialists conduct periodic inspections.

OVERVIEW OF THE FISCAL YEAR

In Shinchiku Sokkurisan remodeling operations, accompanying the rapid deterioration in business sentiment, orders fell by 273, to 7,051, but deliveries increased by 134, to 7,090.

In custom home operations, in a challenging operating environment, orders increased by 7 year on year, to 1,687 units, while deliveries increased by 117, to 1,747 units.

Due to an increase in unit prices for both custom homes and Shinchiku Sokkurisan, total sales of these two businesses rose 6.5%, to ¥137.8 billion.

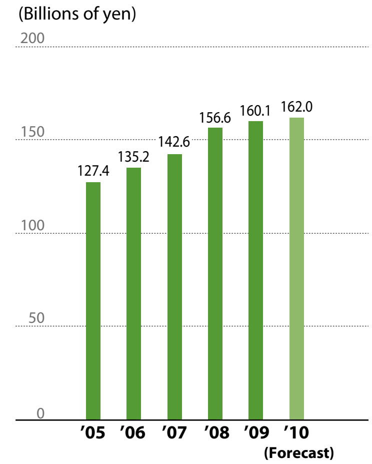
On a consolidated basis, including the results of such companies as Sumitomo Fudosan Syscon Co., Ltd. and Sumitomo Fudosan Reform Co., Ltd., revenue from operations rose 2.3%, to ¥160.1 billion, and operating income was up 27.7%, to ¥13.0 billion, meaning we recorded higher revenue and profit for the eighth consecutive year. Breaking down revenue from operations, Shinchiku Sokkurisan contributed ¥88.0 billion, custom homes ¥49.8 billion and other businesses ¥22.3 billion. All shares held in Universal Home, Inc. were sold and from the third quarter it is no longer within the scope of consolidation.

OUTLOOK

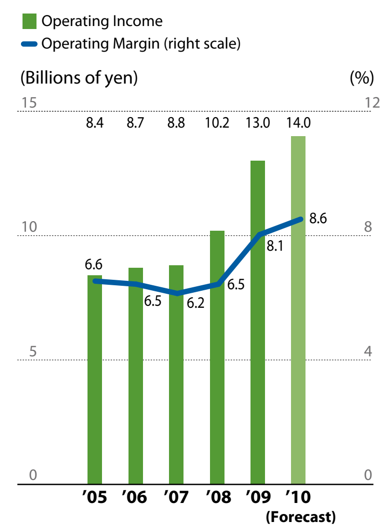
In the March 2010 fiscal year, we are targeting 8,800 orders—7,100 for Shinchiku Sokkurisan and 1,700 for custom homes. We will continue to expand our operations, focusing on Shinchiku Sokkurisan, while simultaneously working to enhance operating measures.

Consequently, we are targeting revenue from operations of ¥162.0 billion, up 1.2%, and operating income of ¥14.0 billion, up 7.9%, for the ninth consecutive period of increased revenue and profit.

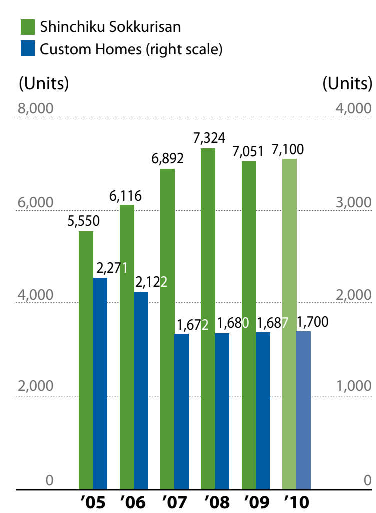
REVENUE FROM OPERATIONS



OPERATING INCOME AND OPERATING MARGIN



SHINCHIKU SOKKURISAN AND CUSTOM HOME UNITS CONTRACTED



REVIEW OF OPERATIONS

BROKERAGE

The Company's real estate brokerage business is handled by Sumitomo Real Estate Sales Co., Ltd., which was established in 1975 to conduct sales of condominiums developed by Sumitomo Realty. After entering the real estate brokerage sector in 1979, Sumitomo Real Estate Sales achieved significant success in that field, and it was listed on the Tokyo Stock Exchange in 1998.

SUMITOMO REALTY'S STRENGTHS

Under the STEP brand name, Sumitomo Real Estate Sales operates a network of brokerage offices with close ties to local communities. The network has been steadily expanded and upgraded, and the number of offices reached 243 by the end of March 2009. Because all of the brokerage offices are directly operated, the network boasts high profit margins. Sumitomo Real Estate Sales holds the number one position in the industry in terms of brokerage revenue from direct operations and in terms of profitability. In the future, the company will continue working to expand its marketing base and increase its market share.

OVERVIEW OF THE FISCAL YEAR

The existing home market was severely impacted by the deteriorating financial environment and the number of transactions substantially decreased, including corporate transactions and large-amount transactions. In addition, while the number of existing condominium transactions was firm in the first half of the year, it declined from the third quarter due mainly to weak demand.

In this market environment, the number of transactions in our mainstay brokerage operations fell 6.5% year on year, to 27,822; transaction prices were down 20.7%, to ¥29.5 million; and total transaction value decreased 25.9%, to ¥821.2 billion.

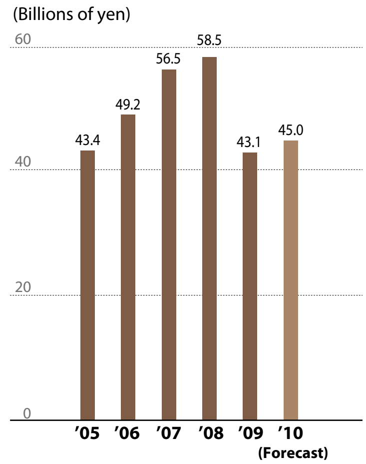
Consequently, revenue from operations was down 26.4%, to ¥43.1 billion, and operating income declined 56.3%, to ¥8.8 billion. We opened up four new directly managed brokerage offices in the Tokyo metropolitan area, in such locations as Honancho and Todoroki, and one office in another area, for a total of five offices. At the end of the year under review, our nationwide total was 243 offices.

OUTLOOK

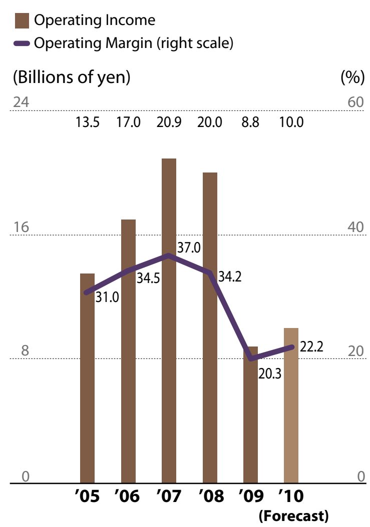
In the March 2010 fiscal year, we will strive to increase sales efficiency through a reinforced IT strategy and to improve the return on expenditures, such as on advertising. Moreover, we will aim for an increase in the number of brokerage transactions and a return to growth in profits.

As a result, in the March 2010 fiscal year we are forecasting revenue from operations of ¥45.0 billion, up 4.4%, and operating income of ¥10.0 billion, an increase of 14.3%.

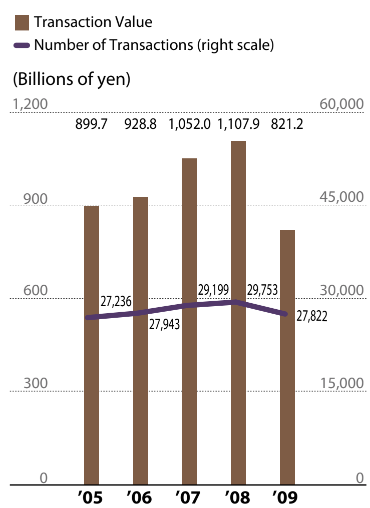
REVENUE FROM OPERATIONS



OPERATING INCOME AND OPERATING MARGIN



NUMBER OF TRANSACTIONS AND TRANSACTION VALUE



OUR HISTORY

DATE	TOPICS
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	■ Merged with the holding company of the former Sumitomo *zaibatsu* during its liquidation.
1964	■ Entered condominium sales business with Hama-Ashiya Mansion in Kobe, Hyogo Prefecture.
1970	■ Listed on the Tokyo and Osaka stock exchanges.
1973	■ Established Sumitomo Fudosan Tatemono Service Co., Ltd., a consolidated subsidiary.
1974	■ Completed construction of 52-story Shinjuku Sumitomo Building in Shinjuku, Tokyo; moved Company headquarters there from Tokyo Sumitomo Building in Marunouchi, Tokyo.
1975	■ Established Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary.
1980	■ Established Sumitomo Fudosan Syscon Co., Ltd., a consolidated subsidiary.
1982	■ Completed construction of 30-story Shinjuku NS Building in Shinjuku, Tokyo; moved Company headquarters there from Shinjuku Sumitomo Building.
1995	■ Commenced American Comfort custom home construction business.
1996	■ Commenced Shinchiku Sokkurisan remodeling business.
1997	■ Entered high-quality business hotel market. Opened Villa Fontaine Nihonbashi and hotels at two other locations.
1998	■ Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary, listed on the Tokyo Stock Exchange.
1999	■ Commenced real estate joint investment trust fund. Launched sales of Sumitomo Realty & Development Fund (SURF) series.
	■ Implemented the Sumquest bond issue, which was the first public issue of real estate securities in Japan.
2000	■ Commenced luxury condominium leasing business. Completed construction of La Tour Shibakoen.
2001	■ The number of managed STEP brokerage offices exceeded 200.
2002	■ Completed construction of Izumi Garden Tower (Roppongi 1-Chome Redevelopment Project).
2003	■ Commenced sales of J-URBAN fixed-price urban-style housing series.
2004	■ Commenced sales of World City Towers in Minato Ward, Tokyo.
2006	■ Established Sumitomo Fudosan Reform Co., Ltd., a consolidated subsidiary.
2007	■ Commenced Nishi Shinjuku 6-Chome West No. 6 District redevelopment construction (Shinjuku Ward, Tokyo).
	■ Commenced Koraku 2-Chome West District redevelopment construction (Bunkyo Ward, Tokyo).
2008	■ Established Sumitomo Fudosan Bellesalle Co., Ltd., a consolidated subsidiary.
	■ Commenced sales at City Towers Toyosu The Twin (Koto Ward, Tokyo).
	■ Commenced redevelopment work in the Nishi Shinjuku 8-Chome District (Shinjuku Ward, Tokyo).
	■ Cumulative total number of orders for Shinchiku Sokkurisan remodeling business surpassed 50,000.
	■ Commenced sales of J-URBAN TRAD, the fifth product in the J-URBAN series.


Shinjuku Sumitomo Building


Shinjuku NS Building


Izumi Garden Tower


World City Towers

CORPORATE GOVERNANCE

FUNDAMENTAL APPROACH TO CORPORATE GOVERNANCE

To achieve sound management, Sumitomo Realty believes that it is important to share information on a Companywide basis, ensure that everyone is aware of problems, enhance internal management supervision and achieve highly transparent management through appropriate information disclosure. We have implemented a number of corporate governance initiatives to realize these practices efficiently.

CORPORATE GOVERNANCE BODIES

In addition to the Board of Directors, the Company has established the Executive Officers Committee, which is led by the Chairman of the Board. These corporate governance bodies discuss important issues and make decisions rapidly and appropriately. The Board of Directors, the Executive Officers Committee and other committees use a variety of means to ensure that information is shared throughout the Company and that everyone is aware of problems.

In April 2004, we instituted an executive officer system with the objectives of selecting capable young employees and substantially bolstering our administrative systems.

The Board of Statutory Auditors has five members, including three outside statutory auditors. To strengthen management oversight, we continue working to enhance outside auditing. The statutory auditors attend meetings of the Board of Directors and the Executive Officers Committee, track internal issues that are important for robust auditing and provide opinions as needed.

The Compliance Department, which has five staff members, monitors the operational execution of divisions throughout the Group and the operation of internal control systems. The department also works to prevent misconduct and mistakes. Moreover, the department reports the results of its audits to the statutory auditors and exchanges opinions with the statutory auditors in an appropriate manner. In these ways, we are working to strengthen and increase the efficiency of both the Board of Statutory Auditors and the Compliance Department. Moreover, from the viewpoint of timely disclosure, we provide important information through our website and other means on a timely basis, and have increased management transparency for shareholders, other investors and suppliers.

INDEPENDENT AUDITORS

In accordance with the Corporate Law and the Financial Instruments and Exchange Law, the Company has concluded an auditing contract with KPMG AZSA & Co. for the auditing of the Company's accounts. There are no conflicts of interest between Sumitomo Realty and the independent auditing company or its employees.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

To efficiently institute sound management practices, the Company has established a range of internal control systems and is working to enhance those systems.

To further enhance our compliance with laws and regulations and to ensure ethical business practices, we established the Compliance Promotion Committee. In addition, through the Compliance Department, we have established internal auditing and internal reporting systems. In these ways, we are working to prevent inappropriate and illegal actions. In regard to information management, to ensure proper storage and control of documents, we have established internal standards for document control. Furthermore, in terms of risk management systems, each department tracks and manages the risks associated with its operations on a daily basis, while important issues are discussed and decided upon by the Board of Directors and the Executive Officers Committee. In the future, we will consider further enhancement of regulations and systems as needed.

COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

At the ordinary general meeting of shareholders held in June 2004, we introduced a new performance-based compensation system for directors. Under this system, the annual compensation for directors is based on the Company's performance. The new system combines the three elements that made up the previous system—monthly compensation, annual bonuses and retirement allowances.

Under the new system, total annual (July to June) compensation for directors is set at 1% of consolidated ordinary profit.

In the year under review, compensation for directors was ¥1,219 million and compensation for statutory auditors was ¥68 million.

INTRODUCTION OF TAKEOVER DEFENSE MEASURES

The Company introduced a policy for responding to large-scale purchases of its shares, and at the ordinary general meeting of shareholders held on June 28, 2007 the policy was approved by more than 70% of shareholders, which is the level of support required for the approval of special resolutions.

Overview of Takeover Defense Measures

Large-scale purchases that are subject to the policy are those purchases of shares of the Company where a specific shareholder group intends to hold a ratio of voting rights of 20% or more or where a specific shareholder group will, as a result, hold a ratio of voting rights of 20% or more.

The large-scale purchase rules stipulate that the large-scale purchase shall begin after necessary and sufficient information is provided to the Board of Directors by the large-scale purchaser and a certain period for evaluation by the Board of Directors has elapsed.

To ensure the objectivity, fairness and rationality of decisions of the Board of Directors, a special committee will be established that consists of members selected from among external academic experts, lawyers, certified public accountants, etc.

If the large-scale purchase will significantly damage the corporate value and common interests of shareholders, after considering the opinions of external experts, including lawyers and financial advisors, and taking into the fullest account the recommendations of the special committee, the Board of Directors may take countermeasures to deter the purchase, such as the issuance of stock options.

The effective period of the takeover defense policy is matched with the period of the Fourth Plan, which was commenced in April 2007. The effective period will expire at the close of the 77th ordinary general meeting of shareholders held by the end of June 2010.

SIX-YEAR FINANCIAL SUMMARY

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
Years ended March 31

	Millions of yen					
	2009	2008	2007	2006	2005	2004
For the Year						
Revenue from operations	**¥695,240**	¥691,928	¥676,834	¥646,525	¥616,115	¥573,862
Leasing	**298,359**	279,568	262,620	234,280	221,234	202,776
Sales	**191,224**	193,575	211,035	224,735	224,191	213,303
Construction	**160,134**	156,606	142,564	135,158	127,388	125,086
Brokerage	**43,105**	58,542	56,532	49,217	43,445	39,809
Cost of revenue from operations	**496,547**	488,202	490,491	487,805	470,636	435,078
SG&A expenses	**52,327**	49,118	49,167	46,697	45,188	42,807
% of revenue from operations	**7.5%**	7.1%	7.3%	7.2%	7.3%	7.5%
Operating income	**146,366**	154,608	137,176	112,023	100,291	95,977
% of revenue from operations	**21.1%**	22.3%	20.3%	17.3%	16.3%	16.7%
Depreciation and amortization	**17,886**	17,150	15,677	16,330	14,019	12,211
At Year-End						
Current assets	**¥ 759,816**	¥ 784,195	¥ 756,488	¥ 619,219	¥ 481,341	¥ 503,911
Sales inventory*1	**568,970**	550,863	531,377	388,627	260,613	234,019
Total assets	**3,006,412**	2,894,004	2,747,900	2,460,080	2,136,329	2,090,970
Shareholders' equity*2	**436,667**	427,423	409,197	375,656	320,098	303,875
Net interest-bearing debt	**1,722,733**	1,548,509	1,343,824	1,150,880	935,155	916,156
Per Share Amounts (Yen)						
Net income	**¥ 97.39**	¥133.00	¥105.92	¥ 68.33	¥ 32.64	¥ 15.34
Shareholders' equity	**920.74**	900.57	861.93	790.74	673.40	639.01
Cash dividend applicable to the year	**20.00**	18.00	14.00	10.00	9.00	9.00
Key Ratios						
Equity ratio (%)	**14.5**	14.8	14.9	15.3	15.0	14.5
ND/E ratio*3 (Times)	**3.9**	3.6	3.3	3.1	2.9	3.0

*1. Sales inventory = Inventories + Investments in SPCs holding properties for sale
*2. Shareholders' equity = Net assets – Minority interests
*3. ND/E ratio = Net interest-bearing debt (Interest-bearing debt – Cash, time and notice deposits) / Shareholders' equity

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

In the March 2009 fiscal year, the second year of the Fourth Management Plan (the Third Growth Plan), we achieved our twelfth consecutive year of gains in revenue from operations, but operating income and ordinary profit both declined for the first time in 12 years. Specifically, leasing operations recorded substantial increases in both revenue and profit, and construction operations also made a contribution with revenue and profit gains. However, brokerage operations and sales operations were significantly impacted by the severe economic conditions and posted declines in both revenue and profit.

From April 2007, we started the Fourth Plan. The basic objective of this plan is to maintain the pace of growth achieved under the three previous plans. The numerical targets for the three years of the plan are revenue from operations of ¥2.4 trillion, operating income of ¥470.0 billion, and ordinary profit of ¥380.0 billion. However, following the completion of the plan's second year it was apparent that we will have difficulty achieving these targets due to the deterioration in economic conditions, which greatly exceeded expectations. However, compared to the previous plan, we anticipate that we will still achieve solid increases in revenue from operations, operating income, and ordinary profit.

For further information, please see page 4.

RESULTS OF OPERATIONS

Revenue from Operations and Operating Income

In the March 2009 fiscal year, we recorded substantial gains in revenue and profit in the leasing segment. Factors contributing to this performance included progress made in raising rents at existing buildings and the full-year contribution of buildings that opened in the previous fiscal year. Construction operations also contributed to business results through higher revenue and profit. In contrast, both brokerage operations and sales operations were seriously affected by the deterioration in economic conditions and recorded declines in revenue and profit. As a result, in the fiscal year under review revenue from operations was up 0.5%, to ¥695.2 billion, but operating income fell 5.3%, to ¥146.4 billion.

For further information about each segment, please see the Review of Operations section on page 6.

Other Income and Expenses

Net other expenses worsened to ¥67.1 billion, from ¥40.6 billion in the previous fiscal year. This was primarily attributable to interest expense, net, of ¥29.7 billion, an increase of ¥5.1 billion from the previous year; loss on devaluation of inventories of ¥13.8 billion; and loss on devaluation of investments in securities of ¥14.2 billion.

Net Income

Income before income taxes and minority interests totaled ¥79.3 billion, a fall of 30.5%. Income taxes decreased 32.7%, to ¥32.0 billion. As a result, net income declined 26.8%, to ¥46.2 billion, and the net margin was down to 6.6%, from 9.1% in the previous fiscal year.

CASH FLOWS

Cash and cash equivalents at end of year totaled ¥124.9 billion, an increase of ¥8.4 billion from the end of the previous year. Cash flows were as follows.

Cash Flows from Operating Activities

Net cash used in operating activities was ¥52.7 billion, due principally to accumulation of properties for sale. In comparison with the previous year, net cash used in operating activities increased ¥33.2 billion. This is due to the decline in income before income taxes and minority interests and the increase in investment in properties for sale (condominiums).

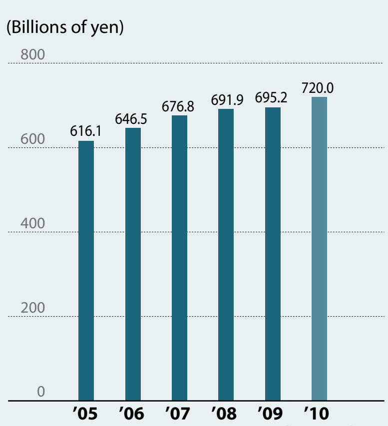
Cash Flows from Investing Activities

Net cash used in investing activities was ¥110.1 billion. As new development investment in the leasing segment, we made payments for purchases of property and equipment amounting to ¥84.6 billion. We also recorded a refund of about ¥64.9 billion in deposits from partnership investors, such as Sumitomo Realty & Development Fund (SURF) investment partnerships, for leased buildings managed by the Company.

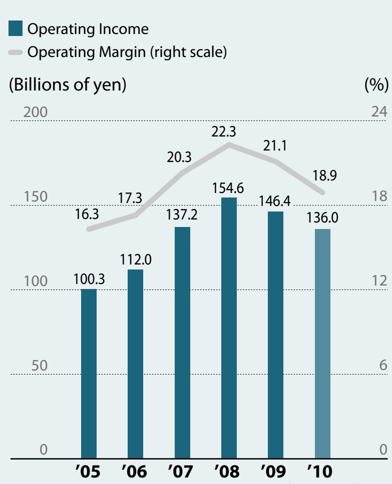
Cash Flows from Financing Activities

Net cash provided by financing activities was ¥173.4 billion. For the accumulation of properties for sale and investment in leasing

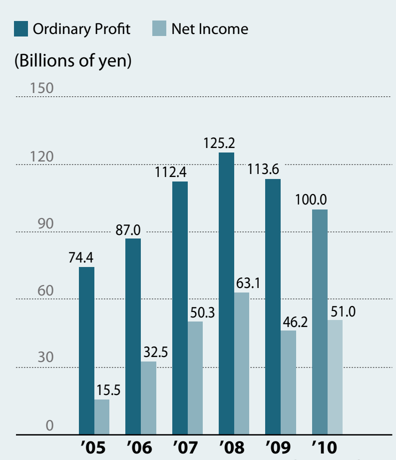
REVENUE FROM OPERATIONS



OPERATING INCOME AND OPERATING MARGIN



ORDINARY PROFIT* AND NET INCOME



* Please see the note to the graphs on page 1.

facilities, we raised ¥35.9 billion through long-term debt. In addition, increase in short-term debt (including commercial paper) was ¥161.7 billion. Consequently, the balance of interest-bearing debt increased to ¥1,847.6 billion.

CAPITAL RESOURCES AND LIQUIDITY

Assets

At the end of the year under review, total assets were ¥3,006.4 billion, an increase of 3.9%. This gain was principally due to an increase in property and equipment stemming from investment in leasing facilities. Total current assets decreased 3.1%, to ¥759.8 billion. From the fiscal year under review, inventories are classified as follows: real estate for sale, real estate for sale in progress, construction in progress, and other inventories. Net property and equipment increased 11.0%, to ¥1,801.4 billion.

Liabilities

Total liabilities at the end of the year under review were up 4.3% from the previous fiscal year-end, to ¥2,552.0 billion. Total current liabilities increased 15.9%, to ¥899.2 billion. In addition to a rise in loans, principally from banks, of 38.5%, to ¥271.0 billion, the primary factors were an increase in commercial paper of 97.6%, to ¥174.9 billion, and a rise in bonds scheduled for redemption within one year of 166.7%, to ¥40.0 billion. Total long-term liabilities were down 1.1%, to ¥1,652.8 billion, mainly due to a decrease in bonds of 10.8%, to ¥330.0 billion.

As a result, at the end of the fiscal year, interest-bearing debt was up ¥182.6 billion, to ¥1,847.6 billion. Interest-bearing debt includes a perpetual subordinated loan of ¥120.0 billion that the Company took out on February 22, 2008. Based on the uncertain economic conditions in the previous fiscal year, this subordinated loan, which received a high level of equity credit—75%—from the Japan Credit Rating Agency, was intended to increase effective shareholders' equity as a provision for future financial risk while avoiding equity dilution.

For further information, please see "Overview of Perpetual Subordinated Loan and New Stock Subscription Rights" on page 23.

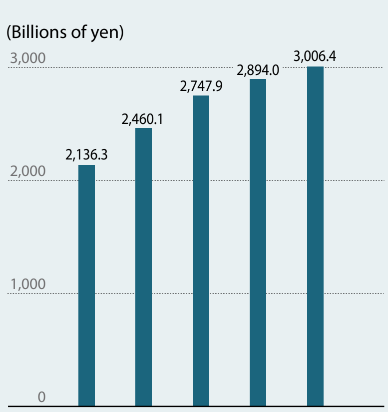
	Millions of yen			
	2009	2008	Amount change	% change
Short-term debt:				
Principally from banks	**¥ 270,970**	¥ 195,670	¥ 75,300	38.5%
Commercial paper	**174,900**	88,500	86,400	97.6%
Subtotal	**445,870**	284,170	161,700	56.9%
Long-term debt:				
Bonds and notes	**370,000**	385,000	–15,000	–3.9%
Loans principally from banks	**911,757**	875,872	35,885	4.1%
Perpetual subordinated loan	**120,000**	120,000	—	—
Subtotal	**1,401,757**	1,380,872	20,885	1.5%
Long-term debt due within one year	**160,410**	114,990	45,420	39.5%
Long-term debt due after one year	**1,241,347**	1,265,882	–24,535	–1.9%
Interest-bearing debt	**1,847,627**	1,665,042	182,585	11.0%

Shareholders' Equity

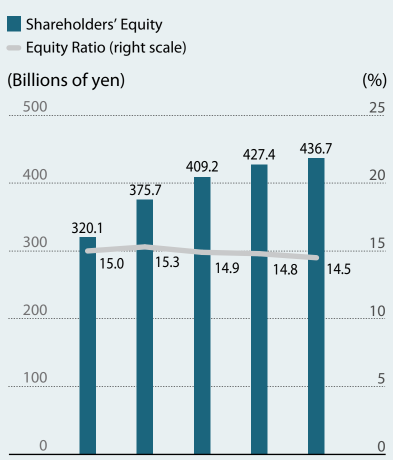
Net income was ¥46.2 billion, and retained earnings increased, while net unrealized holding gains (losses) on securities decreased by ¥18.6 billion. Consequently, shareholders' equity was up 2.2% year on year, to ¥436.7 billion, and the equity ratio was 14.5%, compared to 14.8% a year earlier. Allowing for the capital nature of the perpetual subordinated loan, the effective equity ratio was 17.5%.

ROE fell to 10.7%, from 15.1% a year earlier, while ROA was 5.1%, compared to 5.6% the previous year.

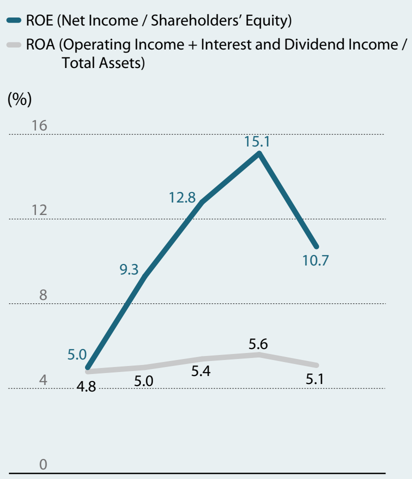
TOTAL ASSETS



SHAREHOLDERS' EQUITY AND EQUITY RATIO



ROE AND ROA



FINANCIAL STRATEGY

Characteristics of Operations and Diversification of Fund-Raising

In leasing and sales, which are our mainstay business segments, several years are required from the acquisition of a site to the completion of a building and the generation of revenues. In addition, significant advance investment is required. In consideration of these factors, under the three mid-term management plans from April 1997, to reinforce our financial position and achieve operational growth, we worked to diversify our fund-raising methods so as to control interest-bearing debt while making investments needed for growth.

Specifically, we have aggressively introduced development securitization methods using SPCs. With SPCs where off-balance-sheet funds are raised through non-recourse loans, we have worked to conduct development on a large-scale with a small amount of equity money without placing a burden on our balance sheet. At the end of March 2009, the balance of the Company's equity investments in SPCs was ¥119 billion, and the balance of the non-recourse loan and other off-balance-sheet debt was approximately ¥600 billion, for a total of approximately ¥720 billion. In addition, to diversify our fund-raising methods in order to control interest-bearing debt, we have formed SURF (Sumitomo Realty & Development Fund) investment partnerships backed by leased buildings, making effective use of our assets in our fund-raising activities. At the end of March 2009, the balance of investment received in SURF investment partnerships was ¥134 billion which was recorded on the balance sheet as deposits received. For further information regarding SPCs, please see note 24 on page 41.

By actively utilizing these types of fund-raising methods that do not rely on interest-bearing debt, we have raised large amounts of funds without having to sell assets at low prices, and have aggressively acquired sites when site acquisition costs are low and there are investment opportunities. Consequently, we have completed the acquisition of the sites needed for the achievement of the current plan, and have made favorable progress in the acquisition of sites for the next plan and future plans.

Investing in Line with Changes in the Market Environment and Strengthening Financial Position

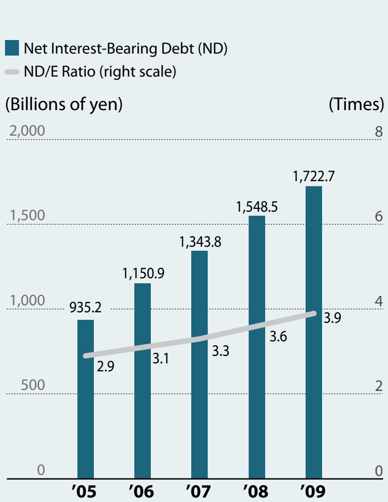
In the current environment, competition in site acquisition has intensified, and it is not easy to acquire large, prime sites. This situation was unchanged even in the second half of the fiscal year, when business conditions in Japan and overseas slumped due to the global financial crisis. For the past few years Sumitomo Realty has implemented a policy centered on urban redevelopment for future site acquisition. Due to the need to coordinate rights among landowners, redevelopment requires time and effort, but on the other hand comparatively high levels of profits can be expected.

In addition to moving ahead with these types of investments, we are steadily strengthening our financial position. For site acquisition, in redevelopment projects it is difficult to raise funds through SPCs that utilize non-recourse methods, which means that we need to use on-balance-sheet fund-raising methods. Accordingly, to maintain a stable financial position even in a worsening financial environment, we raised ¥120.0 billion in February 2008 through a perpetual subordinated loan. This subordinated loan, which received a high level of equity credit—75%—from a rating agency, was intended to increase effective shareholders' equity while avoiding equity dilution. Aiming for further growth, the Company will continue to invest in development, as this is a useful method of fund-raising from the viewpoint of increasing financial stability.

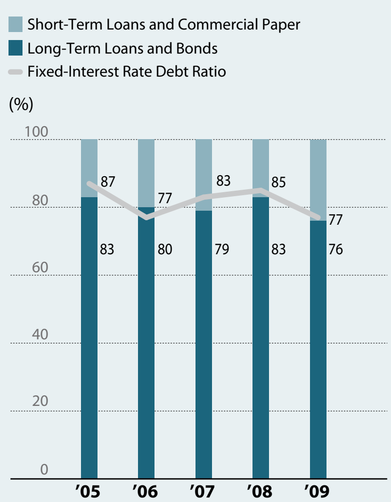
On the other hand, we are making progress in the accumulation of equity through growth in profits. We expect to reduce the ND/E ratio, a key management indicator, from 3.3 times at the end of the Third Plan (end of March 2007) to less than 3 times at the end of the current plan (end of March 2010), after including the equity nature of the perpetual subordinated loan.

In addition, the cash flow generated by our core leasing business is more than ¥100.0 billion, reaching ¥121.5 billion in the year under review, nearly double the level of five years ago. This represents increased operational stability. Accordingly, while net interest-bearing debt (ND) has increased over the past five years, the ND/Leasing Cash Flow Ratio has remained stable. Ratings agencies have evaluated this stability highly, and we have maintained our ratings even in a difficult financial environment. For more details, please see the LEASING CASH FLOWS graph on the next page.

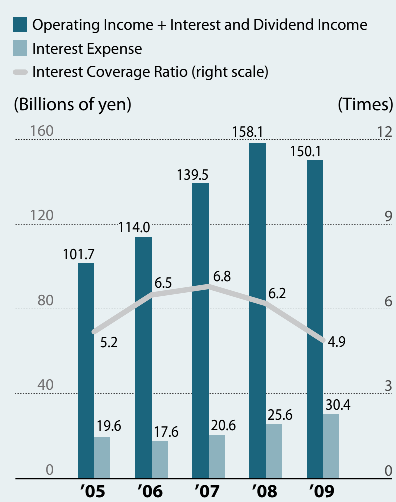
NET INTEREST-BEARING DEBT (ND) AND ND/E RATIO



LONG-TERM DEBT RATIO AND FIXED-INTEREST RATE DEBT RATIO



INTEREST COVERAGE RATIO



We are also working to raise funds at fixed, long-term rates as a precaution against future increases in interest rates. As a result, at the end of the year under review, long-term debt accounted for 76% of interest-bearing debt, and fixed-interest rate debt accounted for 77% of interest-bearing debt.

Site acquisition is essential to the achievement of ongoing growth. Moving forward, we will continue to strengthen our financial position and work to achieve increased fund-raising stability as we continue to invest in growth, centered on the core leasing business.

Overview of Perpetual Subordinated Loan and New Stock Subscription Rights

The perpetual subordinated loan entails the allotment of new stock subscription rights with the objective of the creditor to secure a method of recovering its investment. In regard to the new stock subscription rights, consideration has been given to limiting the possibility of dilution upon execution.

Overview of Perpetual Subordinated Loan

Amount:	¥120.0 bilion
Borrower:	Sumitomo Realty & Development Co., Ltd.
Lendor:	Sumitomo Mitsui Banking Corporation (Trust Account)
Effective date:	February 22, 2008
Maturity date:	No fixed date (*1)
Applicable interest rate (*2):	(1) From February 22, 2008 to February 21, 2013: 3 Month Yen TIBOR + 1.10% (2) From February 22, 2013: 3 Month Yen TIBOR + 2.10%

Overview of New Stock Subscription Rights

Allotted to:	Sumitomo Mitsui Banking Corporation (Trust Account)
Number of shares from subscription rights(*2):	49,180,327 shares
New share subscription right exercise period:	February 22, 2008, to February 22, 2058 (*3)
Exercise price:	95% of market price (average of the closing price over the previous 20 business days), minimum exercise price: ¥1,087

*1. However, voluntary repayment is possible in the event that five years have passed from the date of the loan (i.e., February 22, 2013 and thereafter), and certain other conditions are met.
*2. As of the effective date of the perpetual subordinated loan.
*3. Prior to February 22, 2014, the rights cannot be exercised unless perpetual subordinated loan interest payments have been stopped. Voluntary repayment is possible on or after February 22, 2013. In the event of repayment, the new stock subscription rights will become unexerciseable, and the Company will acquire the new stock subscription rights at no cost.

DIVIDEND POLICY

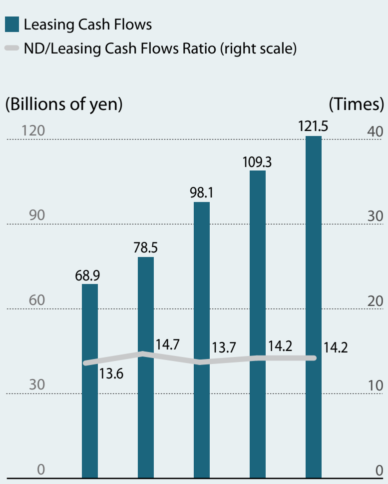
Our fundamental policy for the distribution of profit is to maintain a stable base level of dividends and, while retaining a sufficient level of earnings for stable, long-term operational growth, to increase dividends in line with growth in profit.

We have implemented three plans since April 1997. We steadily strengthened our profit foundation under two management plans—the First Plan and the Second Plan. In addition, we worked to respond to various changes in accounting standards and to reduce unrealized losses. Over this period, due to comparatively large special losses, net income fluctuated, but we maintained annual dividends at ¥6.00 per share. At the conclusion of the Second Plan, we raised dividends to the bubble-period level: ¥9.00 per share.

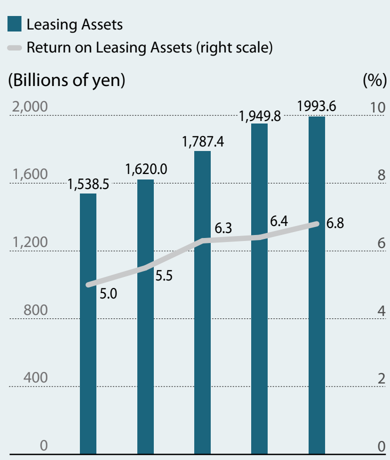
Under the Third Plan, which began in April 2004, we completed the implementation of measures to deal with unrealized losses, and were able to lay the foundation for full-scale growth in EPS. Due to the success of the Third Plan, for the March 2007 fiscal year, the final year of the Third Plan, dividends were raised to ¥14.00 per share.

In the year under review, the second year of the Fourth Plan, ordinary profit was down year on year, but over the course of the Fourth Plan, we are forecasting an increase in profits in comparison with the Third Plan. Accordingly, with a priority on the continuation of stable dividends, we increased per-share dividends by ¥2.00, to ¥20.00. In addition, we also plan per-share cash dividends of ¥20.00 for the March 2010 fiscal year.

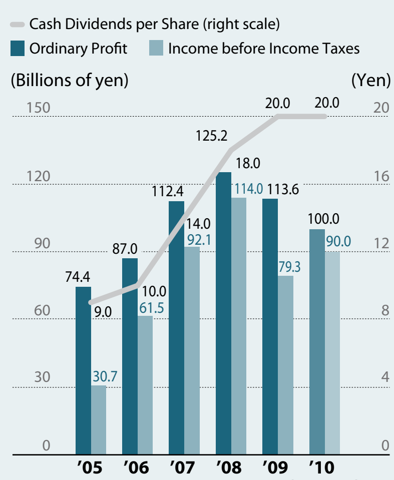
LEASING CASH FLOWS



LEASING ASSETS AND RETURN ON LEASING ASSETS



CASH DIVIDENDS PER SHARE, ORDINARY PROFIT AND INCOME BEFORE INCOME TAXES



CONSOLIDATED BALANCE SHEETS

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2009**	2008	**2009**
Current assets:			
Cash, time and notice deposits (Note 3)	**¥ 124,894**	¥ 116,533	**$ 1,271,445**
Marketable securities (Note 7)	**3**	3	**31**
Investments in SPCs holding properties for sale (Note 7)	**50,085**	38,995	**509,875**
Notes and accounts receivable–trade	**11,559**	14,308	**117,673**
Loans receivable	**21,188**	43,018	**215,698**
Allowance for doubtful accounts	**(734)**	(425)	**(7,472)**
Inventories (Note 4)	**518,885**	511,868	**5,282,348**
Deferred income taxes (Note 18)	**10,569**	12,394	**107,594**
Other current assets	**23,367**	47,501	**237,879**
Total current assets	**759,816**	784,195	**7,735,071**
Investments and advances:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	**5,845**	5,854	**59,503**
Investments in securities and other (Note 7)	**211,052**	255,403	**2,148,549**
Allowance for doubtful accounts	**(14,583)**	(16,428)	**(148,457)**
Total investments and advances	**202,314**	244,829	**2,059,595**
Property and equipment (Notes 4 and 6)**:**			
Land	**1,438,071**	1,261,992	**14,639,835**
Buildings and structures	**464,693**	460,983	**4,730,662**
Machinery and equipment	**15,844**	18,904	**161,295**
Leased assets	**869**	—	**8,847**
Construction in progress	**61,824**	53,665	**629,380**
	1,981,301	1,795,544	**20,170,019**
Accumulated depreciation	**(179,893)**	(172,706)	**(1,831,345)**
Net property and equipment	**1,801,408**	1,622,838	**18,338,674**
Other assets:			
Guarantee and lease deposits paid to lessors	**170,090**	180,031	**1,731,548**
Leasehold rights and other intangible assets	**51,664**	51,625	**525,949**
Deferred income taxes (Note 18)	**17,857**	6,113	**181,788**
Other	**3,263**	4,373	**33,218**
Total other assets	**242,874**	242,142	**2,472,503**
Total assets	**¥3,006,412**	¥2,894,004	**$30,605,843**

See accompanying notes.

Liabilities and Net Assets	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Short-term debt (Notes 6 and 8)	**¥ 445,870**	¥ 284,170	**$ 4,539,041**
Long-term debt due within one year (Notes 6 and 8)	**160,410**	114,990	**1,633,004**
Notes and accounts payable–trade	**39,691**	39,304	**404,062**
Accrued income taxes (Note 18)	**17,317**	24,358	**176,290**
Accrued bonuses	**2,790**	3,335	**28,403**
Deposits received (Note 19)	**173,179**	241,659	**1,762,995**
Other current liabilities	**59,946**	67,933	**610,261**
Total current liabilities	**899,203**	775,749	**9,154,056**
Long-term liabilities:			
Long-term debt due after one year (Notes 6 and 8)	**1,241,347**	1,265,882	**12,637,148**
Guarantee and deposits received (Note 19)	**400,480**	394,512	**4,076,962**
Allowance for employees' severance and retirement benefits (Note 9)	**4,987**	4,639	**50,769**
Other long-term liabilities	**5,970**	5,887	**60,775**
Total long-term liabilities	**1,652,784**	1,670,920	**16,825,654**
Contingent liabilities (Note 25)			
Net assets (Note 20)**:**			
Common stock:			
Authorized – 1,900,000 thousand shares			
Issued – 476,086 thousand shares	**122,805**	122,805	**1,250,178**
Capital surplus	**132,750**	132,759	**1,351,420**
Retained earnings	**208,458**	176,229	**2,122,142**
Treasury stock	**(3,493)**	(2,747)	**(35,559)**
	460,520	429,046	**4,688,181**
Net unrealized holding gains (losses) on securities	**(15,773)**	2,870	**(160,572)**
Net deferred losses on hedges	**(2,318)**	(2,252)	**(23,598)**
Foreign currency translation adjustments	**(5,762)**	(2,241)	**(58,658)**
	(23,853)	(1,623)	**(242,828)**
Minority interests	**17,758**	19,912	**180,780**
Total net assets	**454,425**	447,335	**4,626,133**
Total liabilities and net assets	**¥3,006,412**	¥2,894,004	**$30,605,843**

CONSOLIDATED STATEMENTS OF INCOME

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Revenue from operations	**¥695,240**	¥691,928	¥676,834	**$7,077,675**
Costs and expenses:				
Cost of revenue from operations	**496,547**	488,202	490,491	**5,054,942**
Selling, general and administrative expenses	**52,327**	49,118	49,167	**532,699**
	548,874	537,320	539,658	**5,587,641**
Operating income	**146,366**	154,608	137,176	**1,490,034**
Other income (expenses):				
Interest expense, net	**(29,718)**	(24,619)	(20,049)	**(302,535)**
Dividend income	**3,053**	2,494	1,800	**31,080**
Gain on sale of property and equipment	**10**	174	65	**102**
Loss on sale of property and equipment	**(657)**	(61)	(13)	**(6,688)**
Loss on impairment of fixed assets (Note 10)	**(165)**	(4,292)	(793)	**(1,680)**
Loss on devaluation of property and equipment (Note 11)	**—**	—	(62,644)	**—**
Loss on disposal of property and equipment	**(1,035)**	(482)	(215)	**(10,536)**
Gain on sale of investments in securities	**28**	3	227	**285**
Loss on sale of investments in securities	**(235)**	(1)	—	**(2,392)**
Loss on devaluation of investments in securities	**(14,188)**	(5,111)	(1,548)	**(144,437)**
Dividend to partnership investors	**(3,135)**	(3,487)	(3,916)	**(31,915)**
Gain on prior periods adjustment (Note 15)	**1,023**	—	—	**10,414**
Gain on adjustment of accrued rent payable (Note 14)	**—**	2,385	—	**—**
Gain on adjustment of sub-lease rent paid (Note 13)	**—**	—	1,440	**—**
Gain on liquidation of limited partnership (Note 12)	**—**	—	46,192	**—**
Loss on devaluation of inventories (Note 16)	**(13,770)**	—	—	**(140,181)**
Loss on devaluation of real estate for sale	**—**	(2,098)	—	**—**
Loss on devaluation of common stocks of affiliates	**(3,545)**	—	—	**(36,089)**
Repair expenses for prior periods construction (Note 17)	**(1,641)**	—	—	**(16,706)**
Provision for allowance for doubtful accounts	**—**	—	(2,828)	**—**
Other, net	**(3,137)**	(5,543)	(2,787)	**(31,935)**
	(67,112)	(40,638)	(45,069)	**(683,213)**
Income before income taxes and minority interests	**79,254**	113,970	92,107	**806,821**
Income taxes (Note 18)**:**				
Current	**29,362**	43,521	39,591	**298,911**
Deferred	**2,686**	4,094	(1,055)	**27,344**
Total	**32,048**	47,615	38,536	**326,255**
Minority interests	**1,001**	3,222	3,271	**10,190**
Net income	**¥ 46,205**	¥ 63,133	¥ 50,300	**$ 470,376**

	Yen			U.S. dollars (Note 1)
	2009	2008	2007	2009
Amounts per share of common stock:				
Net income:				
– Basic	**¥97.39**	¥133.00	¥105.92	**$0.99**
– Diluted	**86.30**	131.86	—	**0.88**
Cash dividend applicable to the year	**20.00**	18.00	14.00	**0.20**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2009, 2008 and 2007

	Thousands	Millions of yen										
		Shareholders' equity					Valuation and transaction adjustments					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	476,086	¥122,805	¥132,748	¥ 75,652	¥(1,235)	¥329,970	¥ 46,900	¥ —	¥(1,214)	¥ 45,686	¥15,233	¥390,889
Net income	—	—	—	50,300	—	50,300	—	—	—	—	—	50,300
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(304)	(304)	—	(304)
Net unrealized holding losses on securities	—	—	—	—	—	—	(10,108)	—	—	(10,108)	—	(10,108)
Acquisition of treasury stock	—	—	—	—	(1,022)	(1,022)	—	—	—	—	—	(1,022)
Gains on sale of treasury stock	—	—	6	—	3	9	—	—	—	—	—	9
Cash dividends paid:												
Final for prior year (¥5 per share)	—	—	—	(2,375)	—	(2,375)	—	—	—	—	—	(2,375)
Interim for current year (¥6 per share)	—	—	—	(2,849)	—	(2,849)	—	—	—	—	—	(2,849)
Bonuses to directors	—	—	—	(37)	—	(37)	—	—	—	—	—	(37)
Minority interests	—	—	—	—	—	—	—	—	—	—	2,617	2,617
Net deferred losses on hedges	—	—	—	—	—	—	—	(73)	—	(73)	—	(73)
Balance at March 31, 2007	476,086	122,805	132,754	120,691	(2,254)	373,996	36,792	(73)	(1,518)	35,201	17,850	427,047
Net income	—	—	—	63,133	—	63,133	—	—	—	—	—	63,133
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(723)	(723)	—	(723)
Net unrealized holding losses on securities	—	—	—	—	—	—	(33,922)	—	—	(33,922)	—	(33,922)
Acquisition of treasury stock	—	—	—	—	(502)	(502)	—	—	—	—	—	(502)
Gains on sale of treasury stock	—	—	5	—	9	14	—	—	—	—	—	14
Cash dividends paid:												
Final for prior year (¥8 per share)	—	—	—	(3,798)	—	(3,798)	—	—	—	—	—	(3,798)
Interim for current year (¥8 per share)	—	—	—	(3,797)	—	(3,797)	—	—	—	—	—	(3,797)
Minority interests	—	—	—	—	—	—	—	—	—	—	2,062	2,062
Net deferred losses on hedges	—	—	—	—	—	—	—	(2,179)	—	(2,179)	—	(2,179)
Balance at March 31, 2008	476,086	122,805	132,759	176,229	(2,747)	429,046	2,870	(2,252)	(2,241)	(1,623)	19,912	447,335
Net income	—	—	—	**46,205**	—	**46,205**	—	—	—	—	—	**46,205**
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	**(3,521)**	**(3,521)**	—	**(3,521)**
Net unrealized holding losses on securities	—	—	—	—	—	—	**(18,643)**	—	—	**(18,643)**	—	**(18,643)**
Acquisition of treasury stock	—	—	—	—	**(842)**	**(842)**	—	—	—	—	—	**(842)**
Gains on sale of treasury stock	—	—	**(9)**	—	**96**	**87**	—	—	—	—	—	**87**
Change of scope of consolidation	—	—	—	**(4,487)**	—	**(4,487)**	—	—	—	—	—	**(4,487)**
Cash dividends paid:												
Final for prior year (¥10 per share)	—	—	—	**(4,746)**	—	**(4,746)**	—	—	—	—	—	**(4,746)**
Interim for current year (¥10 per share)	—	—	—	**(4,743)**	—	**(4,743)**	—	—	—	—	—	**(4,743)**
Minority interests	—	—	—	—	—	—	—	—	—	—	**(2,154)**	**(2,154)**
Net deferred losses on hedges	—	—	—	—	—	—	—	**(66)**	—	**(66)**	—	**(66)**
Balance at March 31, 2009	**476,086**	**¥122,805**	**¥132,750**	**¥208,458**	**¥(3,493)**	**¥460,520**	**¥(15,773)**	**¥(2,318)**	**¥(5,762)**	**¥(23,853)**	**¥17,758**	**¥454,425**

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Valuation and transaction adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$1,250,178	$1,351,512	$1,794,045	$(27,965)	$4,367,770	$ 29,217	$(22,926)	$(22,814)	$ (16,523)	$202,708	$4,553,955
Net income	—	—	**470,376**	—	**470,376**	—	—	—	—	—	**470,376**
Foreign currency translation adjustments	—	—	—	—	—	—	—	**(35,844)**	**(35,844)**	—	**(35,844)**
Net unrealized holding losses on securities	—	—	—	—	—	**(189,789)**	—	—	**(189,789)**	—	**(189,789)**
Acquisition of treasury stock	—	—	—	**(8,571)**	**(8,571)**	—	—	—	—	—	**(8,571)**
Gains on sale of treasury stock	—	**(92)**	—	**977**	**885**	—	—	—	—	—	**885**
Change of scope of consolidation	—	—	**(45,679)**	—	**(45,679)**	—	—	—	—	—	**(45,679)**
Cash dividends paid:											
Final for prior year ($0.10 per share)	—	—	**(48,315)**	—	**(48,315)**	—	—	—	—	—	**(48,315)**
Interim for current year ($0.10 per share)	—	—	**(48,285)**	—	**(48,285)**	—	—	—	—	—	**(48,285)**
Minority interests	—	—	—	—	—	—	—	—	—	**(21,928)**	**(21,928)**
Net deferred losses on hedges	—	—	—	—	—	—	**(672)**	—	**(672)**	—	**(672)**
Balance at March 31, 2009	**$1,250,178**	**$1,351,420**	**$2,122,142**	**$(35,559)**	**$4,688,181**	**$(160,572)**	**$(23,598)**	**$(58,658)**	**$(242,828)**	**$180,780**	**$4,626,133**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 79,254**	¥ 113,970	¥ 92,107	**$ 806,821**
Depreciation and amortization	**17,886**	17,150	15,677	**182,083**
Loss on impairment of fixed assets (Note 10)	**165**	4,292	793	**1,680**
Provision for (Reversal of) allowance for doubtful accounts	**(1,086)**	(35,886)	6,265	**(11,056)**
Increase (Decrease) in employees' severance and retirement benefits	**342**	(122)	(173)	**3,482**
Loss on devaluation of inventories (Note 16)	**13,770**	—	—	**140,181**
Loss on devaluation of real estate for sale	**—**	2,098	—	**—**
Loss (Gain) on sale of property and equipment, net	**647**	(114)	(52)	**6,587**
Loss on devaluation of property and equipment (Note 11)	**—**	—	62,644	**—**
Loss on disposal of property and equipment	**1,035**	482	215	**10,536**
Loss (Gain) on sale of investments in securities, net	**207**	(3)	(227)	**2,107**
Loss on devaluation of investments in securities	**14,188**	5,111	1,548	**144,437**
Loss on devaluation of common stocks of affiliates	**3,545**	—	—	**36,089**
Interest and dividend income	**(3,735)**	(3,484)	(2,307)	**(38,023)**
Interest expense	**30,400**	25,609	20,556	**309,478**
Increase in investments in SPCs holding properties for sale	**(11,090)**	(1,644)	(137)	**(112,898)**
Decrease in notes and accounts receivable–trade	**2,519**	7,325	4,600	**25,644**
Increase in inventories	**(106,778)**	(71,116)	(190,790)	**(1,087,020)**
Decrease (Increase) in loans receivable	**(3,108)**	16,564	2,298	**(31,640)**
Increase (Decrease) in notes and accounts payable–trade	**612**	(18,087)	2,094	**6,230**
Increase (Decrease) in advances received	**(2,510)**	(7,250)	1,383	**(25,552)**
Other, net	**(25,450)**	(10,730)	1,868	**(259,087)**
Total	**10,813**	44,165	18,362	**110,079**
Proceeds from interest and dividend income	**3,735**	3,485	2,305	**38,023**
Payments for interest	**(30,638)**	(25,181)	(20,364)	**(311,901)**
Payments for income tax and other taxes	**(36,583)**	(41,917)	(49,184)	**(372,422)**
Net cash used in operating activities	**(52,673)**	(19,448)	(48,881)	**(536,221)**
Cash flows from investing activities:				
Payments for purchases of property and equipment	**(84,620)**	(144,016)	(152,601)	**(861,448)**
Proceeds from sale of property and equipment	**20,245**	926	529	**206,098**
Payments for purchases of investments in securities	**(16,586)**	(40,449)	(27,457)	**(168,849)**
Proceeds from sale of investments in securities	**17,657**	7,336	25,538	**179,752**
Payments for guarantee and lease deposits paid to lessors	**(3,231)**	(4,298)	(19,168)	**(32,892)**
Proceeds from guarantee and lease deposits paid to lessors	**12,709**	16,615	5,111	**129,380**
Payments for guarantee and lease deposits received	**(15,060)**	(21,260)	(16,283)	**(153,314)**
Proceeds from guarantee and lease deposits received	**22,212**	30,840	31,092	**226,122**
Receipts of deposits from partnership investors	**47,455**	110,874	79,520	**483,101**
Restitution of deposits from partnership investors	**(112,336)**	(95,902)	(94,517)	**(1,143,602)**
Other, net	**1,408**	559	(19,652)	**14,334**
Net cash used in investing activities	**(110,147)**	(138,775)	(187,888)	**(1,121,318)**
Cash flows from financing activities:				
Increase (Decrease) in short-term debt	**161,650**	(21,800)	56,700	**1,645,628**
Proceeds from issuance of bonds and notes	**—**	100,000	100,000	**—**
Redemption of bonds and notes	**(15,000)**	(66,567)	(80,874)	**(152,703)**
Increase in long-term debt	**35,944**	179,765	130,786	**365,917**
Increase (Decrease) in assignment of receivables	**1,138**	(34,715)	32,073	**11,585**
Net increase in treasury stocks	**(756)**	(488)	(1,013)	**(7,696)**
Cash dividends paid	**(10,508)**	(8,466)	(5,882)	**(106,973)**
Other, net	**964**	(2,999)	18,263	**9,813**
Net cash provided by financing activities	**173,432**	144,730	250,053	**1,765,571**
Effect of exchange rate changes on cash and cash equivalents	**(1,150)**	206	383	**(11,707)**
Net increase (decrease) in cash and cash equivalents	**9,462**	(13,287)	13,667	**96,325**
Cash and cash equivalents at beginning of year	**116,536**	129,823	116,156	**1,186,359**
Increase in cash and cash equivalents of newly consolidated subsidiaries	**479**	—	—	**4,876**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**(1,580)**	—	—	**(16,084)**
Cash and cash equivalents at end of year (Note 3)	**¥124,897**	¥ 116,536	¥129,823	**$ 1,271,476**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
As of and for the years ended March 31, 2009, 2008 and 2007

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) 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 Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S.$1. The translation 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) Significant accounting policy

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 rights 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.

Effective from the year ended March 31, 2008, the Company and its consolidated subsidiaries adopted the new accounting standard, "Implementation Guidance on Disclosures about Certain Special Purpose Entities" (Accounting Standards Board of Japan Guidance No. 15, issued on March 29, 2007).

In accordance with the new accounting standard, the Company has provided an overview of Special Purpose Entities ("SPEs") funded by investments from the Company, including Special Purpose Companies ("SPCs"), *Tokutei Mokuteki Kaisha* ("TMKs") and limited partnerships ("*Tokumei Kumiai*"). The Company has also provided an overview of SPEs' transactions, such as the amount of transactions, with SPEs in Note 24 (Relationships with special purpose entities subject to disclosure).

(2) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standards, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and "Implementation Guidance for the Accounting Standard for Statement of Changes in Net Assets" (Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), collectively, "the Additional New Accounting Standards."

Accordingly, the Company prepared the consolidated statement of changes in net assets for the years ended March 31, 2009, 2008 and 2007 in accordance with the Additional New Accounting Standards.

(3) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

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

Differences arising from translation are presented as "Foreign currency translation adjustments" in net assets.

(4) 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 maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(5) 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 lease term.

(6) Inventories

Effective April 1, 2008, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006) and changed the measurement standard for inventories. The new measurement standard writes down the book value due to a decline in profitability of real property.

As a result of adopting the new accounting standard and recognizing loss on devaluation of real property, gross profit, operating income and ordinary profit decreased by ¥1,777 million ($18,090 thousand), and income before income taxes and minority interests decreased by ¥15,547 million ($158,271 thousand) compared to what would have been reported under the previous accounting standard.

(7) Securities

Held-to-maturity securities are stated at amortized cost. Investments in subsidiaries and affiliates that are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving-average cost.

Investments in SPCs holding properties for sale and senior securities are stated at cost determined by the specific identification method and securities with no available fair market value are stated at moving-average cost.

Investments in partnerships similar to investment limited partnerships, which are regarded as securities under the Financial Instruments and Exchange Law, are accounted for in a manner similar to the equity method based on recent financial statements.

If the market value of held-to-maturity securities, investments in subsidiaries and affiliates, available-for-sale securities and investments in SPCs holding properties for sale declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of investments in unconsolidated subsidiaries and affiliated companies not accounted for using 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.

(8) Property and equipment

The Company and consolidated domestic subsidiaries depreciate buildings using the straight-line method, and other property and equipment using the declining-balance method over their estimated useful lives. Consolidated overseas subsidiaries depreciate property and equipment using primarily the straight-line method in accordance with the accounting principles in the respective countries.

Leased assets related to finance lease transactions without title transfer are depreciated using the straight-line method, with the leased periods as their useful lives and no residual value.

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
Leased assets	Leased periods

In the prior period, the Company changed the depreciation method of property and equipment due to the revision of Corporate Tax Law. Residual value is no longer used for property and equipment acquired on or after April 1, 2007. Instead, the whole acquisition cost of such property and equipment will be depreciated at the end of the useful life with 1 yen remaining as a remainder. This accounting change had no material impact on the consolidated statements of income or segment information.

As for property and equipment acquired before April 1, 2007, their residual values are depreciated over five years using the straight-line method after the year in which the depreciable limit is reached.

(9) Software costs

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

(10) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts at an estimated uncollectable amount based on the evaluation of certain identified doubtful and bankrupt receivables plus an amount calculated using the percentage of actual collection losses in certain reference periods with respect to remaining receivables.

(11) Lease transactions

Effective April 1, 2008, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Lease Transactions" (Statement No. 13 originally issued on June 17, 1993, and revised on March 30, 2007 by the Accounting Standards Board of Japan) and "Implementation Guidance on Accounting Standard for Lease Transactions" (Financial Accounting Standard Implementation Guidance No. 16 originally issued on January 18, 1994, and revised on March 30, 2007 by the Accounting Standards Board of Japan). Accordingly, with regard to finance lease transactions without title transfer, we changed the accounting method in the same manner as operating leases to the accounting method in the same manner as sales transaction, and posted them as leased assets.

Leased assets related to finance lease transactions without title transfer are depreciated using the straight-line method, with the leased periods as their useful lives and no residual value.

The Company will continue to use accounting procedures that conform to methods related to normal lease transactions with respect to finance lease transactions without title transfer with a lease transaction start date prior to the initial year of application of the new law.

The impact of this accounting change is immaterial on assets and none on profits and losses. In addition, this accounting change has no impact on segment information.

(12) Income taxes

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

(13) Employees' severance and retirement benefits

The Company and certain of its consolidated subsidiaries provide two types of post-employment benefit plans, lump-sum payment plans and approved retirement 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 termination occurs.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and certain of its consolidated subsidiaries provided an allowance for employees' severance and retirement benefits at March 31, 2009, 2008 and 2007 based on the estimated projected benefit obligation at those dates.

Actuarial gains and losses are recognized in expenses in the succeeding period.

(14) Derivative transactions and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes and qualify for hedge accounting.

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 (regarding foreign exchange contracts), the 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 a hedge and meet certain hedging criteria (regarding interest rate swap contracts), the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities relative to which the swap contract was executed as a hedge.

(15) 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 computed based on the amount of net income available to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

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

(16) Reclassifications and restatement

Certain prior year amounts have been reclassified to conform to the 2009 presentation.

These reclassifications had no impact on previously reported results of operations or retained earnings.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash, time and notice deposits	**¥124,894**	¥116,533	**$1,271,445**
Marketable securities	**3**	3	**31**
Cash and cash equivalents	**¥124,897**	¥116,536	**$1,271,476**

4 INVENTORIES

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Real estate for sale	**¥262,872**	¥155,978	**$2,676,087**
Real estate for sale in progress	**249,663**	348,757	**2,541,617**
Construction in progress	**4,555**	5,498	**46,371**
Other	**1,795**	1,635	**18,273**
Total	**¥518,885**	¥511,868	**$5,282,348**

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Inventories:			
Transfer to property and equipment	**¥(127,426)**	¥(55,281)	**$(1,297,221)**
Transferred from property and equipment	**27,329**	16,370	**278,215**
Net decrease	**¥(100,097)**	¥(38,911)	**$(1,019,006)**

5 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Investments in common stock, at cost	**¥2,885**	¥5,853	**$29,370**
Advances	**2,960**	1	**30,133**
Total	**¥5,845**	¥5,854	**$59,503**

6 PLEDGED ASSETS

Assets pledged as collateral at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Buildings and structures	¥14,096	¥14,839	$143,500
Land	27,727	27,727	282,266
Other	140	180	1,425
Total	¥41,963	¥42,746	$427,191

Secured liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Short-term debt	¥31,500	¥ 1,750	$320,676
Long-term debt	—	31,500	—
Total	¥31,500	¥33,250	$320,676

7 SECURITIES

For 2009

A. The following tables summarize the acquisition costs, book values and fair market values of securities with available fair market values as of March 31, 2009:

(a) Held-to-maturity securities:

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
Securities whose fair market value exceeds book value:						
National and local government bonds	¥ 982	¥ 987	¥ 5	$ 9,997	$10,048	$51
Securities whose fair market value does not exceed book value:						
National and local government bonds	301	301	—	3,064	3,064	—
Total	¥1,283	¥1,288	¥ 5	$13,061	$13,112	$51

(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	¥ 14,023	¥ 19,597	¥ 5,574	$ 142,757	$ 199,501	$ 56,744
Others	113	114	1	1,150	1,161	11
Subtotal	14,136	19,711	5,575	143,907	200,662	56,755
Securities whose book value does not exceed acquisition cost:						
Equity securities	119,997	87,922	(32,075)	1,221,592	895,062	(326,530)
Others	1,216	1,116	(100)	12,379	11,361	(1,018)
Subtotal	121,213	89,038	(32,175)	1,233,971	906,423	(327,548)
Total	¥135,349	¥108,749	¥ (26,600)	$1,377,878	$1,107,085	$(270,793)

B. The following table summarizes the book values of securities with no available fair market values as of March 31, 2009:

Available-for-sale securities:

	Book value	
	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥ 6,061	$ 61,702
Senior securities	87,391	889,657
Investments in partnerships similar to investment limited partnerships	33,410	340,120
Total	¥126,862	$1,291,479

Senior securities included investments in SPCs holding properties for sale amounting to ¥49,785 million ($506,821 thousand).

C. Available-for-sale securities with maturities and held-to-maturity securities at March 31, 2009 mature as follows:

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds	¥277	¥1,006	¥ 700	¥—
Other	—	—	—	—
Total	¥277	¥1,006	¥700	¥—

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds	**$2,820**	**$10,241**	**$ 7,126**	**$—**
Other	**—**	**—**	**—**	**—**
Total	**$2,820**	**$10,241**	**$7,126**	**$—**

D. Total sales of available-for-sale securities sold in the year ended March 31, 2009 amounted to ¥87 million ($886 thousand) and the related gains and losses amounted to ¥28 million ($285 thousand) and ¥1 million ($10 thousand), respectively.

E. Investments in SPCs holding properties for sale are equity investments such as preferred subscription certificates and limited partnerships ("*Tokumei Kumiai*") investments in Special Purpose Companies (SPCs) and *Tokumei Kumiai* which own and develop real estate. The Company or its subsidiaries will sell real estate in SPCs and *Tokumei Kumiai* after the completion of construction. *Tokumei Kumiai* are a vehicle for investment allowed under the Japanese Corporate Law.

As of March 31, 2009, investments in SPCs holding properties for sale consisted of preferred subscription certificates issued by SPCs.

F. The Company lent the equity securities temporarily to a financial institute under a securities lending agreement. Lent securities, included in investments in securities and other, were ¥98,911 million ($1,006,933 thousand) as of March 31, 2009.

For 2008

A. The following tables summarize the acquisition costs, book values and fair market values of securities with available fair market values as of March 31, 2008:

(a) Held-to-maturity securities:

	Millions of yen		
	Book value	Fair market value	Difference
Securities whose fair market value exceeds book value:			
National and local government bonds	¥ 785	¥ 789	¥ 4
Securities whose fair market value does not exceed book value:			
National and local government bonds	459	458	(1)
Total	¥1,244	¥1,247	¥ 3

(b) Available-for-sale securities:

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Equity securities	¥ 50,076	¥ 74,428	¥ 24,352
Others	607	610	3
Subtotal	50,683	75,038	24,355
Securities whose book value does not exceed acquisition cost:			
Equity securities	90,260	70,751	(19,509)
Others	862	797	(65)
Subtotal	91,122	71,548	(19,574)
Total	¥141,805	¥146,586	¥ 4,781

B. The following table summarizes the book values of securities with no available fair market values as of March 31, 2008:

Available-for-sale securities:

	Book value
	Millions of yen
Unlisted equity securities	¥ 5,904
Senior securities	85,561
Investments in partnerships similar to investment limited partnerships	28,823
Total	¥120,288

Senior securities included investments in SPCs holding properties for sale amounting to ¥38,795 million.

C. Available-for-sale securities with maturities and held-to-maturity securities at March 31, 2008 mature as follows:

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds	¥307	¥937	¥ —	¥ —
Other	—	—	—	—
Total	¥307	¥937	¥ —	¥ —

D. Total sales of available-for-sale securities sold in the year ended March 31, 2008 amounted to ¥6 million and the related gains and losses amounted to ¥3 million and ¥1 million, respectively.

E. Investments in SPCs holding properties for sale are equity investments such as preferred subscription certificates and limited partnerships ("*Tokumei Kumiai*") investments in Special Purpose Companies (SPCs) and *Tokumei Kumiai* which own and develop real estate. The Company or its subsidiaries will sell real estate in SPCs and *Tokumei Kumiai* after the completion of construction. *Tokumei Kumiai* are a vehicle for investment allowed under the Japanese Corporate Law.

As of March 31, 2008, investments in SPCs holding properties for sale consisted of preferred subscription certificates issued by SPCs.

F. The Company lent the equity securities temporarily to a financial institute under a securities lending agreement. Lent securities, included in investments in securities and other, were ¥123,495 million as of March 31, 2008.

G. The Company transferred investments in SPCs holding properties for sale amounting to ¥4,933 million to investments in securities and other in the year ended March 31, 2008.

8 SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2009	Average interest rate (%)	2008	Average interest rate (%)	**2009**
Loans, principally from banks	**¥270,970**	1.15	¥195,670	1.21	**$2,758,526**
Commercial paper	**174,900**	1.95	88,500	0.81	**1,780,515**
Total	**¥445,870**		¥284,170		**$4,539,041**

The interest rates represent weighted-average rates in effect at March 31, 2009 and 2008, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
1.68% domestic straight bonds, due 2008	**¥ —**	¥ 10,000	**$ —**
1.92% domestic straight bonds, due 2008	**—**	5,000	**—**
1.31% domestic straight bonds, due 2009	**20,000**	20,000	**203,604**
1.52% domestic straight bonds, due 2010	**20,000**	20,000	**203,604**
1.30% domestic straight bonds, due 2009	**20,000**	20,000	**203,604**
1.29% domestic straight bonds, due 2012	**20,000**	20,000	**203,604**
1.28% domestic straight bonds, due 2012	**30,000**	30,000	**305,405**
0.75% domestic straight bonds, due 2010	**30,000**	30,000	**305,405**
1.18% domestic straight bonds, due 2010	**30,000**	30,000	**305,405**
1.85% domestic straight bonds, due 2011	**20,000**	20,000	**203,604**
1.86% domestic straight bonds, due 2011	**20,000**	20,000	**203,604**
1.84% domestic straight bonds, due 2011	**20,000**	20,000	**203,604**
1.87% domestic straight bonds, due 2012	**20,000**	20,000	**203,604**
1.58% domestic straight bonds, due 2011	**10,000**	10,000	**101,802**
1.89% domestic straight bonds, due 2013	**10,000**	10,000	**101,802**
1.70% domestic straight bonds, due 2013	**20,000**	20,000	**203,604**
1.80% domestic straight bonds, due 2012	**20,000**	20,000	**203,604**
1.76% domestic straight bonds, due 2012	**20,000**	20,000	**203,604**
1.68% domestic straight bonds, due 2013	**20,000**	20,000	**203,604**
1.63% domestic straight bonds, due 2013	**20,000**	20,000	**203,604**
Loans, principally from banks and insurance companies, interest principally at rates of 0.69% to 2.66% in 2009, and 0.80% to 2.40% in 2008:			
Secured	**31,500**	33,250	**320,676**
Unsecured*	**1,000,257**	962,622	**10,182,805**
Subtotal	**1,401,757**	1,380,872	**14,270,152**
Amount due within one year	**(160,410)**	(114,990)	**(1,633,004)**
Total	**¥1,241,347**	¥1,265,882	**$12,637,148**

* Unsecured long-term debt as of March 31, 2009 includes a perpetual subordinated loan of ¥120,000 million ($1,221,623 thousand).

The aggregate annual maturities of long-term debt at March 31, 2009 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 160,410	$ 1,633,004
2011	263,199	2,679,416
2012	362,650	3,691,846
2013	250,499	2,550,127
2014	176,783	1,799,684
2015 and thereafter	188,216	1,916,075
Total	¥1,401,757	$14,270,152

It is customary in Japan that 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 the case of default and certain other specified events. The Company has never received such a request.

9 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2 (13), the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The allowance for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Projected benefit obligation	**¥ 7,724**	¥ 7,894	**$ 78,632**
Fair value of plan assets	**(2,563)**	(2,956)	**(26,092)**
Unrecognized actuarial differences	**(174)**	(299)	**(1,771)**
Allowance for severance and retirement benefits	**¥ 4,987**	¥ 4,639	**$ 50,769**

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service costs – benefits earned during the year	**¥ 537**	¥533	**$ 5,467**
Interest cost on projected benefit obligation	**135**	137	**1,374**
Expected return on plan assets	**(57)**	(62)	**(580)**
Amortization of actuarial differences	**299**	(29)	**3,044**
Other	**181**	—	**1,842**
Severance and retirement benefit expenses	**¥1,095**	¥579	**$11,147**

Other of ¥181 million ($1,842 thousand) for the year ended March 31, 2009 is the amount paid for the defined contribution plan that one of the Company's consolidated subsidiaries adopted in September 2008.

The discount rate and the rate of expected return on plan assets for the years ended March 31, 2009 and 2008 used by the Company is 2.0% (the discount rate used by one consolidated subsidiary is 1.5% for the year ended March 31, 2008). The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in the income statement in the next year.

10 LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following assets for the years ended March 31, 2009, 2008 and 2007, respectively.

Use	Location	Number of properties
For 2009		
Idle assets	Fujisawa-shi, Kanagawa	1
Land, buildings and structures for leased condominiums	Setagaya-ku, Tokyo, etc.	5

Use	Location	Number of properties
For 2008		
Land for leased buildings	Taito-ku, Tokyo	1
Land, buildings and structures for leased condominiums	Minato-ku, Tokyo, etc.	5

Use	Location	Number of properties
For 2007		
Land for development	Yokohama-shi, Kanagawa	1

The Company and its consolidated domestic subsidiaries recognized losses on the impairment of certain properties, which are generally assessed individually for impairment. Company houses are treated as common assets.

As a result of declines in property values and flagging rental rates, the carrying values of the land holdings summarized above have been reduced by ¥165 million ($1,680 thousand), ¥4,292 million and ¥793 million for the years ended March 31, 2009, 2008 and 2007, respectively, to their recoverable amounts. These write-downs were recognized as impairment losses in other expenses.

Details of loss on impairment of fixed assets were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Land	**¥122**	¥3,990	¥793	**$1,242**
Buildings, structures and others	**43**	302	—	**438**
Total	**¥165**	¥4,292	¥793	**$1,680**

The recoverable values of these assets were calculated using the net disposal value method. The net disposal value method for land for leased buildings is based on the capitalization value, and that for the others is based mainly on the assessment value for property tax purposes.

11 LOSS ON DEVALUATION OF PROPERTY AND EQUIPMENT

The Company recognized loss on devaluation of property and equipment of ¥62,644 million for the year ended March 31, 2007. The property and equipment were sold to its consolidated subsidiaries, and such losses incurred in these transactions were not eliminated in consolidation but were recorded as loss on devaluation of property and equipment.

Details of property and equipment were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Land	**¥—**	¥—	¥62,644	**$—**
Buildings, structures and others	**—**	—	—	**—**
Total	**¥—**	¥—	¥62,644	**$—**

12 GAIN ON LIQUIDATION OF LIMITED PARTNERSHIP

Gain on liquidation of limited partnership for the year ended March 31, 2007 is from the sale of the ownership as a beneficiary right in the Sumitomo Mitsui Banking Corporation Otemachi Headquarters Building in December 2006 along with the liquidation of the limited partnership ("*Tokumei Kumiai*").

The *Tokumei Kumiai* that had been involved in the ownership of this property was liquidated as a result of the sale, and gain on liquidation of limited partnership of ¥46,192 million was incurred.

13 GAIN ON ADJUSTMENT OF SUB-LEASE RENT PAID

Gain on adjustment of sub-lease rent paid of ¥1,440 million for the year ended March 31, 2007 is from the reversal of the difference between the Company's accrued amount payable and the amount of payment as a result of the settlement of a lawsuit against the lessor of an office building that the Company is renting in a lump.

14 GAIN ON ADJUSTMENT OF ACCRUED RENT PAYABLE

Gain on adjustment of accrued rent payable of ¥2,385 million for the year ended March 31, 2008 is comprised of two factors: (1) ¥397 million of gain on adjustment of accrued rent payable of leased land for the holding property of a consolidated subsidiary in the United States because the subsidiary purchased the land from the lessor, and as a result, rent payment became unnecessary for the subsidiary, and (2) ¥1,988 million of gain on adjustment of deducted contract rent for a building that the Company is renting due to agreement with the lessor.

15 GAIN ON PRIOR PERIODS ADJUSTMENT

Most of gain on prior periods adjustment of ¥1,023 million ($10,414 thousand) for the year ended March 31, 2009 is the amount transferred from the expenses in the last fiscal year to fixed assets based on the result of the investigation for tax.

16 LOSS ON DEVALUATION OF INVENTORIES

Loss on devaluation of inventories of ¥13,770 million ($140,181 thousand) for the year ended March 31, 2009 is due to a decline in profitability at the beginning of the March 2009 fiscal year.

Loss on devaluation of inventories for the year ended March 31, 2008 is due to a significant decline in their market value.

17 REPAIR EXPENSES FOR PRIOR PERIODS CONSTRUCTION

Repair expenses for prior periods construction is the repair expenses incurred for custom homes which had been delivered in past fiscal years.

18 INCOME TAXES

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitant taxes was approximately 40.69% for the years ended March 31, 2009, 2008 and 2007.

The differences between the statutory tax rate and the Company's effective tax rate for the years ended March 31, 2009, 2008 and 2007 were insignificant and not presented.

Details of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Net unrealized holding losses on securities	**¥10,909**	¥ —	**$111,056**
Net operating loss carryforwards	**6,106**	8,948	**62,160**
Loss on impairment of fixed assets	**5,486**	7,517	**55,849**
Allowance for employees' severance and retirement benefits	**2,021**	1,882	**20,574**
Loss on devaluation of real estate for sale	**1,711**	2,394	**17,418**
Net deferred losses on hedges	**1,595**	1,649	**16,237**
Accrued enterprise tax and business office tax	**1,593**	2,172	**16,217**
Loss on devaluation of common stocks of subsidiaries and affiliates	**1,445**	1,445	**14,710**
Unrealized intercompany profits	**1,347**	1,169	**13,713**
Other	**10,780**	9,653	**109,743**
Subtotal of deferred tax assets	**42,993**	36,829	**437,677**
Valuation allowance	**(8,951)**	(11,288)	**(91,123)**
Total deferred tax assets	**34,042**	25,541	**346,554**
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	**(4,959)**	(4,959)	**(50,484)**
Net unrealized holding gains on securities	**—**	(1,957)	**—**
Net deferred gains on hedges	**—**	(118)	**—**
Other	**(657)**	—	**(6,688)**
Total deferred tax liabilities	**(5,616)**	(7,034)	**(57,172)**
Net deferred tax assets	**¥28,426**	¥ 18,507	**$289,382**

19 GUARANTEE AND OTHER DEPOSITS RECEIVED

Guarantee and other deposits received at March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars
	2009	Average interest rate (%)	2008	Average interest rate (%)	**2009**
Short-term deposits and long-term deposits due within one year:					
Non-interest-bearing	**¥154,179**	—	¥203,659	—	**$1,569,571**
Interest-bearing	**19,000**	0.78	38,000	0.95	**193,424**
	173,179		241,659		**1,762,995**
Guarantee and lease deposits from tenants:					
Non-interest-bearing	**179,228**	—	172,077	—	**1,824,575**
Interest-bearing	**—**	—	—	—	**—**
Long-term deposits:					
Non-interest-bearing	**155,252**	—	156,435	—	**1,580,495**
Interest-bearing	**66,000**	0.86	66,000	1.08	**671,892**
	400,480		394,512		**4,076,962**
Total	**¥573,659**		¥636,171		**$5,839,957**

The aggregate annual maturities of interest-bearing guarantee and other deposits received at March 31, 2009 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥19,000	$193,424
2011	—	—
2012	66,000	671,892
2013	—	—
2014	—	—
2015 and thereafter	—	—
Total	¥85,000	$865,316

20 NET ASSETS

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for years ending after that date.

Under the Law and its regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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 Law and its regulations.

21 INFORMATION FOR CERTAIN LEASE TRANSACTIONS

Finance leases that 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 is as follows.

As Lessee

A summary of the pro-forma amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value at March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Acquisition cost:			
Buildings and structures	**¥ 5,268**	¥ 6,036	**$ 53,629**
Other	**1,936**	1,060	**19,709**
Accumulated depreciation	**(4,964)**	(4,137)	**(50,534)**
Net book value	**¥ 2,240**	¥ 2,959	**$ 22,804**

Pro-forma depreciation equivalents of ¥1,250 million ($12,725 thousand) and ¥1,235 million for the years ended March 31, 2009 and 2008, respectively, were 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, 2009 and 2008 amounted to ¥1,250 million ($12,725 thousand) and ¥1,235 million, respectively.

Future lease payments and receipts under such finance leases and non-cancelable operating leases at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finance leases			
Future lease payments:			
Due within one year	¥ 1,043	¥ 1,150	$ 10,618
Due after one year	1,197	1,809	12,186
Total	¥ 2,240	¥ 2,959	$ 22,804
Future sub-lease payments:			
Due within one year	¥ —	¥ 28	$ —
Due after one year	—	57	—
Total	¥ —	¥ 85	$ —
Future sub-lease receipts:			
Due within one year	¥ —	¥ 28	$ —
Due after one year	—	57	—
Total	¥ —	¥ 85	$ —
Operating leases			
Future lease payments:			
Due within one year	¥ 6,245	¥13,093	$ 63,575
Due after one year	14,360	41,998	146,188
Total	¥20,605	¥55,091	$209,763
Future lease receipts:			
Due within one year	¥ 43	¥ 54	$ 438
Due after one year	124	172	1,262
Total	¥ 167	¥ 226	$ 1,700

22 DERIVATIVE TRANSACTIONS

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

Foreign exchange forward contracts and cross currency swap contracts are subject to risks of foreign exchange rate changes. Interest rate swap contracts are subject to risks of interest rate changes. 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 of a committee whose chairman is the director of the Finance Department. The Finance Department prepares reports on derivative transactions that are provided to the director of the Finance Department periodically.

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

Hedging instruments:	Hedged items:
Foreign exchange forward contracts and cross currency swap contracts	Foreign currency monetary liabilities and foreign transactions
Interest rate swap contracts	Bank loans, 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.

The evaluation of hedge effectiveness of interest rate swap contracts for the years ended March 31, 2009 and 2008 was not required as special hedge accounting has been applied to derivative transactions of interest rate swap contracts. Also, the evaluation of hedge effectiveness of foreign exchange forward contracts for the years ended March 31, 2009 and 2008 was not required because the significant terms of the hedging instruments and those of the hedged items were the same, and the risk of changes in foreign exchange rates was effectively hedged.

The contract amounts and unrealized gains or losses of outstanding derivative transactions at March 31, 2009 and 2008 were not disclosed because all derivative transactions were used as hedges and hedge accounting was applied.

23 SEGMENT INFORMATION

The Company and its consolidated subsidiaries mainly operate their business in five segments: leasing of buildings, apartments and other properties; sale of condominiums; construction of housing and buildings; brokerage business; and other business.

Information by industry segment for the years ended March 31, 2009, 2008 and 2007 is summarized as follows:

	Millions of yen							
For 2009	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
I Net sales and operating income:								
Net sales								
Customers	**¥ 296,299**	**¥191,224**	**¥156,954**	**¥42,755**	**¥ 8,008**	**¥ 695,240**	**¥ —**	**¥ 695,240**
Intersegment	**2,060**	**—**	**3,180**	**350**	**6,073**	**11,663**	**(11,663)**	**—**
Total	**298,359**	**191,224**	**160,134**	**43,105**	**14,081**	**706,903**	**(11,663)**	**695,240**
Costs and expenses	**193,015**	**160,485**	**147,164**	**34,355**	**12,801**	**547,820**	**1,054**	**548,874**
Operating income	**¥ 105,344**	**¥ 30,739**	**¥ 12,970**	**¥ 8,750**	**¥ 1,280**	**¥ 159,083**	**¥ (12,717)**	**¥ 146,366**
II Identifiable assets, depreciation expense, loss on impairment of fixed assets and capital expenditures:								
Identifiable assets	**¥1,993,609**	**¥686,090**	**¥ 11,883**	**¥14,675**	**¥52,687**	**¥2,758,944**	**¥247,468**	**¥3,006,412**
Depreciation expense	**16,180**	**540**	**302**	**279**	**107**	**17,408**	**478**	**17,886**
Loss on impairment of fixed assets	**165**	**—**	**—**	**—**	**—**	**165**	**—**	**165**
Capital expenditures	**76,786**	**6,687**	**928**	**195**	**29**	**84,625**	**212**	**84,837**

	Millions of yen							
For 2008	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
I Net sales and operating income:								
Net sales								
Customers	¥ 277,530	¥193,575	¥154,996	¥57,806	¥ 8,021	¥ 691,928	¥ —	¥ 691,928
Intersegment	2,038	—	1,610	736	3,899	8,283	(8,283)	—
Total	279,568	193,575	156,606	58,542	11,920	700,211	(8,283)	691,928
Costs and expenses	186,154	150,848	146,446	38,539	10,991	532,978	4,342	537,320
Operating income	¥ 93,414	¥ 42,727	¥ 10,160	¥20,003	¥ 929	¥ 167,233	¥ (12,625)	¥ 154,608
II Identifiable assets, depreciation expense, loss on impairment of fixed assets and capital expenditures:								
Identifiable assets	¥1,949,817	¥568,668	¥ 18,787	¥14,944	¥50,810	¥2,603,026	¥290,978	¥2,894,004
Depreciation expense	15,861	110	171	269	96	16,507	643	17,150
Loss on impairment of fixed assets	4,292	—	—	—	—	4,292	—	4,292
Capital expenditures	144,244	199	307	327	160	145,237	260	145,497

	Millions of yen							
For 2007	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
I Net sales and operating income:								
Net sales								
Customers	¥ 260,727	¥211,035	¥141,244	¥56,119	¥ 7,709	¥ 676,834	¥ —	¥ 676,834
Intersegment	1,893	—	1,320	413	2,662	6,288	(6,288)	—
Total	262,620	211,035	142,564	56,532	10,371	683,122	(6,288)	676,834
Costs and expenses	179,125	174,499	133,748	35,594	12,855	535,821	3,837	539,658
Operating income (loss)	¥ 83,495	¥ 36,536	¥ 8,816	¥20,938	¥ (2,484)	¥ 147,301	¥ (10,125)	¥ 137,176
II Identifiable assets, depreciation expense, loss on impairment of fixed assets and capital expenditures:								
Identifiable assets	¥1,787,363	¥554,520	¥ 19,939	¥17,825	¥47,397	¥2,427,044	¥320,856	¥2,747,900
Depreciation expense	14,570	103	143	305	64	15,185	492	15,677
Loss on impairment of fixed assets	793	—	—	—	—	793	—	793
Capital expenditures	151,557	129	254	347	275	152,562	244	152,806

For 2009	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
	Thousands of U.S. dollars							
I Net sales and operating income:								
Net sales								
Customers	$ 3,016,380	$1,946,697	$1,597,821	$435,254	$ 81,523	$ 7,077,675	$ —	$ 7,077,675
Intersegment	20,971	—	32,373	3,563	61,825	118,732	(118,732)	—
Total	3,037,351	1,946,697	1,630,194	438,817	143,348	7,196,407	(118,732)	7,077,675
Costs and expenses	1,964,929	1,633,768	1,498,157	349,740	130,317	5,576,911	10,730	5,587,641
Operating income	$ 1,072,422	$ 312,929	$ 132,037	$ 89,077	$ 13,031	$ 1,619,496	$ (129,462)	$ 1,490,034
II Identifiable assets, depreciation expense, loss on impairment of fixed assets and capital expenditures:								
Identifiable assets	$20,295,317	$6,984,526	$ 120,971	$149,394	$536,364	$28,086,572	$2,519,271	$30,605,843
Depreciation expense	164,715	5,497	3,074	2,840	1,091	177,217	4,866	182,083
Loss on impairment of fixed assets	1,680	—	—	—	—	1,680	—	1,680
Capital expenditures	781,696	68,075	9,447	1,985	296	861,499	2,158	863,657

Distributions from SPCs and partnerships that operate real estate leasing business are included in net sales of the "Leasing business."

The Company classified expenses and assets of the general administrative division in certain consolidated subsidiaries to unallocatable operating expenses and corporate assets in the segment information for the years ended March 31, 2009, 2008 and 2007.

Under a new management policy, the Company compares the contribution levels of the business operations between each segment more promptly, clearly and efficiently.

24 RELATIONSHIPS WITH SPECIAL PURPOSE ENTITIES SUBJECT TO DISCLOSURE

(1) Overview of Special Purpose Entities ("SPEs") subject to disclosure and overview of SPEs' transactions

As part of its real estate operations, the Company invests in SPEs (principally *Tokutei Mokuteki Kaisha* ("TMKs") under the Asset Securitization Law).

The SPEs, which conduct real estate development and leasing projects, are funded by investments from the Company and by borrowings from financial institutions (non-recourse loans and debentures). At the conclusion of these projects, the Company plans to appropriately recover its investments, and as of March 31, 2009, the Company judged that there is no risk of future losses. Moreover, in the event that losses do arise in the future, the Company's exposure will be limited to the amount of its investment.

The Company does not have any investments with voting rights in any of the SPEs, and the Company has not dispatched any directors or employees to any of the SPEs.

At March 31, 2009, the Company had outstanding investments in 32 SPEs. The assets, liabilities, and net assets (simple sum) at the most recent settlement date are shown below.

	Millions of yen		Thousands of U.S. dollars
Assets	**2009**	2008	**2009**
Real property	¥691,467	¥728,366	$7,039,265
Other	116,445	42,991	1,185,432
Total	¥807,912	¥771,357	$8,224,697

	Millions of yen		Thousands of U.S. dollars
Liabilities and net assets	**2009**	2008	**2009**
Borrowings *1	¥667,635	¥640,437	$6,796,651
Preferred capital, etc. *2	101,137	96,717	1,029,594
Other	39,140	34,203	398,452
Total	¥807,912	¥771,357	$8,224,697

*1 Includes specified debentures of TMKs invested by the Company.

*2 Consists of preferred capital in TMKs and equity in limited partnerships ("*Tokumei Kumiai*"), invested by the Company.

In regard to the balance at March 31, 2009 and 2008, see *3.

(2) Transactions with the SPEs

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Investments, etc.:*3			
Investments:			
Investment securities	**¥ 69,442**	¥ 74,991	**$ 706,932**
Equity investments in properties for sale	**49,785**	38,795	**506,821**
Total	**119,227**	113,786	**1,213,753**
Operating revenues	**14,458**	11,761	**147,185**
Non-operating revenues	**97**	177	**987**
Real estate leasing: *4			
Cost of operating revenues	**37,048**	34,476	**377,156**
Management services: *5			
Operating revenues	**312**	297	**3,176**
Real estate transactions: *6			
Transaction payments	**¥ 47,995**	¥ 65,653	**$ 488,598**

*3 Includes investments in preferred stocks and specified debentures issued by TMKs and equity in *Tokumei Kumiai*, invested by the Company. In addition, dividends on investments are recorded as operating revenues, and interest on specified debentures is recorded as non-operating revenues.
*4 The Company leases real estate from SPEs.
*5 The Company provides management services to SPEs.
*6 The Company has purchased real property (land, buildings, etc.) from SPEs.

25 CONTINGENT LIABILITIES

At March 31, 2009, the Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥60 million ($611 thousand).

26 SUBSEQUENT EVENTS

On June 26, 2009, the shareholders of the Company approved payments of a year-end cash dividend of ¥10 ($0.10) per share or a total of ¥4,743 million ($48,285 thousand) to shareholders of record at March 31, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Sumitomo Realty & Development Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2009, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Realty & Development Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note 2 (6) to the consolidated financial statements, effective April 1, 2008, Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries adopted the new accounting standard for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 26, 2009

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

SENIOR MANAGEMENT

(As of June 26, 2009)

BOARD OF DIRECTORS AND AUDITORS

Chairman of the Board

Junji Takashima*

Vice Chairman

Tetsuro Tsuruta

President

Kenichi Onodera*

Directors

Yoshifumi Nakamura*
Kojun Nishima
Masato Kobayashi
Satoru Ozawa
Nobuaki Takemura
Masayoshi Ohashi

Statutory Auditors

Naoto Enda
Ryoichi Nomura
Tadashi Kitamura
Kunio Kobayashi
Hiroshi Tomoyasu

* Representative Director

EXECUTIVE OFFICERS

Senior Managing Executive Officers

Takashi Saito
Masaki Ogawa
Toshikazu Tanaka

Senior Managing Executive Officer (Engineer)

Takahiro Daisaka

Managing Executive Officers

Takao Shiojima
Masayuki Takahashi
Isamu Jobo
Yoshinobu Sakamoto
Koji Ito
Masayuki Iwamoto

CORPORATE DATA

(As of March 31, 2009)

Head Office

Shinjuku NS Building
4-1, Nishi-Shinjuku 2-chome
Shinjuku-ku, Tokyo 163-0820, Japan
Phone: +81-3-3346-2342
Facsimile: +81-3-3346-1652

Corporate Website

http://www.sumitomo-rd.co.jp/english/

Date of Establishment

December 1, 1949

Number of Employees

9,298 (Consolidated)

Major Consolidated Subsidiaries

Sumitomo Real Estate Sales Co., Ltd.
Sumitomo Fudosan Syscon Co., Ltd.
Sumitomo Fudosan Tatemono Service Co., Ltd.
Sumitomo Fudosan Esforta Co., Ltd.
Sumitomo Fudosan Finance Co., Ltd.
Sumitomo Fudosan Reform Co., Ltd.
Sumitomo Fudosan Villa Fontaine Co., Ltd.
Sumitomo Fudosan Bellesalle Co., Ltd.

INVESTOR INFORMATION

(As of March 31, 2009)

Paid-in Capital

¥122,805 million

Number of Common Stock

Authorized: 1,900,000,000 shares
Issued: 476,085,978 shares

Number of Shareholders

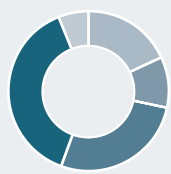
16,536

Stock Exchange Listings

Tokyo Stock Exchange
Osaka Securities Exchange

Breakdown of Shareholders

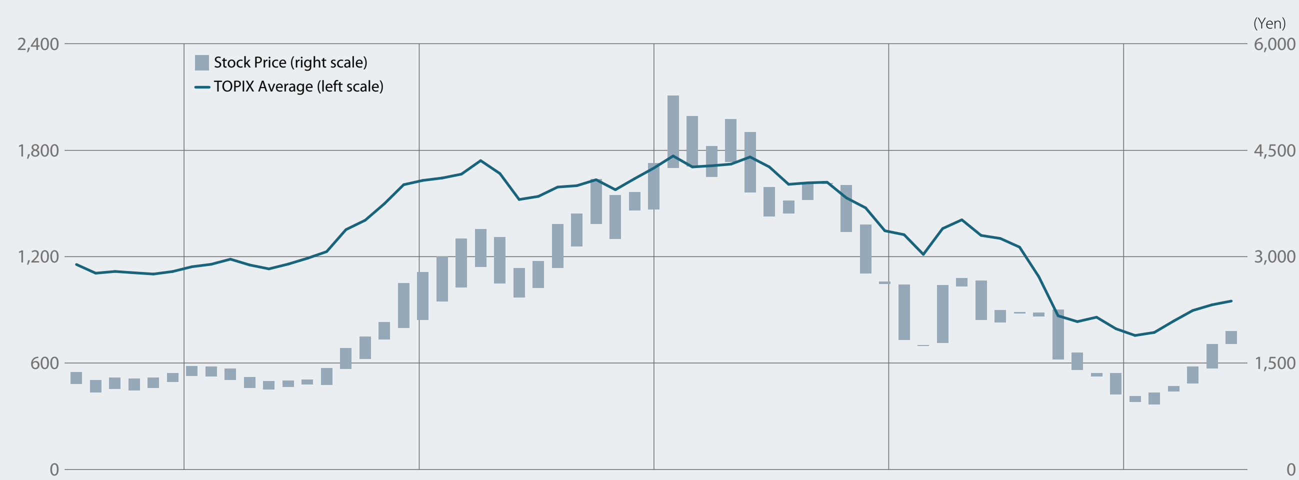
Trust Accounts	24.04%
Financial Institutions	10.86%
Other Companies	26.25%
Foreign Companies	33.18%
Individuals and Others	5.69%

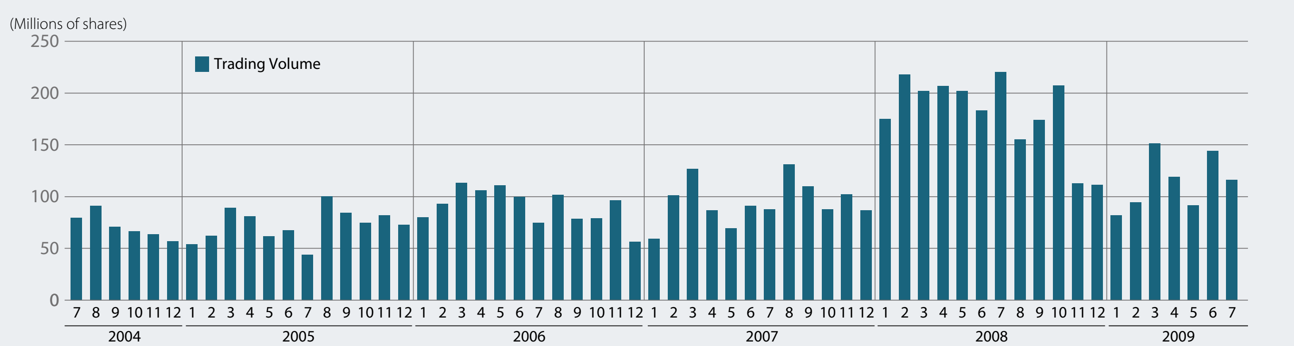


Major Shareholders

	Number of shares held (Thousands)	Percentage of shares held
Japan Trustee Services Bank, Ltd. (Trust account 4G)	25,911	5.44%
Japan Trustee Services Bank, Ltd. (Trust account)	24,448	5.14%
The Master Trust Bank of Japan, Ltd. (Trust account)	18,959	3.98%
Sumitomo Mitsui Banking Corporation	11,990	2.52%
Japan Trustee Services Bank, Ltd. (Trust account 4)	11,041	2.32%
State Street Bank and Trust Company 505041	10,417	2.19%
Credit Suisse Securities (Europe) Limited	10,167	2.14%
The Sumitomo Trust & Banking Co., Ltd.	8,136	1.71%
Kajima Corporation	7,912	1.66%
Shimizu Corporation	7,500	1.58%

Stock Price and Trading Volume on Tokyo Stock Exchange





Sumitomo Realty & Development Co., Ltd.

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