Continuing Quality Growth

ANNUAL REPORT 2010

Sumitomo Realty & Development Co., Ltd.

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.

Contents

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

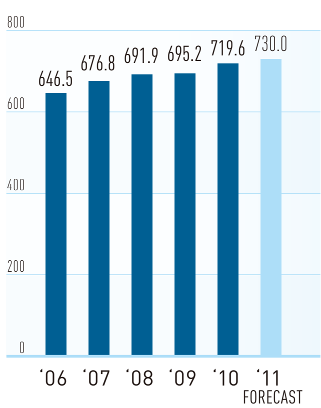
	Millions of Yen			Thousands of U.S. Dollars[1]
	2010	2009	2008	**2010**
For the Year				
Revenue from operations	**¥719,636**	¥695,240	¥691,928	**$7,733,864**
Operating income	**133,979**	146,366	154,608	**1,439,860**
Ordinary profit*	**100,464**	113,582	125,176	**1,079,678**
Net income	**52,662**	46,205	63,133	**565,954**
At Year-End				
Total assets	**¥3,168,098**	¥3,006,412	¥2,894,004	**$34,047,265**
Shareholders' equity[2]	**488,896**	436,667	427,423	**5,254,121**
Interest-bearing debt	**1,935,166**	1,847,627	1,665,042	**20,797,055**
Per Share Data (Yen and U.S. Dollars)				
Net income	**¥ 111.04**	¥ 97.39	¥133.00	**$ 1.19**
Shareholders' equity	**1,030.93**	920.74	900.57	**11.08**
Cash dividend applicable to the year	**20.00**	20.00	18.00	**0.21**

Notes: 1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥93.05=U.S. $1, the prevailing exchange rate at March 31, 2010.
2. Shareholders' equity = Net assets – Minority interests

Revenue from Operations

¥719.6 billion
in the March 2010 fiscal year

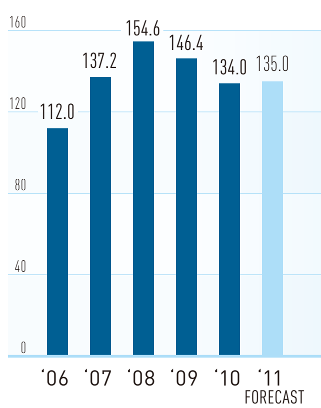
(Billions of Yen)



Operating Income

¥134.0 billion
in the March 2010 fiscal year

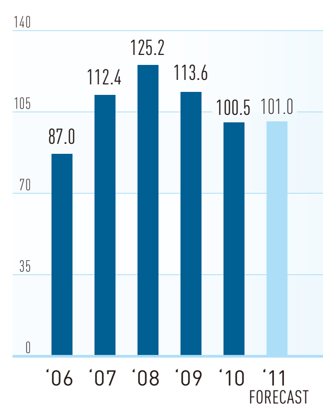
(Billions of Yen)



Ordinary Profit*

¥100.5 billion
in the March 2010 fiscal year

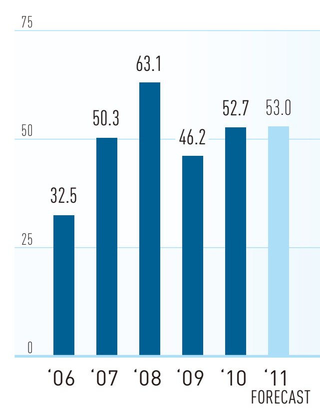
(Billions of Yen)



Net Income

¥52.7 billion
in the March 2010 fiscal year

(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.

A Message from the Management

Junji Takashima
Chairman

Kenichi Onodera
President

Under the new plan, we are aiming to return to a course of increases in revenue and profit and to achieve record-setting results in three years. Subsequently, we will achieve sustainable growth in the years ahead.

Report on the Progress of the Fourth Plan (from April 2007 to March 2010)

We succeeded in achieving higher revenue and profit over the period covered by the Fourth Plan.

Our mainstay businesses—leasing and sales—generate approximately 80% of our operating income. In these businesses, we pursue the most effective use of land in order to maximize the value and the revenue of the properties, and many times this process requires a minimum of two to three years from the time we acquire land—the "raw material"—until we finish the product. In many highly profitable large-scale developments, this process requires five years or more. Considering our standard development time frame, laying out a single-year management plan may not be our best choice as an all-round real estate development company with expertise in redevelopment and urban planning.

The Fourth Plan was concluded in March 2010. Unfortunately, we were unable to meet the targets that were set in 2006 due to the substantial deterioration in the economic environment, which exceeded our expectations. However, as we did under previous plans, under the Fourth Plan we succeeded in achieving increased revenue and profit over the three-year period covered by the plan.

Results in the March 2010 Fiscal Year

We achieved the 13th consecutive year of higher revenue, and ordinary profit was more than ¥100.0 billion for the fourth consecutive year.

In the March 2010 fiscal year, the final year of the Fourth Plan, consolidated revenue from operations increased 3.5% year on year, to ¥719.6 billion; operating income decreased 8.5%, to ¥134.0 billion; and ordinary profit declined 11.5%, to ¥100.5 billion. Nonetheless, due to a substantial improvement in extraordinary loss, net income rose 14.0%, to ¥52.7 billion. In the fiscal year under review, both operating income and ordinary profit decreased. However, we did succeed in maintaining ordinary profit above ¥100.0 billion for the fourth consecutive year. Accordingly, in line with our emphasis on the continued payment of stable dividends, we maintained annual dividends at ¥20 per share, the same as in the previous fiscal year. Further, in the March 2011 fiscal year, we intend to maintain annual dividends of ¥20 per share.

Start of the New Management Plan (from April 2010 to March 2013)

We intend to get back on track toward increased revenue and profit and to achieve further growth.

The new medium-term management plan, the Fifth Management Plan, started in April 2010. The future course of economic conditions remains unclear. Consequently, the performance targets in this plan are relatively conservative. Under all of the four previous plans, we achieved increased revenue and profit over the three-year periods covered by the plans. For the Fifth Management Plan, we have taken a conservative approach to the uncertain economic environment, and we are targeting increased revenue but declines in operating income and ordinary profit.

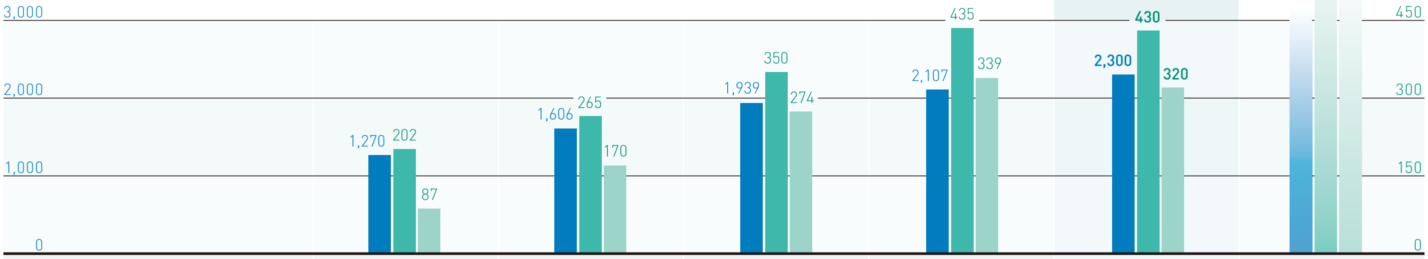
Nonetheless, we are aiming to return to a course of increases in revenue and profit from the first year of the plan, and for the March 2013 fiscal year, the final year of the plan, we are aiming to

Fifth Management Plan (April 2010 to March 2013)

- Getting back on track toward increased revenue and profit
  (Achieving higher revenue and profit each year after March 2010 fiscal year)
- Targeting record-setting business results in March 2013 fiscal year

Growth Under Medium-Term Management Plans

(Billions of Yen)



(Years ended March 31)	1st Plan*2 1999–2001	2nd Plan 2002–2004	3rd Plan 2005–2007	4th Plan 2008–2010	5th Plan 2011–2013 FORECAST
Revenue from operations	1,270	1,606	1,939	2,107	**2,300**
Operating income	202	265	350	435	**430**
Ordinary profit	87	170	274	339	**320**

*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.

achieve record-setting results for the first time since the March 2008 fiscal year. Subsequently, in the period covered by the up-coming Sixth Management Plan, we will strive to achieve rapid growth.

Outlook for the Next Fiscal Year

Working to achieve growth in operating income and ordinary profit for the first time in three years.

Our forecasts for the March 2011 fiscal year, the first year of the Fifth Management Plan, call for the 14th consecutive year of higher revenue and increases in operating income and ordinary profit for the first time in three years. We are planning revenue from operations of ¥730.0 billion, operating income of ¥135.0 billion, and ordinary profit of ¥101.0 billion. The Company's operating environment is showing signs of recovery, such as the strong sales seen in condominium operations. Given such factors as the public finance problems in Europe, we cannot yet be optimistic about economic conditions, but we will continue to enhance our sales and marketing systems to achieve our goals.

In these ways, Sumitomo Realty will work to meet the targets in its medium-term management plan and to achieve sustainable growth in the years ahead. We ask for the continued support of our shareholders as we strive to achieve these goals.

June 2010

Junji Takashima
Chairman

Kenichi Onodera
President

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 competitive service networks.

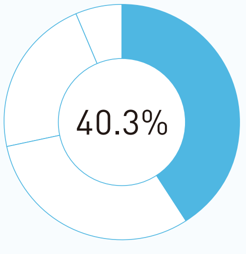
Taking Steps to Maintain Well-balanced Operations

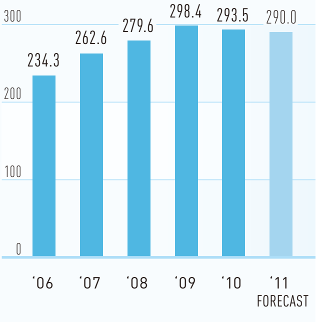
Sumitomo Realty's four operational fields have complementary operational cycles and market characteristics, and in the past the adverse effects of changing market conditions on a particular field have generally been offset by favorable performances in others. As a result, the Company has been able to continue to

LEASING

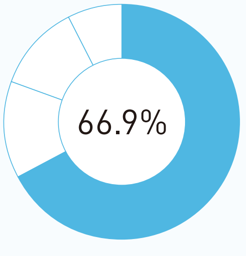
Office building, condominium and other property leasing and management and related activities

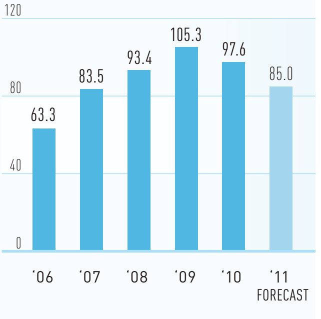
Revenue from Operations
(Billions of Yen)





Operating Income
(Billions of Yen)

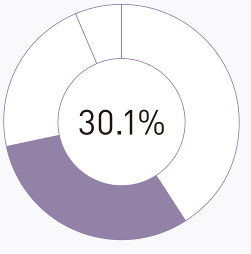


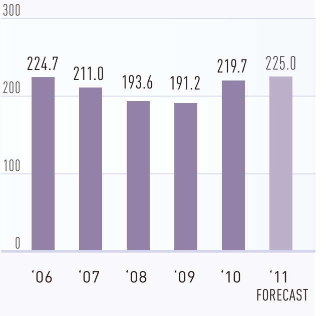


SALES

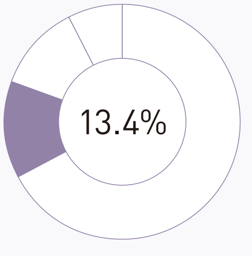
Mid- and high-rise condominium, detached house and housing lot development and sales and related activities

Revenue from Operations
(Billions of Yen)



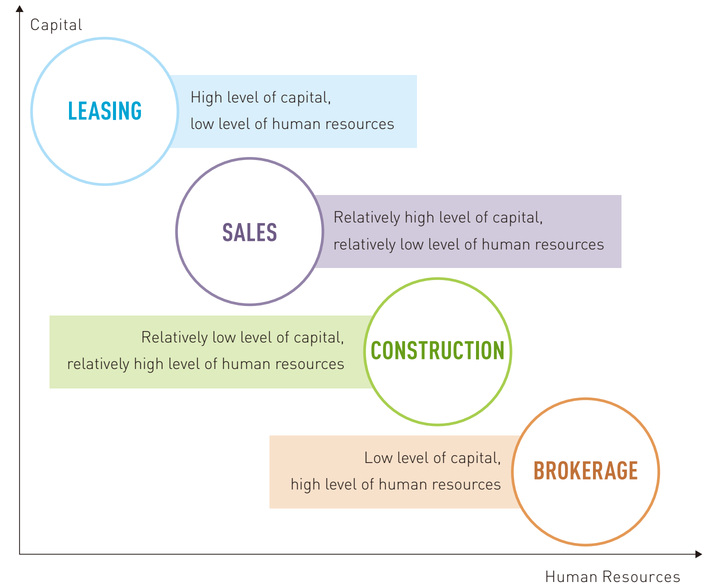


Operating Income
(Billions of Yen)



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.

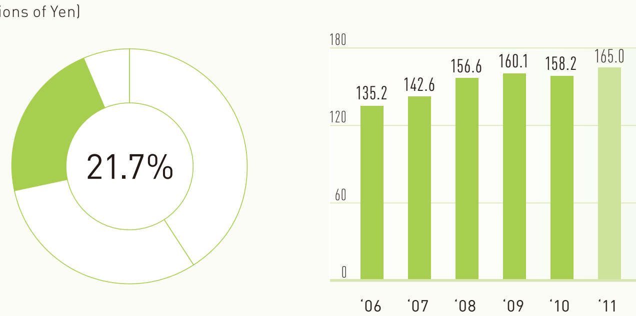
Sumitomo Realty's Balanced Portfolio



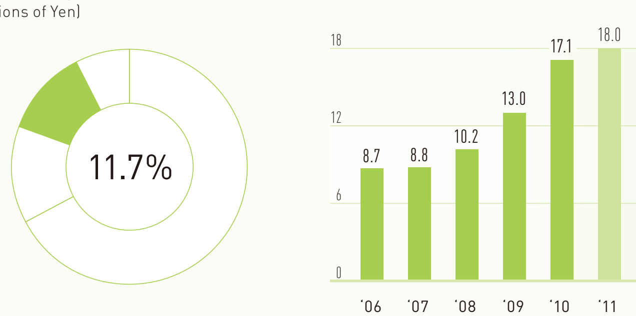
CONSTRUCTION

Custom home construction and remodeling and related activities

Revenue from Operations
(Billions of Yen)



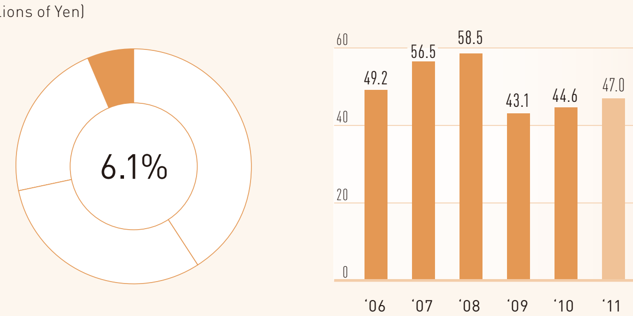
Operating Income
(Billions of Yen)



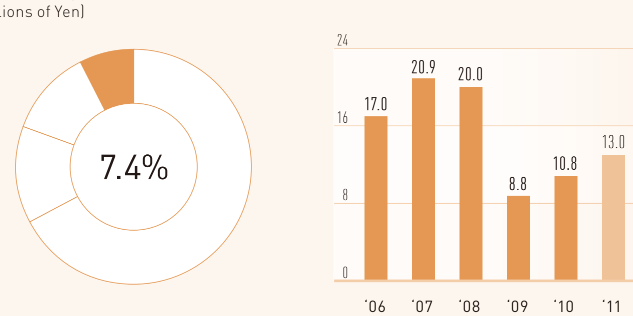
BROKERAGE

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

Revenue from Operations
(Billions of Yen)

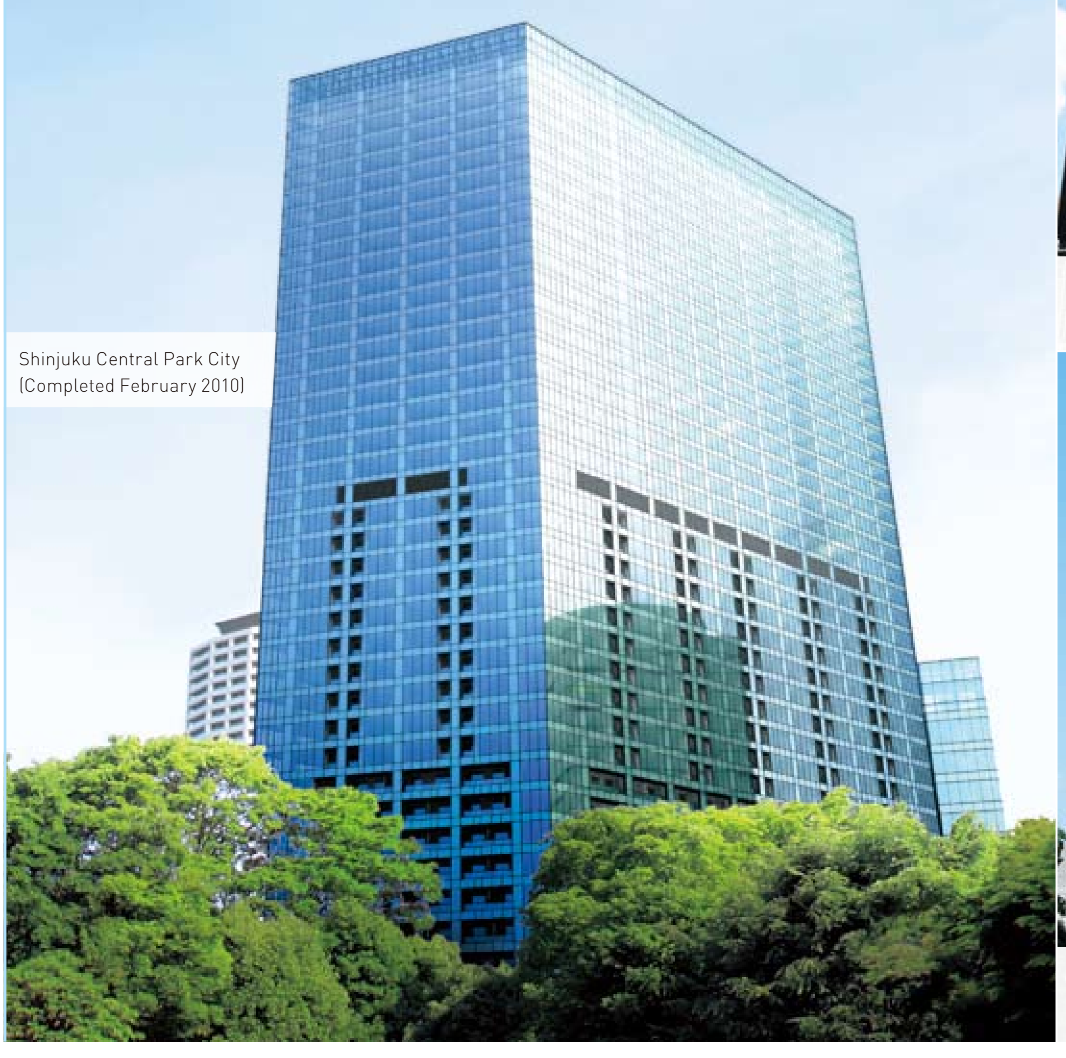


Operating Income
(Billions of Yen)

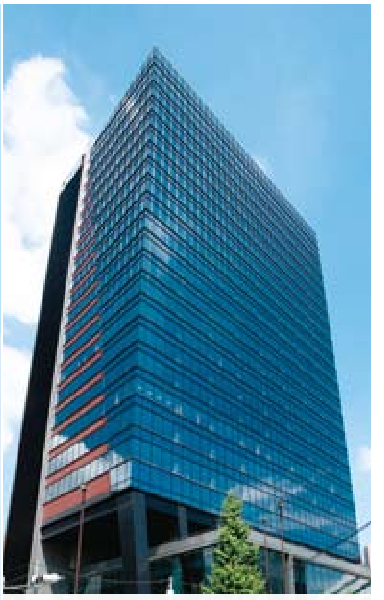


LEASING

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 upscale buildings in central Tokyo and by a direct involvement in operations.



Shinjuku Central Park City
(Completed February 2010)



Sumitomo Fudosan
Shiodome Hamarikyu Building
(Completed August 2009)

Sumitomo Fudosan
Aobadai Tower
(Completed August 2009)

Principal Office Buildings Opened in the March 2010 Fiscal Year

Name	Location (Tokyo CBD)	Completion	Gross floor area (m^2)
Sumitomo Fudosan Nishi Shinjuku Building	Shinjuku Ward	Apr. 09	37,317
Sumitomo Fudosan Kanda Building No.2	Chiyoda Ward	June 09	20,667
Sumitomo Fudosan Akihabara Building	Chiyoda Ward	June 09	31,991
Sumitomo Fudosan Shiodome Hamarikyu Building	Chuo Ward	Aug. 09	47,951
Sumitomo Fudosan Aobadai Tower	Meguro Ward	Aug. 09	55,773
Ebisu SS Building	Shibuya Ward	Sep. 09	9,079
Sumitomo Fudosan Shinagawa Sea-side Building	Shinagawa Ward	Nov. 09	21,771
Shinjuku Central Park City	Shinjuku Ward	Feb. 10	127,645
Total			**352,194**

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

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

The ongoing global economic slump resulted in cautious behavior among corporations, and demand for office buildings was generally sluggish in the Tokyo office building market, which accounts for more than 90% of our portfolio. As a result, the vacancy rate for existing buildings was high, and there was an increase in rent reductions when leases were renewed. New contract rents also declined year on year. However, some companies saw these conditions as an opportunity, and there were trends toward businesses moving to buildings with better locations or facilities, as well as efforts to increase efficiency by consolidating multiple offices into a single location. Consequently, there was an increase in new large-scale contracts, particularly for new buildings.

In this environment, buildings that opened for occupancy during the previous year, such as the Sumitomo Fudosan Iidabashi Ekimae Building, made a full-year contribution to our results. Furthermore, buildings that opened during the year, such as the Sumitomo Fudosan Shiodome Hamarikyu Building and the Sumitomo Fudosan Aobadai Tower, were able to attract more tenants than was initially forecast, which also contributed to our results. However, the vacancy rate for existing buildings worsened from 5.1% at the end of the previous fiscal year, to 8.4% at the end of the year under review.

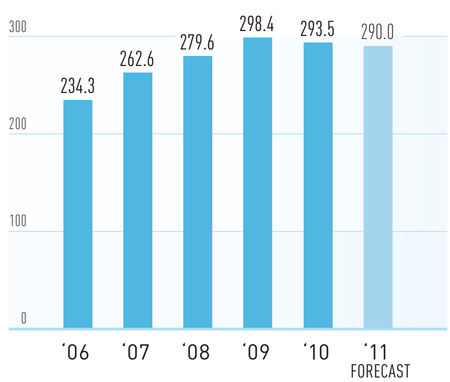
Consequently, revenue from operations decreased 1.6%, to ¥293.5 billion, and operating income was down 7.3%, to ¥97.6 billion.

Outlook

In the March 2011 fiscal year, contributions to our performance will be made by the full-year results of such properties as the Sumitomo Fudosan Shiodome Hamarikyu Building and the Sumitomo Fudosan Aobadai Tower, as well as by new buildings scheduled to be opened during the year, such as the Sumitomo Fudosan Iidabashi First Tower and the Sumitomo Fudosan Shibuya First Tower. However, we anticipate that these positive factors will be offset by the loss of revenues from existing buildings due to the worsening of market conditions, and accordingly we expect revenue from operations to decline 1.2% year on year, to ¥290.0 billion, and operating income to decrease 12.9%, to ¥85.0 billion.

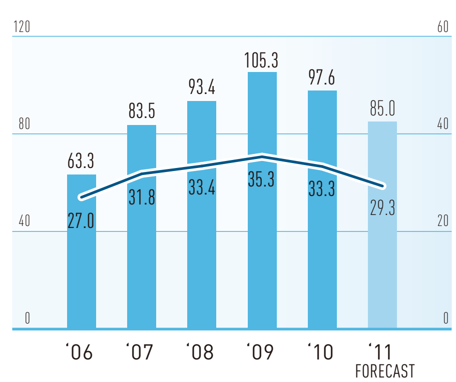
Revenue from Operations

(Billions of Yen)



Operating Income and Operating Margin

(Billions of Yen) (%)

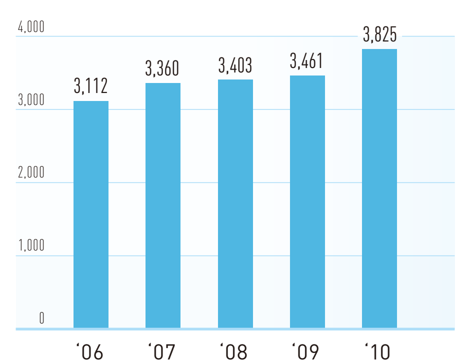


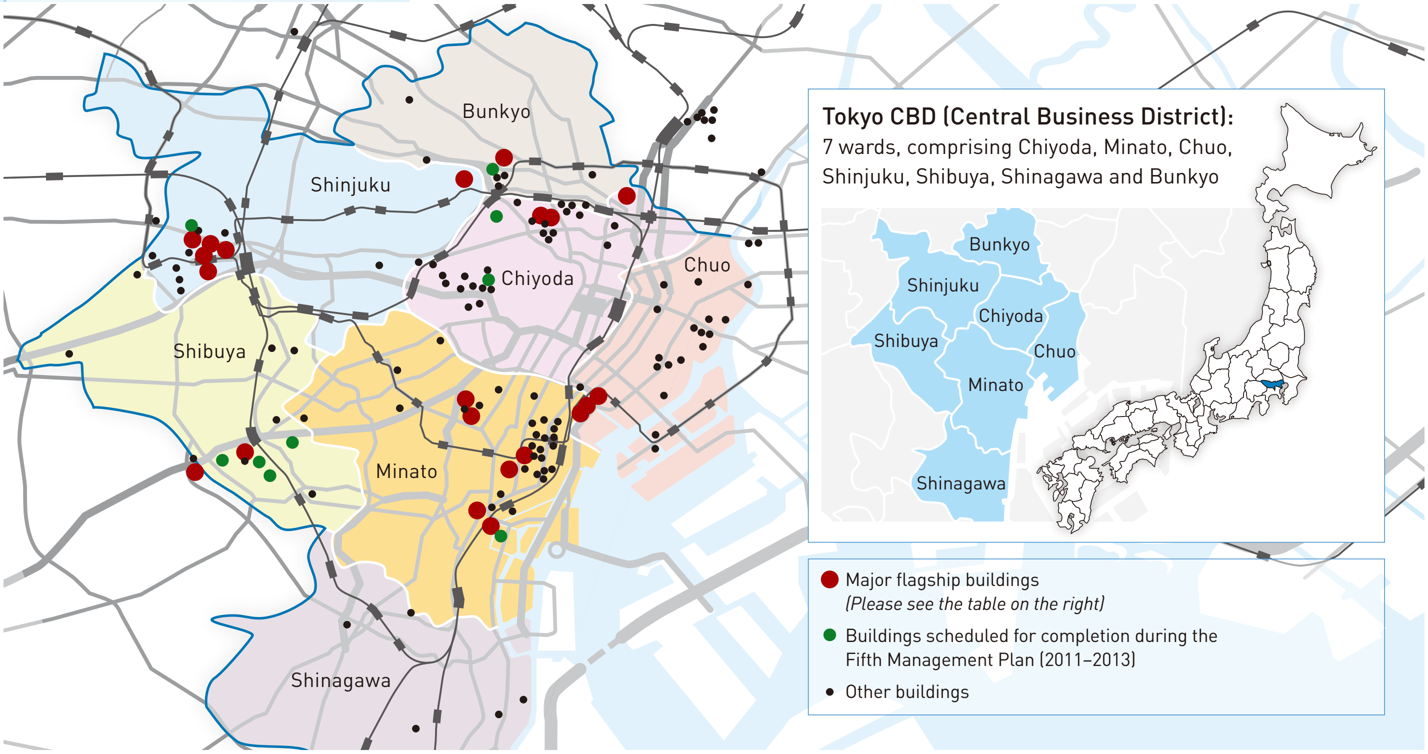
Operating Income

Operating Margin (right scale)

Gross Floor Area

(1,000m²)





State-of-the-Art Facilities

	Before 1981	1982–1996	1997 and after
Earthquake protection	Previous quake-resistant structure	New quake-resistant structure	Anti-sway structure
Ceiling height*	2.5m	2.7m	2.9–3.3m
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 2010, our leasing portfolio had a gross floor area of 3.8 million square meters and an average age of 14 years, the lowest among Japan's major real estate companies. About 46% 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 85% in Tokyo's central business district. Furthermore, 82% of the portfolio was made up of large-scale buildings with more than 10,000 square meters of gross floor area, and about 99% 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 Fifth Management Plan (2011–2013)*, 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.

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.

*Fiscal year ending March 31

Major Flagship Buildings

Name	No. of floors (above ground / below ground)	Completion (scheduled)	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 Central Park City	44/2	Feb. 10	Shinjuku Ward	127,645
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 Aobadai Tower	33/3	Aug. 09	Meguro Ward	55,773
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
Sumitomo Fudosan Shiodome Hamarikyu Building	21/2	Aug. 09	Chuo Ward	47,951
Chiyoda First Building East	17/2	Oct. 98	Chiyoda Ward	37,473
Sumitomo Fudosan Nishi Shinjuku Building	33/2	Apr. 09	Shinjuku Ward	37,317
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
Sumitomo Fudosan Akihabara Building	19/3	June 09	Chiyoda Ward	31,991
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

Shiodome Sumitomo Building

Leasing Portfolio

Total Gross Floor Area as of March 31, 2010: 3.83 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.

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.

LEASING FUTURE DEVELOPMENT PROJECTS

We commenced the Fifth Management Plan in April 2010. To achieve the plan's objectives—three consecutive years of higher revenue and profit and record-setting business results in the plan's final year, we plan to open 11 buildings with total floor space of about 150,000 tsubo. In this way, we will take steps to further expand our earnings foundation and strive to achieve sustained growth in the years ahead.

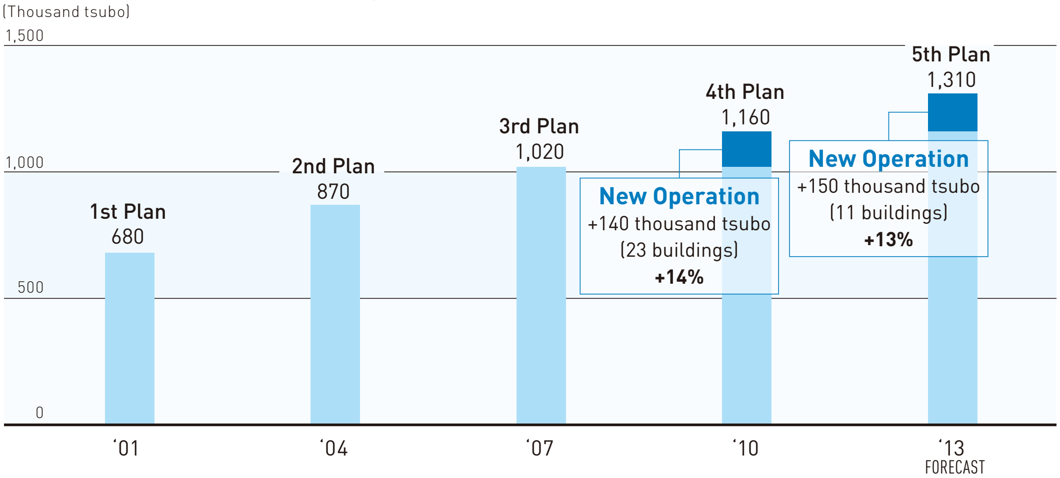
Sumitomo Fudosan Shibuya First Tower	
Gross floor area	16,000 tsubo*
Floors	25 above ground
	3 below ground
Completion	August 2010

Principal Projects from the 5th Management Plan (from 2011)

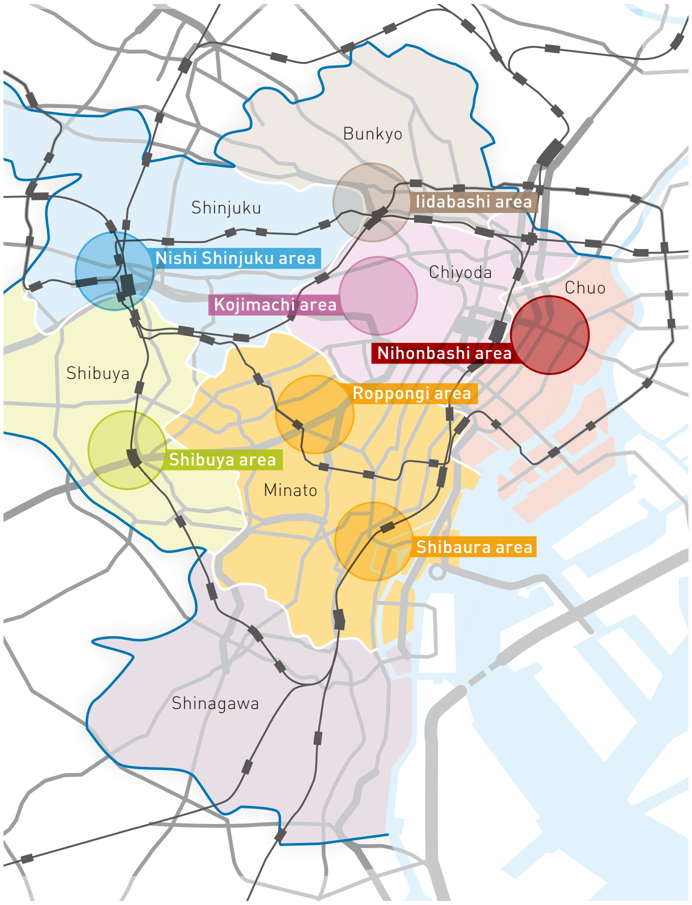
Name	Location (Tokyo CBD)	Area	Expected completion	Gross floor area (Tsubo*1)
Projects in the 5th Management Plan (from 2011 to 2013)				
Sumitomo Fudosan Iidabashi First Tower	Bunkyo Ward	Iidabashi	Apr. 10	23,700
La Tour Daikanyama (Residence)	Shibuya Ward	Shibuya	Aug. 10	15,100
Sumitomo Fudosan Shibuya First Tower	Shibuya Ward	Shibuya	Aug. 10	16,000
Sumitomo Fudosan Hanzomon Ekimae Building	Chiyoda Ward	Kojimachi	Jan. 11	5,100
Shibuya Sakuragaoka Project	Shibuya Ward	Shibuya	Jan. 11	1,800
Iidabashi Fujimi Project	Chiyoda Ward	Iidabashi	Apr. 11	6,700
Nishi Shinjuku 8-Chome Project	Shinjuku Ward	Nishi Shinjuku	Aug. 11	54,500
Shibaura 4-Chome Project	Minato Ward	Shibaura	Nov. 11	6,700
Shibuya Nanpeidai Project	Shibuya Ward	Shibuya	Apr. 12	18,000
Total			**Apr. 10–Mar. 13**	**147,600**
Projects After the 6th Management Plan (from 2014)				
Nihonbashi 2-Chome Project	Chuo Ward	Nihonbashi		30,000
Roppongi 3-Chome Project	Minato Ward	Roppongi		50,000

*1 tsubo = 3.3m²

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



Positioning of Future Development Projects (Tokyo Central Business District)



Sumitomo Fudosan Iidabashi First Tower	
Gross floor area	23,700 tsubo*
Floors	34 above ground
	3 below ground
Completion	April 2010

Iidabashi Fujimi Project	
Gross floor area	6,700 tsubo*
Floors	14 above ground
	1 below ground
Expected completion	April 2011

Nishi Shinjuku 8-Chome Project	
Gross floor area	54,500 tsubo*
Floors	40 above ground
	3 below ground
Expected completion	August 2011

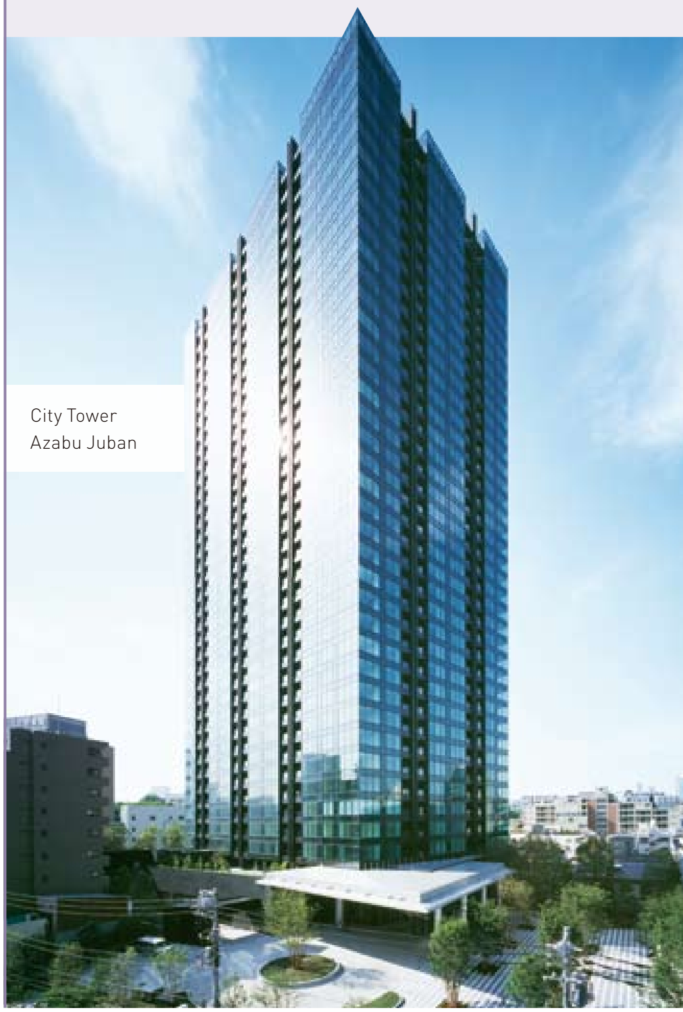
Shibaura 4-Chome Project	
Gross floor area	6,700 tsubo*
Floors	11 above ground
	1 below ground
Expected completion	November 2011

Shibuya Nanpeidai Project	
Gross floor area	18,000 tsubo*
Floors	21 above ground
	2 below ground
Expected completion	April 2012

*1 tsubo = 3.3m^2

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.


City Tower Azabu Juban

City Towers Toyosu The Symbol


Southern Sky Tower Residence

Mega City Towers

Principal Condominium Development Projects (2011–2013)

Name	Location	No. of units for sales	Scheduled delivery*1
City Towers Toyosu The Symbol	Koto Ward, Tokyo	850	2011
City Tower Ariake	Koto Ward, Tokyo	458*2	2011
City Tower Warabi	Warabi shi, Saitama	268	2011
Southern Sky Tower Residence	Hachioji shi, Tokyo	371	2011
City Tower Osaka Temma-The River&Parks	Osaka shi, Osaka	650	2011
Mega City Towers	Yao shi, Osaka	705*2	2011
City House Fuchu Keyaki-dori	Fuchu shi, Tokyo	140	2012
City Terrace Nagareyama Station-Court	Nagareyama shi, Chiba	328	2012
Yono Project	Saitama shi, Saitama	405	2013
Tamatsukuri Project	Osaka shi, Osaka	207	2013
Sannomiya Project	Kobe shi, Hyogo	594	2013
Takadanobaba Project	Shinjuku Ward, Tokyo	359	2013

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

Sumitomo Realty's Strengths

Sumitomo Realty's condominium operations are centered in Japan's six largest urban areas—Tokyo, Osaka/Kobe, Sapporo, Sendai, Nagoya and Fukuoka, with the Tokyo Metropolitan area accounting for 70% of our units. 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.

Overview of the Fiscal Year

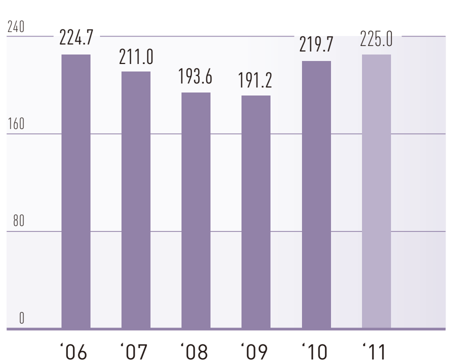
In the condominium market, which accounts for more than 90% of our sales in this segment, there was a clear trend toward recovery in market conditions. Low mortgage interest rates, coupled with the effects of tax reductions, improved consumer purchasing motivation. Consequently, the number of units sold began to increase, principally properties in favorable locations.

In this environment, the number of condominium units sold was up by 50.4%, to a total of 4,918, which marks our recovery to the level seen four years ago in the March 2006 fiscal year, and condominium units unsold decreased by 351, to 1,198. The number of condominium units, detached houses and land lots delivered—such as those at City Tower Azabu Juban and Osaki West City Towers—increased by 214 from the previous year, to 4,222. As a result, revenue from operations was up 14.9%, to ¥219.7 billion. However, we recorded loss on devaluation, which resulted in a decline in the operating margin. Consequently, operating income fell 36.3%, to ¥19.6 billion.

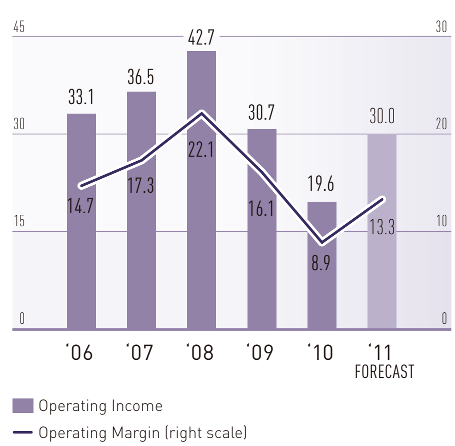
Outlook

In the March 2011 fiscal year, we plan to deliver a total of 4,600 condominium units, detached houses and land lots, an increase of 378 year on year. The increase in units delivered and improved profitability will result in substantial increases in revenue from operations and operating income. Also, of the 4,500 condominium units and detached houses that we expect to deliver in the March 2011 fiscal year, approximately 30% had already been sold at the end of March 2010 (15% 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 2011 fiscal year we are forecasting revenue from operations of ¥225.0 billion, up 2.4%, and operating income of ¥30.0 billion, up 53.1%.

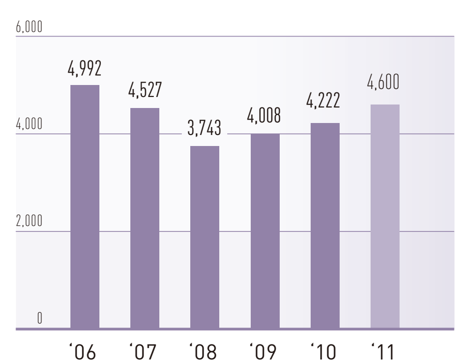
Revenue from Operations



Operating Income and Operating Margin



Units Delivered



Note: Number of units includes condominium units, detached houses and land lots.

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.

After Remodeling

REMODELING (Shinchiku Sokkurisan)

CUSTOM HOMES

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.

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 January 2010, we commenced sales of J•SKY, which is the latest product in the J•URBAN series.

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

- **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.

J·SKY interior

J·SKY exterior

Overview of the Fiscal Year

In the second half of the previous fiscal year, orders in Shinchiku Sokkurisan remodeling operations declined due to weak market conditions. However, conditions gradually began to improve in the March 2010 fiscal year, and Shinchiku Sokkurisan orders rose by 470, to 7,521, surpassing the record high of 7,324 set in the March 2008 fiscal year, and deliveries increased by 64, to 7,154.

In custom home operations, in a continued challenging operating environment, orders increased by 92 year on year, to 1,779 units, while deliveries decreased by 14, to 1,733 units.

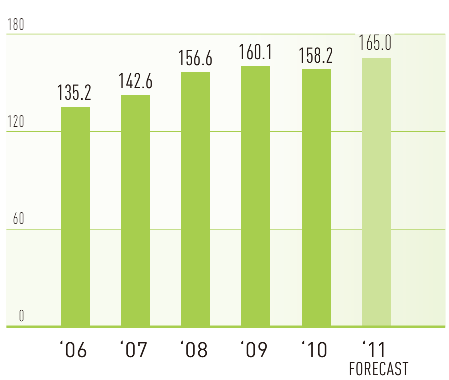
In construction operations revenue from operations decreased 1.2%, to ¥158.2 billion, primarily as a result of the sale in the previous year of Universal Home, Inc., which was included in other businesses. Our profit margin increased, however, due in part to measures to reduce expenses, and operating income rose significantly, rising 31.7%, to ¥17.1 billion. Looking at the composition of revenue, Shinchiku Sokkurisan contributed ¥87.5 billion, custom homes ¥50.5 billion, and other businesses ¥20.3 billion.

Outlook

In both Shinchiku Sokkurisan remodeling operations and custom home operations, we will work to enhance our product lineup by developing new products and will continue to strengthen our sales systems. Through these efforts, we will strive to increase orders, and we are targeting revenue from operations of ¥165.0 billion, up 4.3%, and operating income of ¥18.0 billion, up 5.4%.

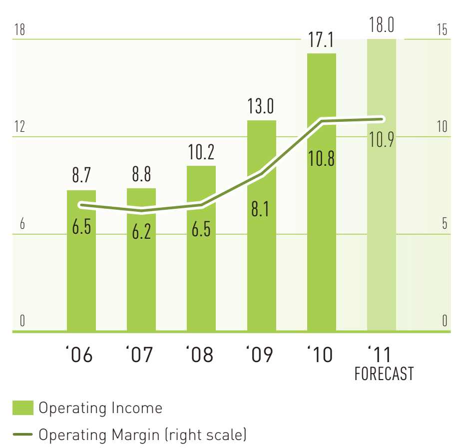
Revenue from Operations

(Billions of Yen)



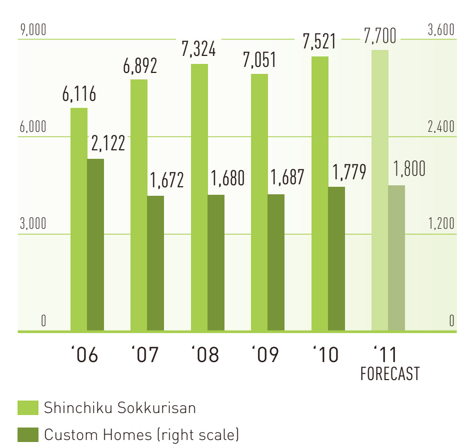
Operating Income and Operating Margin

(Billions of Yen) (%)



Shinchiku Sokkurisan and Custom Home Units Contracted

(Units) (Units)



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 2010. 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

In the existing home market, the number of contracts recorded a notable increase, and the environment for existing home transactions began to recover. Conversely, corporate transactions remained sluggish, especially wholesale operations.

In this environment, transactions in our mainstay brokerage operations increased 7.7% year on year, to 29,974, setting a new record-high. Additionally, we saw improvements in commission rates. On the other hand, transaction value decreased 6.3%, to ¥769.9 billion, due to stagnant wholesale operations.

As a result, revenue from operations rose 3.5% year on year, to ¥44.6 billion. Due in part to the reduction of expenditures, operating income recorded a substantial gain, rising 22.9%, to ¥10.8 billion.

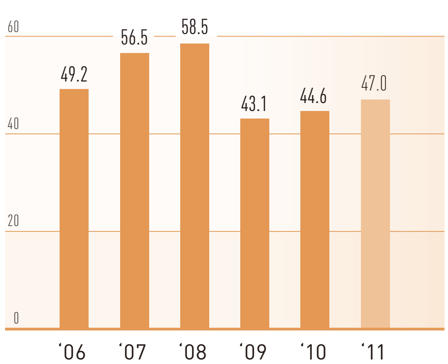
Outlook

In brokerage operations, we will continue to upgrade existing offices while striving to improve sales efficiency. Through these efforts, we will aim to increase the number of brokerage transactions, and achieve our second consecutive year of increased revenue and income.

Accordingly, for the March 2011 fiscal year we forecast revenue from operations of ¥47.0 billion, up 5.3%, and operating income of ¥13.0 billion, up 20.9%.

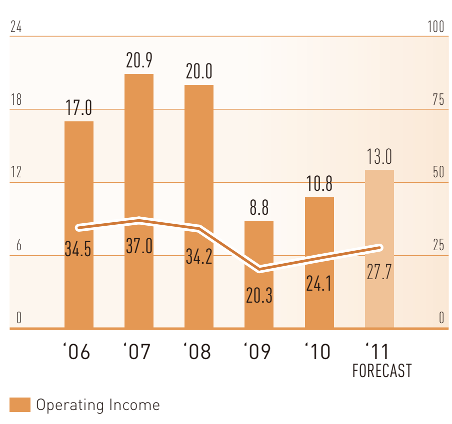
Revenue from Operations

(Billions of Yen)



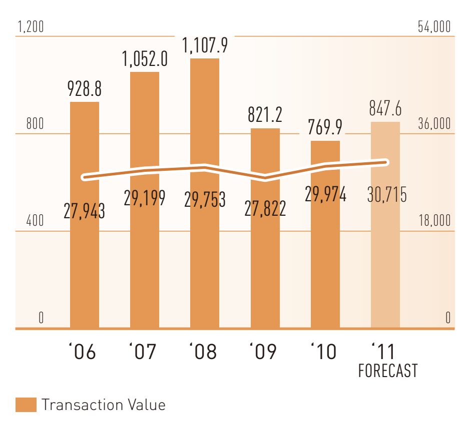
Operating Income and Operating Margin

(Billions of Yen) (%)



Number of Transactions and Transaction Value

(Billions of Yen)



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 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).
2009	Cumulative total number of orders for Shinchiku Sokkurisan remodeling business surpassed 50,000.
2010	Commenced sales of J•SKY, the sixth product in the J•URBAN series. Completed construction of Shinjuku Central Park City (Shinjuku Ward, Tokyo)


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. Each of the three outside statutory auditors has abundant management experience at other companies, and they were nominated because their character and knowledge were considered to be appropriate for the Company's statutory auditors. There are no conflicts of interest between Sumitomo Realty and these statutory auditors.

The Compliance Department, which has six 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 the independent auditors and exchanges opinions with the statutory auditors in an appropriate manner.

The Compliance Department, the statutory auditors and the independent auditors provide timely advice and guidance to internal departments that are associated with internal control. 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 ¥1,164 million, compensation for statutory auditors (excluding outside statutory auditors) was ¥30 million, and compensation for outside statutory auditors was ¥39 million.

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. At the 77th general meeting of shareholders held on June 29, 2010, with the approval of the shareholders, the policy was extended to the conclusion of the 80th general meeting of shareholders in June 2013.

Overview of Takeover Defense Measures

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.

Six-Year Financial Summary

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

	Millions of Yen					
	2010	2009	2008	2007	2006	2005
For the Year						
Revenue from operations	¥719,636	¥695,240	¥691,928	¥676,834	¥646,525	¥616,115
Leasing	293,533	298,359	279,568	262,620	234,280	221,234
Sales	219,662	191,224	193,575	211,035	224,735	224,191
Construction	158,214	160,134	156,606	142,564	135,158	127,388
Brokerage	44,621	43,105	58,542	56,532	49,217	43,445
Cost of revenue from operations	534,270	496,547	488,202	490,491	487,805	470,636
SG&A expenses	51,387	52,327	49,118	49,167	46,697	45,188
% of revenue from operations	7.1%	7.5%	7.1%	7.3%	7.2%	7.3%
Operating income	133,979	146,366	154,608	137,176	112,023	100,291
% of revenue from operations	18.6%	21.1%	22.3%	20.3%	17.3%	16.3%
Depreciation and amortization	18,065	17,886	17,150	15,677	16,330	14,019
At Year-End						
Current assets	¥ 802,693	¥ 759,816	¥ 784,195	¥ 756,488	¥ 619,219	¥ 481,341
Sales inventory*1	584,756	568,970	550,863	531,377	388,627	260,613
Total assets	3,168,098	3,006,412	2,894,004	2,747,900	2,460,080	2,136,329
Shareholders' equity*2	488,896	436,667	427,423	409,197	375,656	320,098
Net interest-bearing debt	1,785,854	1,722,733	1,548,509	1,343,824	1,150,880	935,155
Per Share Amounts (Yen)						
Net income	¥ 111.04	¥ 97.39	¥133.00	¥105.92	¥ 68.33	¥ 32.64
Shareholders' equity	1,030.93	920.74	900.57	861.93	790.74	673.40
Cash dividend applicable to the year	20.00	20.00	18.00	14.00	10.00	9.00
Key Ratios						
Equity ratio (%)	15.4	14.5	14.8	14.9	15.3	15.0
ND/E ratio*3 (Times)	3.7	3.9	3.6	3.3	3.1	2.9

*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 AND THE FIFTH MANAGEMENT PLAN

In the March 2010 fiscal year, the final year of the Fourth Management Plan, we achieved our 13th consecutive year of gains in revenue from operations, which surpassed ¥700.0 billion for the first time.
Although operating income and ordinary profit both declined for the second year in a row, ordinary profit exceeded ¥100.0 billion for the fourth consecutive year.

In the year under review, we completed the Fourth Plan, which commenced in April 2007. Due to the substantial deterioration in economic conditions, which exceeded expectations, we were unable to extend our record of 11 consecutive years of higher profit. However, as with previous plans, we succeeded in achieving higher revenue and profit over the three-year period covered by the plan.

Under the Fifth Plan, which was commenced in April 2010, we anticipate year-on-year gains in revenue and profit from the first year of the plan. We will strive to return to a course of growth in revenue and profit and to achieve record high results in the final year of the plan, ending March 2013. For further information, please see Message from the Management on pages 2 to 3.

RESULTS OF OPERATIONS

Revenue from Operations and Operating Income

We recorded lower revenue and profit in leasing operations due to higher vacancy rates in existing buildings. Despite the difficult environment, we were able to maintain results at a stable level, due to our quality leasing portfolio and additions of new buildings. In sales operations, the number of condominium units sold increased by 50% year on year, but the profit margin declined, and consequently we recorded higher revenue but lower profit. In construction operations and brokerage operations, we registered gains in profit, due primarily to cost reductions.
As a result, in the fiscal year under review revenue from operations was up 3.5%, to ¥719.6 billion, but operating income fell 8.5%, to ¥134.0 billion. For further information about each segment, please see the Review of Operations section on pages 6 to 16.

Other Income and Expenses

Net other expenses improved to ¥42.8 billion, from ¥67.1 billion in the previous fiscal year. Major items included a substantial decline in loss on devaluation of investments in securities, which was down ¥12.4 billion, and loss on devaluation of inventories, which was ¥13.8 billion in the previous fiscal year but was not recorded in the year under review. Interest expense, net, edged down 0.4%, to ¥29.6 billion.

Net Income

Income before income taxes and minority interests totaled ¥91.2 billion, an increase of 15.1%. Income taxes increased 15.3%, to ¥36.9 billion.
As a result, net income rose 14.0%, to ¥52.7 billion, and the net margin improved to 7.3%, from 6.6% in the previous fiscal year.

CASH FLOWS

Cash and cash equivalents at end of year totaled ¥149.3 billion, an increase of ¥24.4 billion from the end of the previous year. Cash flows were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥93.8 billion. In comparison with the previous year, income before income taxes and minority interests increased. In addition, sales of condominiums in inventory were favorable, generating cash flows. Consequently, cash flows from operating activities increased ¥146.5 billion.

Cash Flows from Investing Activities

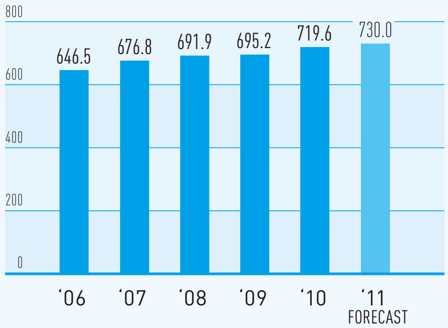
Net cash used in investing activities was ¥167.6 billion. As new development investment in the leasing segment, we made payments for purchases of property and equipment amounting to ¥114.1 billion. We also recorded a refund of about ¥34.6 billion in deposits from partnership investors.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥98.4 billion. For investment

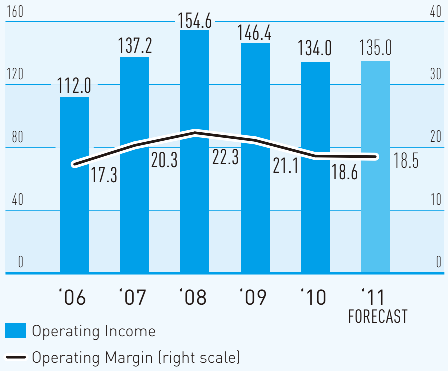
Revenue from Operations

(Billions of Yen)



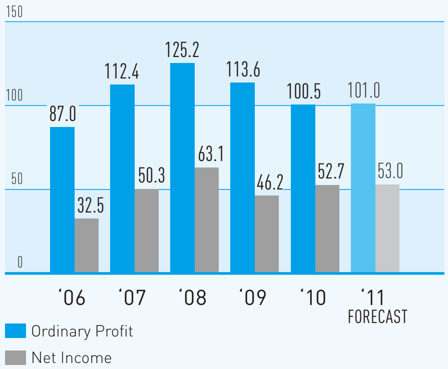
Operating Income and Operating Margin

(Billions of Yen) (%)



Ordinary Profit* and Net Income

(Billions of Yen)



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

in leasing facilities and long-term fund raising stability, increase in long-term debt was ¥155.2 billion. In addition, issuance of bonds and notes was ¥90.0 billion. On the other hand, decrease in short-term debt was ¥117.6 billion. Consequently, interest-bearing debt reached ¥1,935.2 billion.

CAPITAL RESOURCES AND LIQUIDITY

Assets

At the end of the year under review, total assets were ¥3,168.1 billion, an increase of 5.4%. This gain was principally due to an increase in property and equipment stemming from investment in leasing facilities. Total current assets increased 5.6%, to ¥802.7 billion. Net property and equipment increased 5.3%, to ¥1,896.4 billion.

Liabilities

Total liabilities at the end of the year under review were up 4.3% from the previous fiscal year-end, to ¥2,660.7 billion. Total current liabilities increased 5.1%, to ¥945.2 billion. This was primarily attributable to an increase of 70.6%, to ¥273.6 billion, in long-term debt due within one year. Total long-term liabilities were up 3.8%, to ¥1,715.5 billion, mainly due to an increase of 7.4% in long-term debt due after one year, to ¥1,333.3 billion.

As a result, at the end of the fiscal year, interest-bearing debt was up ¥87.5 billion, to ¥1,935.2 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 recent years, 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 the Company, which will continue to implement development investment for further growth, we believe that this method of raising funds is effective in increasing our financial stability.

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

	Millions of Yen			
	2010	2009	Amount change	% change
Short-term debt:				
Principally from banks	¥ 230,250	¥ 270,970	¥ –40,720	–15.0%
Commercial paper	97,975	174,900	–76,925	–44.0%
Subtotal	328,225	445,870	–117,645	–26.4%
Long-term debt:				
Bonds and notes	420,000	370,000	50,000	13.5%
Loans principally from banks	1,066,941	911,757	155,184	17.0%
Perpetual subordinated loan	120,000	120,000	—	—
Subtotal	1,606,941	1,401,757	205,184	14.6%
Long-term debt due within one year	273,621	160,410	113,211	70.6%
Long-term debt due after one year	1,333,320	1,241,347	91,973	7.4%
Interest-bearing debt	1,935,166	1,847,627	87,539	4.7%

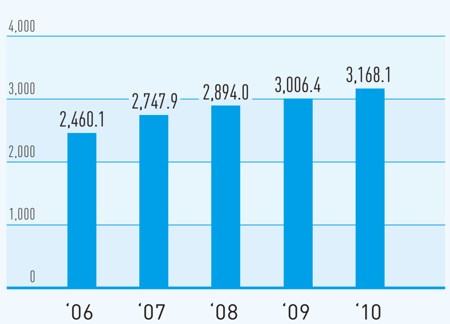
Shareholders' Equity

Shareholders' equity was up 12.0% year on year, to ¥488.9 billion. Net income was ¥52.7 billion, and retained earnings increased ¥40.4 billion year on year. In addition, net unrealized holding losses on securities decreased by ¥12.4 billion. Consequently, the equity ratio was 15.4%, compared to 14.5% a year earlier. Allowing for the capital nature of the perpetual subordinated loan, the effective equity ratio was 18.3%.

ROE rose to 11.4%, from 10.7% a year earlier, while ROA was 4.4%, compared to 5.1% the previous year.

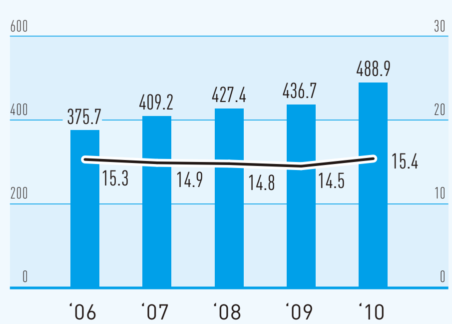
Total Assets

(Billions of Yen)



Shareholders' Equity and Equity Ratio

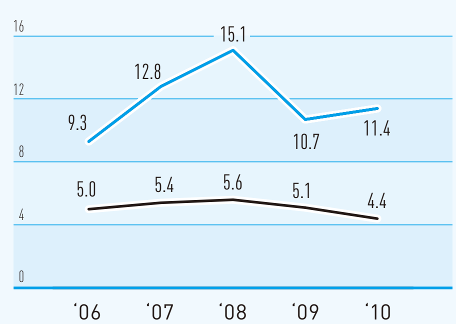
(Billions of Yen) (%)



Shareholders' Equity
Equity Ratio (right scale)

ROE and ROA

(%)



ROE (Net Income / Shareholders' Equity)
ROA (Operating Income + Interest and Dividend Income / Total Assets)

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 revenue. 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 2010, the balance of the Company's equity investments in SPCs was ¥137 billion, and the balance of the non-recourse loan and other off-balance-sheet debt was approximately ¥573 billion, for a total of approximately ¥710 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 2010, the balance of investment received in SURF investment partnerships was ¥133 billion which was recorded on the balance sheet as deposits received. For further information regarding SPCs, please see Note 23 on pages 45 to 46.

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, our site acquisition has proceeded according to plan, and we were able to achieve substantial growth in revenue and profit over decade.

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

Recently, it has become increasingly difficult to acquire large prime sites. In this setting, Sumitomo Realty has implemented a policy centered on urban redevelopment for future site acquisition. Consequently, we have already acquired the land needed for the fifth and sixth plans. Due to the need to coordinate rights among landowners, redevelopment requires time and effort, but on the other hand comparatively high levels of profit 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.

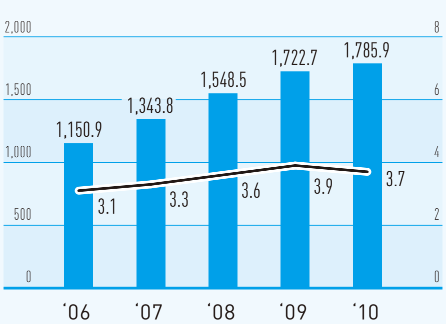
We are bolstering equity through the generation of profit. In the March 2013 fiscal year, the final year of the Fifth Plan, which began in April 2010, we expect to improve the ND/E ratio, including the debt of SPCs, to about 4 times from 4.8 times in the year under review.

In addition, the cash flow generated by our core leasing business is more than ¥100.0 billion, reaching ¥114.3 billion in the year under review, 1.7 times 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 Flows 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.

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 83% of

Net Interest-Bearing Debt (ND) and ND/E Ratio

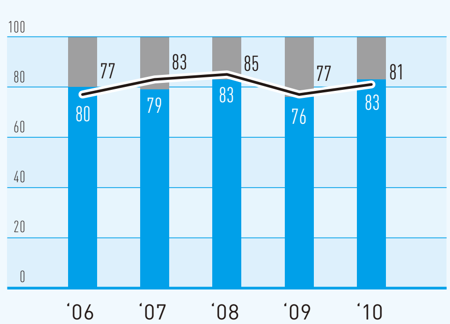
(Billions of Yen) (Times)



Net Interest-Bearing Debt (ND)
ND/E Ratio (right scale)

Long-Term Debt Ratio and Fixed-Interest Rate Debt Ratio

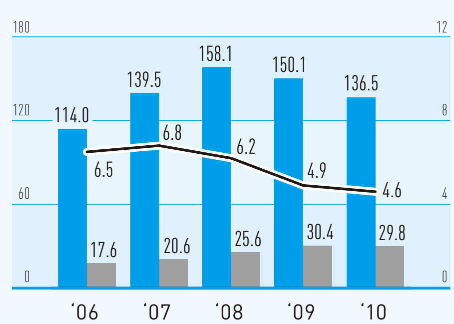
(%)



Short-Term Loans and Commercial Paper
Long-Term Loans and Bonds
Fixed-Interest Rate Debt Ratio

Interest Coverage Ratio

(Billions of Yen) (Times)



Operating Income + Interest and Dividend Income
Interest Expense
Interest Coverage Ratio (right scale)

interest-bearing debt, and fixed-interest rate debt accounted for 81% 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 billion
Borrower:	Sumitomo Realty & Development Co., Ltd.
Lender:	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 unexercisable, and the Company will acquire the new stock subscription rights at no cost.

DIVIDEND POLICY

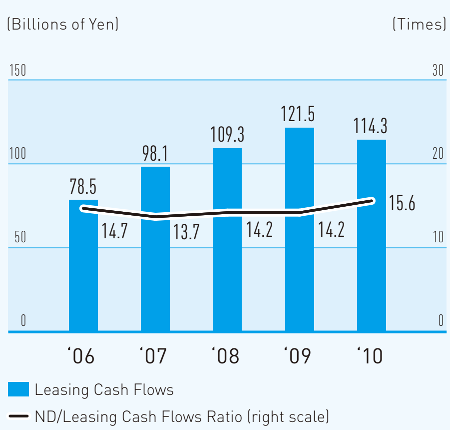
Our fundamental policy for the distribution of profit is to maintain a stable base level of dividends and, while retaining a sufficient level of earnings for stable, long-term operational growth, to increase dividends in line with growth in profit.

We have implemented four 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.

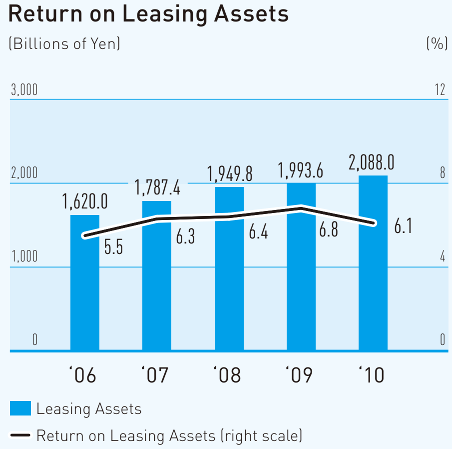
Under the Third Plan, which began in April 2004, we completed the implementation of measures to deal with unrealized losses, and were able to lay the foundation for full-scale growth in EPS. Due to the success of the Third Plan, for the March 2007 fiscal year, the final year of the Third Plan, dividends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

Under the Fourth Plan, profit rose, and as a result we increased dividends over the three years to ¥20.00. In the year under review, the final year of the Fourth Plan, operating income and ordinary profit declined, but ordinary profit remained above ¥100.0 billion for the fourth consecutive year. With a focus on the continuation of stable dividends in consideration of profit level, per-share dividends remained the same, at ¥20.00. In addition, we also plan per-share cash dividends of ¥20.00 for the March 2011 fiscal year. Moving forward, in accordance with our judgment that we need to further bolster equity, we will continue to follow a policy of implementing dividend increases in accordance with growth in profit.

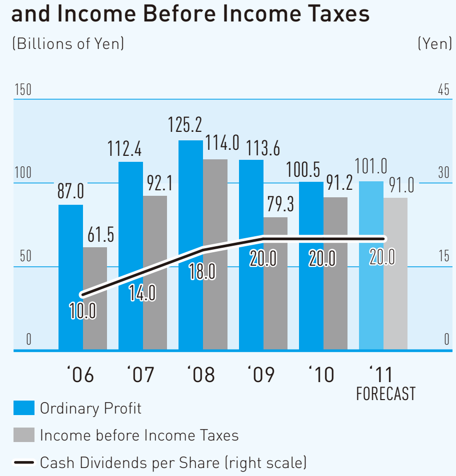
Leasing Cash Flows



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, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2010**	2009	**2010**
Current assets:			
Cash, time and notice deposits (Notes 3 and 7)	¥ 149,313	¥ 124,894	$ 1,604,653
Marketable securities (Notes 7 and 8)	2,705	3	29,070
Investments in SPCs holding properties for sale (Notes 7 and 8)	62,885	50,085	675,819
Notes and accounts receivable–trade (Note 7)	17,232	11,559	185,192
Loans receivable (Note 7)	15,195	21,188	163,299
Allowance for doubtful accounts (Note 7)	(681)	(734)	(7,319)
Inventories (Note 4)	521,871	518,885	5,608,501
Deferred income taxes (Note 16)	13,743	10,569	147,695
Other current assets	20,430	23,367	219,560
Total current assets	802,693	759,816	8,626,470
Investments and advances:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	5,779	5,845	62,106
Investments in securities and other (Notes 7 and 8)	244,760	211,052	2,630,414
Allowance for doubtful accounts	(14,960)	(14,583)	(160,774)
Total investments and advances	235,579	202,314	2,531,746
Property and equipment:			
Land (Notes 4, 6 and 22)	1,490,605	1,438,071	16,019,398
Buildings and structures (Notes 4, 6 and 22)	523,544	464,693	5,626,480
Machinery and equipment (Notes 4, 6 and 22)	17,741	15,844	190,661
Leased assets	1,222	869	13,133
Construction in progress (Notes 4 and 22)	60,051	61,824	645,363
	2,093,163	1,981,301	22,495,035
Accumulated depreciation	(196,752)	(179,893)	(2,114,476)
Net property and equipment	1,896,411	1,801,408	20,380,559
Other assets:			
Guarantee and lease deposits paid to lessors (Note 7)	166,571	170,090	1,790,124
Leasehold rights and other intangible assets	51,363	51,664	551,994
Deferred income taxes (Note 16)	8,802	17,857	94,594
Other	6,679	3,263	71,778
Total other assets	233,415	242,874	2,508,490
Total assets	¥3,168,098	¥3,006,412	$34,047,265

See accompanying notes.

Liabilities and Net Assets	Millions of Yen 2010	2009	Thousands of U.S. Dollars (Note 1) 2010
Current liabilities:			
Short-term debt (Notes 7 and 9)	¥ 328,225	¥ 445,870	$ 3,527,405
Long-term debt due within one year (Notes 6, 7 and 9)	273,621	160,410	2,940,580
Notes and accounts payable–trade (Note 7)	54,171	39,691	582,171
Accrued income taxes (Note 16)	20,902	17,317	224,632
Accrued bonuses	2,760	2,790	29,661
Deposits received (Notes 7 and 17)	187,537	173,179	2,015,443
Other current liabilities	78,009	59,946	838,357
Total current liabilities	945,225	899,203	10,158,249
Long-term liabilities:			
Long-term debt due after one year (Notes 6, 7 and 9)	1,333,320	1,241,347	14,329,070
Guarantee and deposits received (Notes 7 and 17)	370,326	400,480	3,979,861
Allowance for employees' severance and retirement benefits (Note 10)	4,970	4,987	53,412
Other long-term liabilities	6,857	5,970	73,691
Total long-term liabilities	1,715,473	1,652,784	18,436,034
Contingent liabilities (Note 24)			
Net assets (Note 18)**:**			
Common stock:			
Authorized – 1,900,000 thousand shares			
Issued – 476,086 thousand shares	122,805	122,805	1,319,774
Capital surplus	132,748	132,750	1,426,631
Retained earnings	248,836	208,458	2,674,218
Treasury stock	(3,543)	(3,493)	(38,076)
	500,846	460,520	5,382,547
Net unrealized holding losses on securities	(3,393)	(15,773)	(36,464)
Net deferred losses on hedges	(2,591)	(2,318)	(27,845)
Foreign currency translation adjustments	(5,966)	(5,762)	(64,117)
	(11,950)	(23,853)	(128,426)
Minority interests	18,504	17,758	198,861
Total net assets	507,400	454,425	5,452,982
Total liabilities and net assets	¥3,168,098	¥3,006,412	$34,047,265

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	**2010**
Revenue from operations	¥719,636	¥695,240	¥691,928	$7,733,864
Costs and expenses:				
Cost of revenue from operations	534,270	496,547	488,202	5,741,752
Selling, general and administrative expenses	51,387	52,327	49,118	552,252
	585,657	548,874	537,320	6,294,004
Operating income	133,979	146,366	154,608	1,439,860
Other income (expenses):				
Interest expense, net	(29,591)	(29,718)	(24,619)	(318,012)
Dividend income	2,339	3,053	2,494	25,137
Gain on sale of property and equipment	53	10	174	570
Loss on sale of property and equipment	—	(657)	(61)	—
Loss on impairment of fixed assets (Note 11)	(7,826)	(165)	(4,292)	(84,105)
Loss on disposal of property and equipment	(93)	(1,035)	(482)	(999)
Gain on sale of investments in securities	1	28	3	11
Loss on sale of investments in securities	(56)	(235)	(1)	(602)
Loss on devaluation of investments in securities	(1,837)	(14,188)	(5,111)	(19,742)
Dividend to partnership investors	(2,944)	(3,135)	(3,487)	(31,639)
Gain on prior periods adjustment (Note 13)	—	1,023	—	—
Gain on adjustment of accrued rent payable (Note 12)	645	—	2,385	6,932
Compensation income	147	—	—	1,580
Loss on devaluation of inventories (Note 14)	—	(13,770)	—	—
Loss on devaluation of real estate for sale	—	—	(2,098)	—
Loss on devaluation of common stocks of affiliates	(10)	(3,545)	—	(107)
Repair expenses for prior periods construction (Note 15)	—	(1,641)	—	—
Other, net	(3,599)	(3,137)	(5,543)	(38,680)
	(42,771)	(67,112)	(40,638)	(459,656)
Income before income taxes and minority interests	91,208	79,254	113,970	980,204
Income taxes (Note 16):				
Current	35,137	29,362	43,521	377,614
Deferred	1,805	2,686	4,094	19,398
Total	36,942	32,048	47,615	397,012
Minority interests	1,604	1,001	3,222	17,238
Net income	¥ 52,662	¥ 46,205	¥ 63,133	$ 565,954

	Yen			U.S. Dollars (Note 1)
	2010	2009	2008	**2010**
Amounts per share of common stock:				
Net income:				
– Basic	¥111.04	¥97.39	¥133.00	$1.19
– Diluted	92.11	86.30	131.86	0.99
Cash dividend applicable to the year	20.00	20.00	18.00	0.21

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, 2010, 2009 and 2008

	Thousands	Millions of Yen										
		Shareholders' equity					Valuation and translation 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, 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 (losses) 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
Net income	—	—	—	52,662	—	52,662	—	—	—	—	—	52,662
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(204)	(204)	—	(204)
Net unrealized holding gains on securities	—	—	—	—	—	—	12,380	—	—	12,380	—	12,380
Acquisition of treasury stock	—	—	—	—	(55)	(55)	—	—	—	—	—	(55)
Gains (losses) on sale of treasury stock	—	—	(2)	—	5	3	—	—	—	—	—	3
Change of scope of consolidation	—	—	—	(2,799)	—	(2,799)	—	—	—	—	—	(2,799)
Cash dividends paid:												
Final for prior year (¥10 per share)	—	—	—	(4,743)	—	(4,743)	—	—	—	—	—	(4,743)
Interim for current year (¥10 per share)	—	—	—	(4,742)	—	(4,742)	—	—	—	—	—	(4,742)
Minority interests	—	—	—	—	—	—	—	—	—	—	746	746
Net deferred losses on hedges	—	—	—	—	—	—	—	(273)	—	(273)	—	(273)
Balance at March 31, 2010	476,086	¥122,805	¥132,748	¥248,836	¥(3,543)	¥500,846	¥(3,393)	¥(2,591)	¥(5,966)	¥(11,950)	¥18,504	¥507,400

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' equity					Valuation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding 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, 2009	$1,319,774	$1,426,652	$2,240,280	$(37,539)	$4,949,167	$ (169,511)	$(24,911)	$(61,924)	$(256,346)	$190,844	$4,883,665
Net income	—	—	565,954	—	565,954	—	—	—	—	—	565,954
Foreign currency translation adjustments	—	—	—	—	—	—	—	(2,193)	(2,193)	—	(2,193)
Net unrealized holding gains on securities	—	—	—	—	—	133,047	—	—	133,047	—	133,047
Acquisition of treasury stock	—	—	—	(591)	(591)	—	—	—	—	—	(591)
Gains (losses) on sale of treasury stock	—	(21)	—	54	33	—	—	—	—	—	33
Change of scope of consolidation	—	—	(30,081)	—	(30,081)	—	—	—	—	—	(30,081)
Cash dividends paid:											
Final for prior year ($0.11 per share)	—	—	(50,973)	—	(50,973)	—	—	—	—	—	(50,973)
Interim for current year ($0.11 per share)	—	—	(50,962)	—	(50,962)	—	—	—	—	—	(50,962)
Minority interests	—	—	—	—	—	—	—	—	—	8,017	8,017
Net deferred losses on hedges	—	—	—	—	—	—	(2,934)	—	(2,934)	—	(2,934)
Balance at March 31, 2010	$1,319,774	$1,426,631	$2,674,218	$(38,076)	$5,382,547	$ (36,464)	$(27,845)	$(64,117)	$(128,426)	$198,861	$5,452,982

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2010	2009	2008	**2010**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 91,208	¥ 79,254	¥113,970	$ 980,204
Depreciation and amortization	18,065	17,886	17,150	194,143
Loss on impairment of fixed assets (Note 11)	7,826	165	4,292	84,105
Provision for (Reversal of) allowance for doubtful accounts	325	(1,086)	(35,886)	3,493
Increase (Decrease) in employees' severance and retirement benefits	(17)	342	(122)	(183)
Loss on devaluation of inventories (Note 14)	—	13,770	—	—
Loss on devaluation of real estate for sale	—	—	2,098	—
Loss (Gain) on sale of property and equipment, net	(53)	647	(114)	(570)
Loss on disposal of property and equipment	93	1,035	482	999
Loss (Gain) on sale of investments in securities, net	55	207	(3)	591
Loss on devaluation of investments in securities	1,837	14,188	5,111	19,742
Loss on devaluation of common stocks of affiliates	10	3,545	—	107
Interest and dividend income	(2,560)	(3,735)	(3,484)	(27,512)
Interest expense	29,812	30,400	25,609	320,387
Increase in investments in SPCs holding properties for sale	(12,800)	(11,090)	(1,644)	(137,560)
Decrease (Increase) in notes and accounts receivable–trade	(5,671)	2,519	7,325	(60,946)
Increase in inventories	(5,190)	(106,778)	(71,116)	(55,776)
Decrease (Increase) in loans receivable	604	(3,108)	16,564	6,491
Increase (Decrease) in notes and accounts payable–trade	14,478	612	(18,087)	155,594
Increase (Decrease) in advances received	10,876	(2,510)	(7,250)	116,883
Other, net	7,543	(25,450)	(10,730)	81,065
Total	156,441	10,813	44,165	1,681,257
Proceeds from interest and dividend income	2,560	3,735	3,485	27,512
Payments for interest	(29,142)	(30,638)	(25,181)	(313,186)
Payments for income tax and other taxes	(36,057)	(36,583)	(41,917)	(387,501)
Net cash provided by (used in) operating activities	93,802	(52,673)	(19,448)	1,008,082
Cash flows from investing activities:				
Payments for purchases of property and equipment	(114,060)	(84,620)	(144,016)	(1,225,793)
Proceeds from sale of property and equipment	54	20,245	926	580
Payments for purchases of investments in securities	(15,243)	(16,586)	(40,449)	(163,815)
Proceeds from sale of investments in securities	2,713	17,657	7,336	29,156
Payments for guarantee and lease deposits paid to lessors	(1,445)	(3,231)	(4,298)	(15,529)
Proceeds from guarantee and lease deposits paid to lessors	4,125	12,709	16,615	44,331
Payments for guarantee and lease deposits received	(23,319)	(15,060)	(21,260)	(250,607)
Proceeds from guarantee and lease deposits received	15,382	22,212	30,840	165,309
Receipts of deposits from partnership investors	30,907	47,455	110,874	332,155
Restitution of deposits from partnership investors	(65,487)	(112,336)	(95,902)	(703,783)
Other, net	(1,220)	1,408	559	(13,111)
Net cash used in investing activities	(167,593)	(110,147)	(138,775)	(1,801,107)
Cash flows from financing activities:				
Increase (Decrease) in short-term debt	(117,645)	161,650	(21,800)	(1,264,320)
Proceeds from issuance of bonds and notes	90,000	—	100,000	967,222
Redemption of bonds and notes	(40,000)	(15,000)	(66,567)	(429,876)
Increase in long-term debt	155,184	35,944	179,765	1,667,749
Increase (Decrease) in assignment of receivables	6,711	1,138	(34,715)	72,123
Net increase in treasury stocks	(52)	(756)	(488)	(559)
Cash dividends paid	(10,334)	(10,508)	(8,466)	(111,059)
Other, net	14,573	964	(2,999)	156,614
Net cash provided by financing activities	98,437	173,432	144,730	1,057,894
Effect of exchange rate changes on cash and cash equivalents	(230)	(1,150)	206	(2,472)
Net increase (decrease) in cash and cash equivalents	24,416	9,462	(13,287)	262,397
Cash and cash equivalents at beginning of year	124,897	116,536	129,823	1,342,257
Increase in cash and cash equivalents of newly consolidated subsidiaries	2	479	—	21
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(1,580)	—	—
Cash and cash equivalents at end of year (Note 3)	¥149,315	¥124,897	¥116,536	$1,604,675

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, 2010, 2009 and 2008

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, 2010, which was ¥93.05 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 23 (Relationships with special purpose entities subject to disclosure).

(2) 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.

(3) Cash and cash equivalents

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

(4) Recognition of revenue

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

(5) Inventories

Effective from the year ended March 31, 2009, 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, operating income decreased by ¥1,777 million, and income before income taxes and minority interests decreased by ¥15,547 million for the year ended March 31, 2009, compared to what would have been reported under the previous accounting standard.

(6) 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 silent 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.

(7) 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. The 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 over the lease periods as their useful lives with 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	Lease periods

In the year ended March 31, 2008, 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 the 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 the 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.

(8) Software costs

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

(9) 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.

(10) Lease transactions

Effective from the year ended March 31, 2009, 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 Accounting Standards Board of Japan) and "Implementation Guidance on Accounting Standard for Lease Transactions" (The Financial Accounting Standard Implementation Guidance No. 16 originally issued on January 18, 1994, and revised on March 30, 2007 by 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 into that as sales transaction, and posted them as leased assets.

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

The Company continues to use the previous 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 accounting standard.

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.

(11) 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.

(12) 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 qualified 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, 2010, 2009 and 2008 based on the estimated projected benefit obligation at those dates.

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

Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Statement No.19 issued by the Accounting Standards Board of Japan on July 31, 2008).
This accounting change has no impact on operating income and income before income taxes and minority interests.

(13) Construction contracts

The Company previously applied the completed-contract method for recognizing revenues and costs of construction contracts.

Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Construction Contracts" (Statement No.15 issued by the Accounting Standards Board of Japan on December 27, 2007) and "Implementation Guidance on Accounting Standard for Construction Contracts" (Guidance No.18 issued by the Accounting Standards Board of Japan on December 27, 2007).

Accordingly, the construction projects that were commenced in the fiscal year ended March 31, 2010 and their percentage of completion by the end of the fiscal year under review can be reliably estimated are accounted for by the percentage-of-completion method (the degree of completion of each construction project is estimated using the cost-comparison method), while other construction is accounted for by the completed-contract method.

This accounting change has no impact on revenue from operations, operating income and income before income taxes and minority interests because there were no construction projects to which the percentage-of-completion method was applied in the fiscal year ended March 31, 2010.

(14) Financial instruments

Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Financial Instruments" (Statement No.10 issued by the Accounting Standards Board of Japan on March 10, 2008) and

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No. 19 issued by the Accounting Standards Board of Japan on March 10, 2008).

This accounting change has an immaterial impact on net assets and has no impact on operating income, ordinary profit and income before income taxes and minority interests.

(15) 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.

(16) Investment and rental properties

Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Statement No.20 issued by the Accounting Standards Board of Japan on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Guidance No.23 issued by the Accounting Standards Board of Japan on November 28, 2008).

(17) 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.

(18) Reclassifications and restatement

Certain prior year amounts have been reclassified to conform to the 2010 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Cash, time and notice deposits	**¥149,313**	¥124,894	**$1,604,653**
Marketable securities	**2**	3	**22**
Cash and cash equivalents	**¥149,315**	¥124,897	**$1,604,675**

4. INVENTORIES

Inventories at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Real estate for sale	**¥240,517**	¥262,872	**$2,584,815**
Real estate for sale in process	**276,416**	249,663	**2,970,618**
Costs on uncompleted construction contracts	**3,673**	4,555	**39,473**
Other	**1,265**	1,795	**13,595**
Total	**¥521,871**	¥518,885	**$5,608,501**

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Inventories:			
Transfer to property and equipment	**¥(5,717)**	¥(127,426)	**$(61,440)**
Transferred from property and equipment	**3,647**	27,329	**39,194**
Net decrease	**¥(2,070)**	¥(100,097)	**$(22,246)**

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Investments in subsidiaries and affiliates	**¥2,874**	¥2,885	**$30,886**
Advances	**2,905**	2,960	**31,220**
Total	**¥5,779**	¥5,845	**$62,106**

6. PLEDGED ASSETS

Assets pledged as collateral at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Buildings and structures	**¥13,114**	¥14,096	**$140,935**
Land	**27,727**	27,727	**297,980**
Other	**111**	140	**1,192**
Total	**¥40,952**	¥41,963	**$440,107**

Secured liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Long-term debt due within one year	**¥ 1,750**	¥31,500	**$ 18,807**
Long-term debt due after one year	**22,250**	—	**239,119**
Total	**¥24,000**	¥31,500	**$257,926**

7. FINANCIAL INSTRUMENTS

1. Policy for financial instruments

The Company and its consolidated subsidiaries ("the Group") have the policy to limit its fund management to short-term deposits with funds through loans from banks and the issuance of corporate bonds and commercial paper.

The Group utilizes derivative financial instruments only for the purpose of hedging the foreign exchange risk associated with foreign currency denominated transactions or hedging the interest rate risk associated with the Companies' loans payable, and does not utilize derivative financial instruments for any speculative purposes.

2. Details of financial instrument, risks, and policies and systems of risk management

Operating receivables such as notes and accounts receivable are exposed to customers' credit risk, but this risk is generally avoided through the receipt of deposits.

Securities are business-related equities and are exposed to market price fluctuation risk. The Group regularly checks the market value of the securities and the financial condition of the issuers, and the Group continuously reviews whether it keeps to hold securities with consideration for its relationships with the issuers.

Investments in SPCs holding properties for sale are preferred equity investments to Special Purpose Companies based on the Act on Securitization of Assets. These investments are exposed to the issuer's credit risk, and so the Group continually checks the financial condition of the issuer.

Guarantee and lease deposits are mostly deposits related to leasing properties, and are exposed to the counterparty credit risk.

In addition, the Group accommodates counterparties with loans and consequently is exposed to the borrowers' credit risk, but the Group constantly checks the financial condition of principal borrowers and their performance using the funds lent to those borrowers even after accommodation.

The majority of due dates of operating debt, such as notes and accounts payable, are within one year.

Interest rate swap contracts are used to hedge risks arising from fluctuations in interest rates on certain loans, corporate bonds, commercial paper and deposits.

In regard to derivative transactions, the Group utilizes interest rate swaps for bank loans, bonds and deposits, and the Group utilizes foreign exchange forward contracts and cross currency swap contracts for foreign currency denominated transactions. Interest rate swap contracts are exposed to the risks of interest rate changes, and foreign exchange forward contracts and cross currency swap contracts are exposed to the risks of foreign exchange rate changes. The derivative financial instruments are executed with creditworthy financial institutions, and the Group's management believes there is insignificant risk of default by counterparties. Derivative transactions are executed by the Group'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.

3. Supplemental information on fair values of financial instruments

The fair values of financial instruments are based on their market prices, and if the market price is not available, other rational valuation techniques are used instead. The rational valuation techniques incorporate variable factors, and as a result the values may change due to using different assumptions.

The amounts of derivative transactions shown in Note 20 (Derivative Transactions), are not representing the market risks related to derivative transactions.

The carrying amount of financial instruments in the consolidated balance sheet, their fair value, and the differences between them as of March 31, 2010 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2))

	Millions of Yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	¥ 149,313	¥ 149,313	¥ —
(2) Notes and accounts receivable	17,232		
Allowance for doubtful accounts*1	(104)		
Balance	17,128	17,128	—
(3) Securities			
Other securities	134,570	134,570	—
(4) Long-term loans*2	3,445	3,551	106
(5) Guarantee and lease deposits			
Held-to-maturity securities	1,264	1,279	15
Total assets	¥ 305,720	¥ 305,841	¥ 121
Liabilities:			
(1) Notes and accounts payable-trade	¥ 54,171	¥ 54,171	¥ —
(2) Short-term debt	328,225	328,225	—
(3) Long-term debt (including due within one year)	1,606,941	1,625,017	18,076
(4) Deposits received*3	19,000	19,000	—
(5) Long-term deposits received*3	66,000	66,000	—
Total liabilities	¥2,074,337	¥2,092,413	¥18,076
Derivative Transactions*4:			
Non-hedge accounting	¥ —	¥ —	¥ —
Hedge accounting	(4,278)	(4,278)	—
Total derivative transactions	¥ (4,278)	¥ (4,278)	¥ —

	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	$ 1,604,653	$ 1,604,653	$ —
(2) Notes and accounts receivable	185,192		
Allowance for doubtful accounts*1	(1,119)		
Balance	184,073	184,073	—
(3) Securities			
Other securities	1,446,212	1,446,212	—
(4) Long-term loans*2	37,024	38,163	1,139
(5) Guarantee and lease deposits			
Held-to-maturity securities	13,584	13,745	161
Total assets	$ 3,285,546	$ 3,286,846	$ 1,300
Liabilities:			
(1) Notes and accounts payable-trade	$ 582,171	$ 582,171	$ —
(2) Short-term debt	3,527,405	3,527,405	—
(3) Long-term debt (including due within one year)	17,269,650	17,463,911	194,261
(4) Deposits received*3	204,191	204,191	—
(5) Long-term deposits received*3	709,297	709,297	—
Total liabilities	$22,292,714	$22,486,975	$194,261
Derivative Transactions*4:			
Non-hedge accounting	$ —	$ —	$ —
Hedge accounting	(45,975)	(45,975)	—
Total derivative transactions	$ (45,975)	$ (45,975)	$ —

*1 The carrying amount of notes and accounts receivable are stated at net of allowance for doubtful accounts.
*2 Certain loans due within one year are included.
*3 The amounts only included in financial liabilities are disclosed.
*4 Derivative transactions are stated at net of assets and liabilities. The figures in parentheses indicate net liabilities.

(Note 1) The calculation methods of fair value for financial instruments, including securities and derivative transactions:

Assets:

(1) Cash, time and notice deposits

The fair value of cash, time and notice deposits approximates their carrying amount because of their short-term maturities.

(2) Notes and accounts receivable

The fair value of notes and accounts receivable approximates their carrying amount unless the credit standing of debtors has changed significantly since the loan origination.

The allowance for doubtful receivables is estimated based on expected recoverable amounts, considering the possibility of individual collections. Therefore the fair value of doubtful receivables approximates the carrying amounts deducted by the estimated allowance for doubtful accounts in the balance sheet as of the end of the fiscal year.

(3) Securities

The fair value of listed shares is based on the exchange prices at market. For floating rate notes, the carrying amount is presented as the fair value, as the fair value approximates the carrying amount because the market interest rate is reflected in such notes within a short time period. The fair value of the fixed-coupon debt is determined based on the present value discounted at the interest rate which reflects the period remaining to maturity and the credit risk.

For notes on securities by category, based on the purpose of holding the securities, please see Note 8 (Securities).

(4) Long-term loans

The fair value of long-term loans is calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new loans.

(5) Guarantee and lease deposits

The fair value of guarantee and lease deposits are based on the value offered by correspondent financial institutions.

For notes and securities by category based on the purpose of holding the securities, please see Note 8 (Securities).

Liabilities:

(1) Note and accounts payable-trade and (2) Short-term debt

The fair value of these items approximates their carrying amount because of their short-term maturities.

(3) Long-term debt (including due within one year)

For floating rate notes, the carrying amount is used as the fair value because the market interest rate is reflected in such notes within a short time period and because the credit standing of the Company is the same after borrowing. The fixed-coupon debt is calculated by discounting the combined total of principal and interest at an interest rate assumed for similar new borrowings.

The specific matching criteria of interest rate swaps are applicable to some long-term debts with floating interest rates (please see Note 20 (Derivative Transactions)). The fair value of these items is calculated by discounting the combined total of interest and principal, with which the interest rate swap has been accounted for, at an interest rate rationally estimated for similar borrowings.

The fair value of corporate bonds issued by the Company (included in (3) Long-term loans) is based on the market price.

(4) Deposits received and (5) Long-term deposits received

The fair value of these items approximates their carrying amount because the market interest rate is reflected in deposits with floating interest rates within a short time period and the credit standing of the Company is the same after borrowing.

Derivative Transactions:

Please see Note 20 (Derivative Transactions).

(Note 2) Financial Instruments whose fair value is extremely difficult to estimate:

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Investments in subsidiaries and affiliates*1	¥ 2,874	$ 30,886
Unlisted equity securities*1	15,985	171,789
Senior securities*1	33,824	363,503
Investments in silent partnerships*1	38,117	409,640
Investments in SPCs holding properties for sale*2	62,885	675,819
Guarantee and lease deposits (excluding held-to-maturity securities)*3	165,307	1,776,539
Guarantee and deposits received*4	171,308	1,841,032

*1 These items are not included in "Assets (3) Securities" since their market price is unavailable and the assessment of their fair value is deemed extremely difficult.
*2 The fair value of investments in SPCs holding properties for sale are not disclosed since their market price is unavailable and the assessment of their fair value is deemed extremely difficult.
*3 Guarantee and lease deposits (excluding held-to-maturity securities) are not included in "Assets (5) Guarantee and lease deposits" because the assessment of their fair value is deemed extremely difficult and the remaining terms of these securities cannot be determined.
*4 The fair value of guarantee and deposits received are not disclosed because the assessment of their fair value is deemed extremely difficult and the remaining terms of these securities cannot be determined.

(Note 3) Redemption schedule of pecuniary claims and held-to-maturity securities:

	Millions of Yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥149,313	¥ —	¥ —	¥—
Notes and accounts receivable-trade	16,287	945	—	—
Securities				
Held-to-maturity securities (Corporate bonds)	2,700	400	1,400	—
Long-term loans	55	3,390	—	—
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	195	1,095	—	—
Total	¥168,550	¥5,830	¥1,400	¥—

	Thousands of U.S. Dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	$1,604,653	$ —	$ —	$—
Notes and accounts receivable-trade	175,035	10,157	—	—
Securities				
Held-to-maturity securities (Corporate bonds)	29,017	4,298	15,046	—
Long-term loans	591	36,433	—	—
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	2,096	11,768	—	—
Total	$1,811,392	$62,656	$15,046	$—

(Note 4) Repayment schedule of corporate bonds, long-term debt, and other interest-bearing debt:

	Millions of Yen					
	2011	2012	2013	2014	2015	2016 and thereafter
Short-term debt	¥328,225	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	273,621	373,072	304,503	213,432	226,308	216,005
Deposits received	19,000	—	—	—	—	—
Long-term deposits received	—	66,000	—	—	—	—
Total	¥620,846	¥439,072	¥304,503	¥213,432	¥226,308	¥216,005

	Thousands of U.S. Dollars					
	2011	2012	2013	2014	2015	2016 and thereafter
Short-term debt	$3,527,405	$ —	$ —	$ —	$ —	$ —
Long-term debt (including due within one year)	2,940,580	4,009,371	3,272,466	2,293,735	2,432,112	2,321,386
Deposits received	204,191	—	—	—	—	—
Long-term deposits received	—	709,297	—	—	—	—
Total	$6,672,176	$4,718,668	$3,272,466	$2,293,735	$2,432,112	$2,321,386

8. SECURITIES

For 2010

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, 2010:

(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	¥1,249	¥1,264	¥15	$13,423	$13,584	$161
Securities whose fair market value does not exceed book value:						
National and local government bonds	15	15	—	161	161	—
Total	¥1,264	¥1,279	¥15	$13,584	$13,745	$161

(b) Available-for-sale securities:

	Millions of Yen			Thousands of U.S. Dollars		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:						
Equity securities	¥ 62,491	¥ 42,831	¥19,660	$ 671,585	$ 460,301	$ 211,284
Others	3,344	3,327	17	35,938	35,755	183
Subtotal	65,835	46,158	19,677	707,523	496,056	211,467
Securities whose book value does not exceed acquisition cost:						
Equity securities	65,986	91,251	(25,265)	709,146	980,666	(271,520)
Others	2,749	2,889	(140)	29,543	31,048	(1,505)
Subtotal	68,735	94,140	(25,405)	738,689	1,011,714	(273,025)
Total	¥134,570	¥140,298	¥ (5,728)	$1,446,212	$1,507,770	$ (61,558)

B. Total sales of available-for-sale securities sold in the year ended March 31, 2010 amounted to ¥53 million ($570 thousand) and the related gains and losses amounted to ¥1 million ($11 thousand) and ¥56 million ($602 thousand), respectively.

C. Investments in SPCs holding properties for sale are equity investments such as preferred subscription certificates and limited partnership ("*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 Commercial Law.

As of March 31, 2010, investments in SPCs holding properties for sale consisted of preferred subscription certificates issued by SPCs.

D. 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 ¥109,271 million ($1,174,326 thousand) as of March 31, 2010.

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		
	Book value	Fair market value	Difference
Securities whose fair market value exceeds book value:			
National and local government bonds	¥ 982	¥ 987	¥5
Securities whose fair market value does not exceed book value:			
National and local government bonds	301	301	—
Total	¥1,283	¥1,288	¥5

(b) Available-for-sale securities:

	Millions of Yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Equity securities	¥ 19,597	¥ 14,023	¥ 5,574
Others	114	113	1
Subtotal	19,711	14,136	5,575
Securities whose book value does not exceed acquisition cost:			
Equity securities	87,922	119,997	(32,075)
Others	1,116	1,216	(100)
Subtotal	89,038	121,213	(32,175)
Total	¥108,749	¥135,349	¥(26,600)

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
Unlisted equity securities	¥ 6,061
Senior securities	87,391
Investments in silent partnerships	33,410
Total	¥126,862

Senior securities included investments in SPCs holding properties for sale amounting to ¥49,785 million.

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	¥—

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

E. Investments in SPCs holding properties for sale are equity investments such as preferred subscription certificates and limited partnership ("*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 Commercial 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 as of March 31, 2009.

9. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars
	2010	Average interest rate (%)	2009	Average interest rate (%)	**2010**
Loans, principally from banks	**¥230,250**	0.88	¥270,970	1.15	**$2,474,476**
Commercial paper	**97,975**	0.22	174,900	1.95	**1,052,929**
Total	**¥328,225**		¥445,870		**$3,527,405**

The interest rates represent weighted-average rates in effect at March 31, 2010 and 2009, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
1.31% domestic straight bonds, due 2009	**¥ —**	¥ 20,000	**$ —**
1.52% domestic straight bonds, due 2010	**20,000**	20,000	**214,938**
1.30% domestic straight bonds, due 2009	**—**	20,000	**—**
1.29% domestic straight bonds, due 2012	**20,000**	20,000	**214,938**
1.28% domestic straight bonds, due 2012	**30,000**	30,000	**322,408**
0.75% domestic straight bonds, due 2010	**30,000**	30,000	**322,408**
1.18% domestic straight bonds, due 2010	**30,000**	30,000	**322,408**
1.85% domestic straight bonds, due 2011	**20,000**	20,000	**214,938**
1.86% domestic straight bonds, due 2011	**20,000**	20,000	**214,938**
1.84% domestic straight bonds, due 2011	**20,000**	20,000	**214,938**
1.87% domestic straight bonds, due 2012	**20,000**	20,000	**214,938**
1.58% domestic straight bonds, due 2011	**10,000**	10,000	**107,469**
1.89% domestic straight bonds, due 2013	**10,000**	10,000	**107,469**
1.70% domestic straight bonds, due 2013	**20,000**	20,000	**214,938**
1.80% domestic straight bonds, due 2012	**20,000**	20,000	**214,938**
1.76% domestic straight bonds, due 2012	**20,000**	20,000	**214,938**
1.68% domestic straight bonds, due 2013	**20,000**	20,000	**214,938**
1.63% domestic straight bonds, due 2013	**20,000**	20,000	**214,938**
2.50% domestic straight bonds, due 2019	**10,000**	—	**107,469**
1.81% domestic straight bonds, due 2014	**20,000**	—	**214,938**
1.87% domestic straight bonds, due 2014	**10,000**	—	**107,469**
1.48% domestic straight bonds, due 2014	**10,000**	—	**107,469**
1.28% domestic straight bonds, due 2015	**10,000**	—	**107,469**
1.17% domestic straight bonds, due 2015	**30,000**	—	**322,408**
Loans, principally from banks and insurance companies, interest principally at rates of 0.62% to 2.66% in 2010, and 0.69% to 2.66% in 2009:			
Secured	**24,000**	31,500	**257,926**
Unsecured*	**1,162,941**	1,000,257	**12,498,022**
Subtotal	**1,606,941**	1,401,757	**17,269,650**
Amount due within one year	**(273,621)**	(160,410)	**(2,940,580)**
Total	**¥1,333,320**	¥1,241,347	**$14,329,070**

*Unsecured long-term debt as of March 31, 2010 and 2009 includes a perpetual subordinated loan of ¥120,000 million ($1,289,629 thousand).

The aggregate annual maturities of long-term debt at March 31, 2010 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 273,621	$ 2,940,580
2012	373,072	4,009,371
2013	304,503	3,272,466
2014	213,432	2,293,735
2015	226,308	2,432,112
2016 and thereafter	216,005	2,321,386
Total	¥1,606,941	$17,269,650

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.

10. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2 (12), 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥ 7,664	¥ 7,724	$ 82,364
Fair value of plan assets	(2,865)	(2,563)	(30,790)
Unrecognized actuarial differences	171	(174)	1,838
Allowance for employees' severance and retirement benefits	¥ 4,970	¥ 4,987	$ 53,412

Included in the consolidated statements of income for the years ended March 31, 2010 and 2009 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service costs – benefits earned during the year	¥ 517	¥ 537	$ 5,556
Interest cost on projected benefit obligation	147	135	1,580
Expected return on plan assets	(51)	(57)	(548)
Amortization of actuarial differences	174	299	1,870
Other	320	181	3,439
Severance and retirement benefit expenses	¥1,107	¥1,095	$11,897

Other of ¥320 million ($3,439 thousand) for the year ended March 31, 2010 and ¥181 million for the year ended March 31, 2009 is the amount paid for 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, 2010 and 2009 used by the Company is 2.0%. 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.

11. 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, 2010, 2009 and 2008, respectively.

For 2010

Use	Location	Number of properties
Lands for development	Taito-ku, Tokyo, etc.	7
Right to use ancillary facilities	Minami-Uonuma-shi, Niigata	1
Idle asset	Fujisawa-shi, Kanagawa	1
Assets leased to others	Setagaya-ku, Tokyo, etc.	3

For 2009

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

For 2008

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

The Company and its consolidated domestic subsidiaries recognized losses on the impairment of certain properties, which are generally assessed individually for impairment. The Company's 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 to their recoverable amounts by ¥7,826 million ($84,105 thousand), ¥165 million and ¥4,292 million for the years ended March 31, 2010, 2009 and 2008, respectively. 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
	2010	2009	2008	**2010**
Land	¥7,304	¥122	¥3,990	$78,495
Intangible assets	489	—	—	5,255
Buildings, structures and others	33	43	302	355
Total	¥7,826	¥165	¥4,292	$84,105

The recoverable values of these assets were determined as the net disposal value. The net disposal value for land for leased buildings and lands for development are based on the income approach, and that for the others is based mainly on the sales comparison approach.

12. GAIN ON ADJUSTMENT OF ACCRUED RENT PAYABLE

Gain on adjustment of accrued rent payable of ¥645 million ($6,932 thousand) for the year ended March 31, 2010 is incurred for the holding property of a consolidated subsidiary in the United States because the subsidiary purchased the leased land from the lessor, and as a result, the subsidiary is no longer required to make rent payments.

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.

13. GAIN ON PRIOR PERIODS ADJUSTMENT

Most of gain on prior periods adjustment of ¥1,023 million for the year ended March 31, 2009 is the amount transferred from the expenses relating to fixed assets recorded in the previous fiscal year as a result of the investigation of tax authorities.

14. LOSS ON DEVALUATION OF INVENTORIES

The ending inventory at March 31, 2010 represents the amount after recognition of decline in profitability, and the loss on devaluation of inventories of ¥13,145 million ($141,268 thousand) for the year ended March 31, 2010 is included in cost of revenue from operations. The loss on devaluation of inventories of ¥13,770 million for the year ended March 31, 2009 is recognized for a decline in profitability of the beginning inventory of fiscal year 2009.

15. REPAIR EXPENSES FOR PRIOR PERIODS CONSTRUCTION

Repair expenses for prior periods construction of ¥1,641 million for the year ended March 31, 2009 are incurred for custom homes which had been delivered in the past fiscal years.

16. 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, 2010, 2009 and 2008.

The differences between the statutory tax rate and the Company's effective tax rate for the years ended March 31, 2010, 2009 and 2008 were insignificant and not presented.

Details of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Loss on impairment of fixed assets	¥ 5,685	¥ 5,486	$ 61,096
Net operating loss carryforwards	4,632	6,106	49,780
Loss on devaluation of real estate for sale	4,404	1,711	47,329
Net unrealized holding losses on securities	2,425	10,909	26,061
Allowance for employees' severance and retirement benefits	2,019	2,021	21,698
Accrued enterprise tax and business office tax	1,958	1,593	21,042
Net deferred losses on hedges	1,899	1,595	20,408
Unrealized intercompany profits	1,305	1,347	14,025
Accrued bonuses	1,239	1,244	13,315
Other	9,658	10,981	103,795
Subtotal of deferred tax assets	35,224	42,993	378,549
Valuation allowance	(7,583)	(8,951)	(81,494)
Total deferred tax assets	27,641	34,042	297,055
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(4,959)	(4,959)	(53,294)
Net deferred gains on hedges	(137)	—	(1,472)
Other	—	(657)	—
Total deferred tax liabilities	(5,096)	(5,616)	(54,766)
Net deferred tax assets	¥22,545	¥28,426	$242,289

17. GUARANTEE AND OTHER DEPOSITS RECEIVED

Guarantee and other deposits received at March 31, 2010 and 2009 were as follows:

	Millions of Yen				Thousands of U.S. Dollars
	2010	Average interest rate (%)	2009	Average interest rate (%)	2010
Short-term deposits and long-term deposits due within one year:					
Non-interest-bearing	¥168,537	—	¥154,179	—	$1,811,252
Interest-bearing	19,000	0.63	19,000	0.78	204,191
	187,537		173,179		2,015,443
Guarantee and lease deposits from tenants:					
Non-interest-bearing	171,308	—	179,228	—	1,841,032
Interest-bearing	—	—	—	—	—
Long-term deposits:					
Non-interest-bearing	133,018	—	155,252	—	1,429,532
Interest-bearing	66,000	0.60	66,000	0.86	709,297
	370,326		400,480		3,979,861
Total	¥557,863		¥573,659		$5,995,304

The aggregate annual maturities of interest-bearing guarantee and other deposits received at March 31, 2010 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥19,000	$204,191
2012	66,000	709,297
2013	—	—
2014	—	—
2015	—	—
2016 and thereafter	—	—
Total	¥85,000	$913,488

18. NET ASSETS

Under the Japanese Corporate Law ("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 Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit and capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. 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.

19. INFORMATION FOR CERTAIN LEASE TRANSACTIONS

Finance leases without title transfer 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, 2010 and 2009 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Acquisition cost:			
Buildings and structures	¥4,502	¥5,268	$48,383
Other	1,447	1,936	15,550
Accumulated depreciation	(4,811)	(4,964)	(51,703)
Net book value	¥1,138	¥2,240	$12,230

Pro-forma depreciation equivalents of ¥1,023 million ($10,994 thousand) and ¥1,250 million for the years ended March 31, 2010 and 2009, 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, 2010 and 2009 amounted to ¥1,023 million ($10,994 thousand) and ¥1,250 million, respectively.

Future lease payments and receipts under such finance leases and non-cancelable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Finance leases			
Future lease payments:			
Due within one year	¥ 737	¥ 1,043	$ 7,920
Due after one year	401	1,197	4,310
Total	¥ 1,138	¥ 2,240	$12,230
Operating leases			
Future lease payments:			
Due within one year	¥ 4,348	¥ 6,245	$ 46,728
Due after one year	21,609	14,360	232,230
Total	¥25,957	¥20,605	$278,958
Future lease receipts:			
Due within one year	¥28,331	¥ 43	$304,471
Due after one year	29,941	124	321,773
Total	¥58,272	¥ 167	$626,244

20. DERIVATIVE TRANSACTIONS

The hedge accounting was applied for all the derivative transactions for the year ended March 31, 2010.

The summary of these transactions is as follows:

(1) Foreign currency related derivatives

			Millions of Yen		
Hedging accounting	Hedging instruments	Hedged items	Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts	Foreign currency denominated transactions			
	Receipts in U.S. dollars / Payments in yen		¥1,271	¥—	¥ 50
	Cross currency swap contracts				
	Receipts in U.S. dollars / Payments in yen		8,672	—	340
Total			¥9,943	¥—	¥390

			Thousands of U.S. Dollars		
Hedging accounting	Hedging instruments	Hedged items	Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts	Foreign currency denominated transactions			
	Receipts in U.S. dollars / Payments in yen		$ 13,659	$—	$ 537
	Cross currency swap contracts				
	Receipts in U.S. dollars / Payments in yen		93,198	—	3,654
Total			$106,857	$—	$4,191

(Note) The fair value is determined based on the quoted price obtained from relevant financial institutions.

(2) Interest related derivatives

Hedging accounting	Hedging instruments	Hedged items	Millions of Yen: Contract amounts	Millions of Yen: Contract amounts due after one year	Millions of Yen: Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans, bonds and deposits	¥254,000	¥245,000	¥(4,668)
Special hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	562,397	437,745	-(*)

Hedging accounting	Hedging instruments	Hedged items	Thousands of U.S. Dollars: Contract amounts	Thousands of U.S. Dollars: Contract amounts due after one year	Thousands of U.S. Dollars: Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans, bonds and deposits	$2,729,715	$2,632,993	$(50,166)
Special hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	6,044,030	4,704,406	-(*)

(Note) The fair value is determined based on the quoted price obtained from relevant financial institutions.
(*) The interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses of income of the long-term debt as hedged items. Thus, the fair value of such interest rate swap contracts is included in the fair value of the long-term debt.

21. 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 business segment for the years ended March 31, 2010, 2009 and 2008 is summarized as follows:

For 2010 (Millions of Yen)	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	¥ 291,420	¥219,662	¥156,231	¥44,121	¥ 8,202	¥ 719,636	¥ —	¥ 719,636
Intersegment	2,113	—	1,983	500	4,539	9,135	(9,135)	—
Total	293,533	219,662	158,214	44,621	12,741	728,771	(9,135)	719,636
Costs and expenses	195,915	200,070	141,133	33,866	11,879	582,863	2,794	585,657
Operating income	¥ 97,618	¥ 19,592	¥ 17,081	¥10,755	¥ 862	¥ 145,908	¥ (11,929)	¥ 133,979
II Identifiable assets, depreciation expense, loss on impairment of fixed assets and capital expenditures:								
Identifiable assets	¥2,088,000	¥712,844	¥ 11,233	¥13,738	¥46,627	¥2,872,442	¥295,656	¥3,168,098
Depreciation expense	16,726	82	312	258	82	17,460	605	18,065
Loss on impairment of fixed assets	5,912	1,865	49	—	—	7,826	—	7,826
Capital expenditures	105,995	13,039	216	83	142	119,475	498	119,973

For 2009 (Millions of Yen)	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

For 2008	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
	Millions of Yen							
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

For 2010	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	$ 3,131,865	$2,360,688	$1,679,001	$474,164	$ 88,146	$ 7,733,864	$ —	$ 7,733,864
Intersegment	22,708	—	21,311	5,374	48,780	98,173	(98,173)	—
Total	3,154,573	2,360,688	1,700,312	479,538	136,926	7,832,037	(98,173)	7,733,864
Costs and expenses	2,105,481	2,150,135	1,516,744	363,955	127,662	6,263,977	30,027	6,294,004
Operating income	$ 1,049,092	$ 210,553	$ 183,568	$115,583	$ 9,264	$ 1,568,060	$ (128,200)	$ 1,439,860
II Identifiable assets, depreciation expense, loss on impairment of fixed assets and capital expenditures:								
Identifiable assets	$22,439,549	$7,660,870	$ 120,720	$147,641	$501,096	$30,869,876	$3,177,389	$34,047,265
Depreciation expense	179,753	881	3,353	2,773	881	187,641	6,502	194,143
Loss on impairment of fixed assets	63,536	20,043	526	—	—	84,105	—	84,105
Capital expenditures	1,139,119	140,129	2,321	892	1,526	1,283,987	5,352	1,289,339

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, 2010, 2009 and 2008.

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

22. INVESTMENT AND RENTAL PROPERTIES

The Company and its certain consolidated subsidiaries own some rental properties such as office buildings and residences in Tokyo and other areas. Certain domestic office buildings are not recognized as rental properties but as a portion used as investment and rental properties since the Company or certain consolidated subsidiaries use some of the floor space of these properties.

The carrying amounts of these properties in the consolidated balance sheet, their changes during the current fiscal year and their fair value at March 31, 2010 are as follows:

	Millions of Yen			
	Carrying amount			Fair value
	As of March 31, 2009	Changes	As of March 31, 2010	As of March 31, 2010
Investment and rental properties	¥1,738,117	¥95,364	¥1,833,481	¥2,350,810
A portion used as investment and rental properties	64,896	170	65,066	107,311

	Thousands of U.S. Dollars			
	Carrying amount			Fair value
	As of March 31, 2009	Changes	As of March 31, 2010	As of March 31, 2010
Investment and rental properties	$18,679,387	$1,024,869	$19,704,256	$25,263,944
A portion used as investment and rental properties	697,431	1,827	699,258	1,153,262

Notes:
*The carrying amounts in the consolidated balance sheet are the amounts determined by deducting accumulated depreciation from the acquisition costs.
*The significant changes during the current fiscal year shown above are as follows:
Increase: Acquired real estate.................................¥115,585 million ($1,242,182 thousand)
Transferred from real estate for sale ......¥5,717 million ($61,440 thousand)
New consolidation ....¥2,345 million ($25,202 thousand)
Decrease: Transferred to real estate for sale..........¥3,430 million ($36,862 thousand)
Loss on impairment of fixed assets........¥7,267 million ($78,098 thousand)
*Fair values as of March 31, 2010 are determined by the Company primarily based on their fair value according to the "Real Estate Appraisal Standards."

The income and expenses for investment and rental properties for the year ended March 31, 2010 are as follows:

	Millions of Yen		
	Income	Expenses	Balance
Investment and rental properties	¥138,703	¥69,741	¥68,962
A portion used as investment and rental properties	8,906	5,651	3,255

	Thousands of U.S. Dollars		
	Income	Expenses	Balance
Investment and rental properties	$1,490,629	$749,501	$741,128
A portion used as investment and rental properties	95,712	60,731	34,981

As a portion used as investment and rental properties includes a portion used by the Company or certain consolidated subsidiaries for providing services as well as management and administration, income for these are not recorded above.

The expenses primarily consist of rent, depreciation, taxes and dues, and others.

23. 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 the 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 termination of these projects, the Company plans to appropriately recover its investments, and as of March 31, 2010, 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, 2010, the Company had outstanding investments in 26 SPEs. Their assets, liabilities, and net assets (simple sum) at the most recent settlement date are shown below.

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Assets			
Real property	¥687,896	¥691,467	$7,392,757
Other	44,185	116,445	474,852
Total	¥732,081	¥807,912	$7,867,609
Liabilities and net assets			
Borrowings*1	¥577,815	¥667,635	$6,209,726
Preferred capital, etc.*2	112,027	101,137	1,203,944
Other	42,239	39,140	453,939
Total	¥732,081	¥807,912	$7,867,609

*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, 2010 and 2009, see *3.

	Millions of Yen		Thousands of U.S. Dollars	
	Carrying amount	Fair value	Carrying amount	Fair value
Fair value of investment and rental properties held by SPEs	¥687,896	¥1,134,665	$7,392,757	$12,194,143

(2) Transactions with the SPEs

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Investments, etc.:[*3]			
Investments:			
Securities	¥ 2,702	¥ —	$ 29,038
Investment securities	72,153	69,442	775,422
Equity investments in properties for sale	62,585	49,785	672,595
Total	137,440	119,227	1,477,055
Operating revenues	16,664	14,458	179,087
Non-operating revenues	63	97	677
Real estate leasing:[*4]			
Cost of operating revenues	¥ 41,226	¥ 37,048	$ 443,052
Management services:[*5]			
Operating revenues	¥ 572	¥ 312	$ 6,147
Real estate transactions:[*6]			
Transaction payments	¥ 24,484	¥ 47,995	$ 263,127

*3 It 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.

24. CONTINGENT LIABILITIES

At March 31, 2010, the Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥72 million ($774 thousand).

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.

25. SUBSEQUENT EVENTS

On April 30, 2010, the Company issued ¥30,000 million ($322,407 thousand) in 0.96% unsecured bonds due 2015.

On June 29, 2010, the shareholders of the Company approved payments of a year-end cash dividend of ¥10 ($0.11) per share or a total of ¥4,742 million ($50,962 thousand) to shareholders of record at March 31, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

Independent Auditors' Report

To the 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, 2010 and 2009, 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, 2010, 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 financial position of Sumitomo Realty & Development Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note 2(5) to the consolidated financial statements, effective from the year ended March 31, 2009, 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, 2010 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 29, 2010

Senior Management

As of June 29, 2010

BOARD OF DIRECTORS AND AUDITORS

Chairman of the Board
Junji Takashima*

President
Kenichi Onodera*

Vice Chairman
Tetsuro Tsuruta

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

Statutory Auditors
Naoto Enda
Ryoichi Nomura
Tadashi Kitamura
Kunio Kobayashi
Hiroshi Tomoyasu

* Representative Director

EXECUTIVE OFFICERS

Senior Managing Executive Officers
Takahiro Daisaka
Takao Shiojima
Takashi Saito
Masayuki Takahashi
Masaki Ogawa
Isamu Jobo
Yoshinobu Sakamoto
Koji Ito
Toshikazu Tanaka
Masayuki Iwamoto

Corporate Data

As of March 31, 2010

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
9,552 (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, 2010

Paid-in Capital

¥122,805 million

Number of Common Stock

Authorized: 1,900,000,000 shares

Issued: 476,085,978 shares

Number of Shareholders

16,568

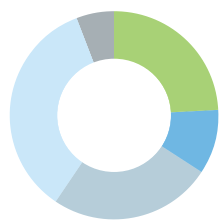
Stock Exchange Listings

Tokyo Stock Exchange

Osaka Securities Exchange

Breakdown of Shareholders

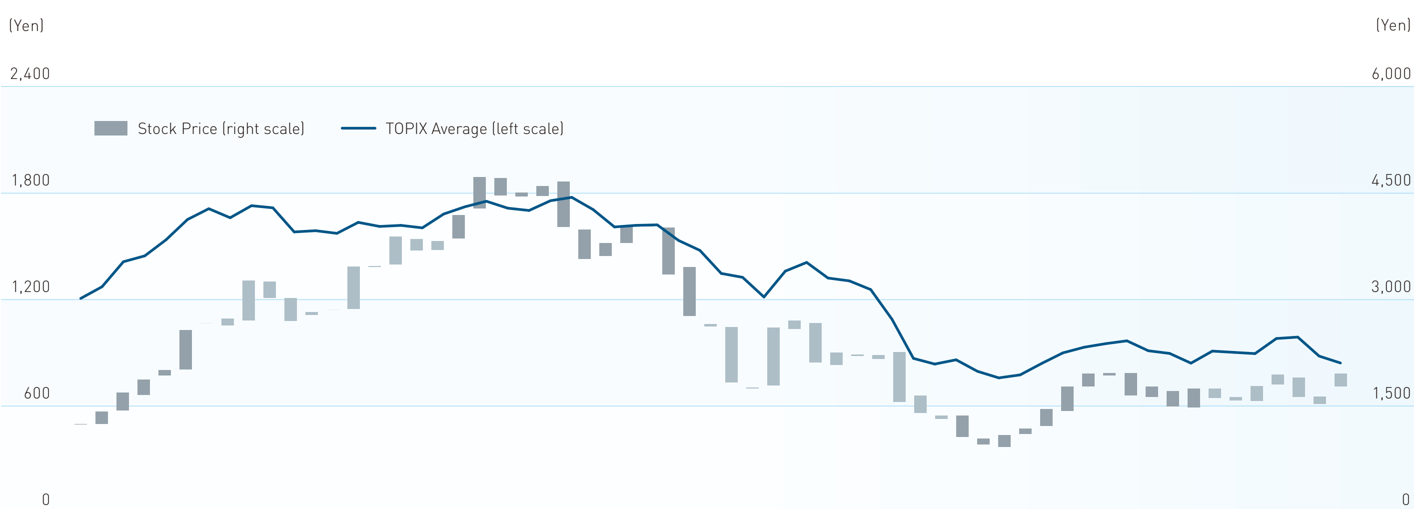
Trust Accounts	24.21%
Financial Institutions	10.10%
Other Companies	25.30%
Foreign Companies	34.68%
Individuals and Others	5.71%

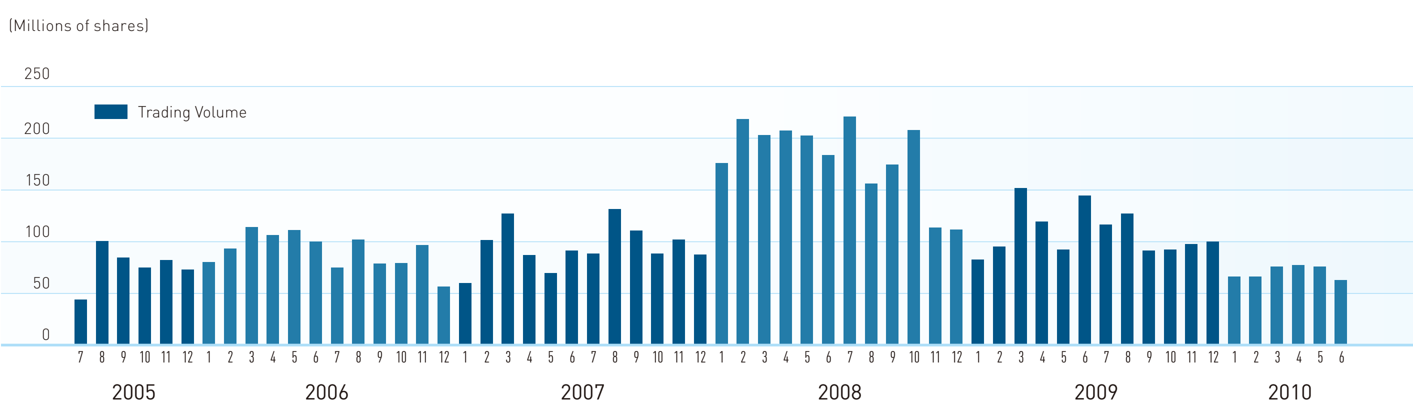


Major Shareholders

Name	Number of shares held (Thousands)	Percentage of shares held
Japan Trustee Services Bank, Ltd. (Trust account)	26,290	5.52%
The Master Trust Bank of Japan, Ltd. (Trust account)	21,826	4.58%
Sumitomo Mitsui Banking Corporation	11,990	2.52%
Japan Trustee Services Bank, Ltd. (Trust account 4)	9,704	2.04%
The Sumitomo Trust & Banking Co., Ltd.	8,136	1.71%
Kajima Corporation	7,912	1.66%
Shimizu Corporation	7,500	1.58%
Mitsui Sumitomo Insurance Co, Ltd.	6,740	1.42%
Obayashi Corporation	6,527	1.37%
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	6,224	1.31%

Stock Price and Trading Volume on Tokyo Stock Exchange





Sumitomo Realty & Development Co., Ltd.

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

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