Prime Properties, Sustained Growth

Annual Report 2011

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

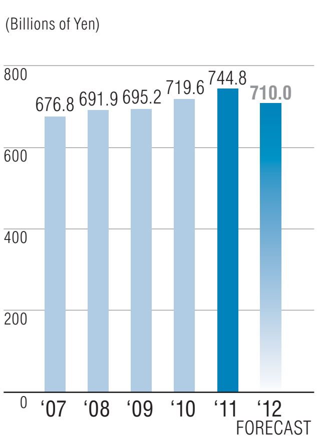
Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars*1
	2011	2010	2009	2011
For the Year				
Revenue from operations	¥ 744,756	¥ 719,636	¥ 695,240	$ 8,956,777
Operating income	138,463	133,979	146,366	1,665,220
Ordinary profit*2	106,296	100,464	113,582	1,278,364
Net income	50,908	52,662	46,205	612,243
At Year-end				
Total assets	¥ 3,234,203	¥ 3,168,098	¥3,006,412	$38,896,007
Shareholders' equity*3	526,227	488,896	436,667	6,328,647
Interest-bearing debt	2,021,599	1,935,166	1,847,627	24,312,675
Per Share Data (Yen and U.S. dollars)				
Net income	¥ 107.35	¥ 111.04	¥ 97.39	$ 1.29
Shareholders' equity	1,109.78	1,030.93	920.74	13.35
Cash dividend applicable to the year	20.00	20.00	20.00	0.24

*1 U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥83.15=U.S. $1, the prevailing exchange rate at March 31, 2011.
*2 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.
*3 Shareholders' equity = Net assets – Minority interests

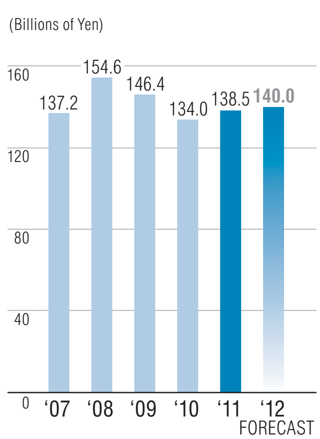
Revenue from Operations

¥744.8 billion
in the March 2011 fiscal year



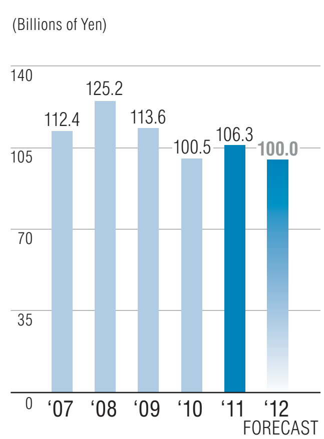
Operating Income

¥138.5 billion
in the March 2011 fiscal year



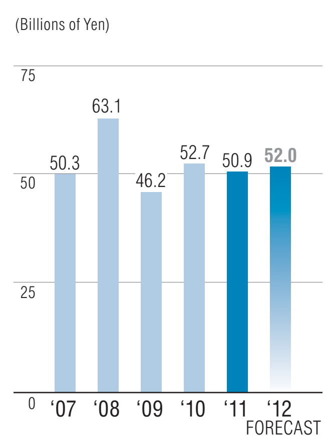
Ordinary Profit*2

¥106.3 billion
in the March 2011 fiscal year



Net Income

¥50.9 billion
in the March 2011 fiscal year



A Message from the Management

Junji Takashima
Chairman

Kenichi Onodera
President

We will focus our comprehensive strengths to overcome this difficult situation and will step up our efforts to achieve the Fifth Management Plan.

Progress under the Fifth Management Plan and Results in the Year under Review

First, we would like to express our deepest condolences to those who suffered from the Great East Japan Earthquake and our prayers for the earliest possible recovery for the disaster-stricken regions.

In the year under review, we got off to a strong start in the first year of the Fifth Management Plan, which is our highest priority. We achieved about one-third of our three-year objectives for revenue from operations, operating income and ordinary profit. Lower revenue and profit were recorded in the leasing segment, which was the most heavily affected by the slumping office building market. However, the sales segment recorded favorable results, offsetting the weak performance in leasing and supporting the Company's results. Consequently, in the March 2011 fiscal year, consolidated revenue from operations increased 3.5% year on year, to ¥744.8 billion, for the 14th consecutive year of higher revenue. Operating income was up 3.3%, to ¥138.5 billion, and ordinary profit rose 5.8%, to ¥106.3 billion. After two years, the slump that followed the Lehman Shock was finally shaken off, and we achieved higher profits for the first time in three years. On the other hand, due primarily to the influence of the Great East Japan Earthquake, net income declined 3.3%, to ¥50.9 billion. In line with our emphasis on the continued payment of stable dividends, we maintained annual dividends at ¥20 per share, including an interim dividend of ¥10 per share. Further, in the March 2012 fiscal year we intend to maintain annual dividends of ¥20 per share, including an interim dividend of ¥10 per share.

Outlook for the Next Fiscal Year

Due to the Great East Japan Earthquake, the future course of economic conditions remains difficult to forecast. The supply chain, which was severely damaged, is now making steady progress toward building a foundation for recovery. However, there are still concerns about the crisis at the nuclear power plant in Fukushima Prefecture and electricity shortage issues, and those concerns are having a major affect on consumer sentiment. In this setting, we will respond flexibly to changes in the operating environment while simultaneously doing our utmost to achieve the objectives of the Fifth Management Plan. In the March 2012 fiscal year,

Medium-term Management Plan Progress (Billions of yen)

(Years ended March 31)	Numerical targets 2011–2013*	Results 2011	Achievement ratio	Remaining balance 2012–2013	Forecast 2012
Revenue from operations	2,300	745	32%	1,555	710
Operating income	430	138	32%	292	140
Ordinary profit	320	106	33%	214	100

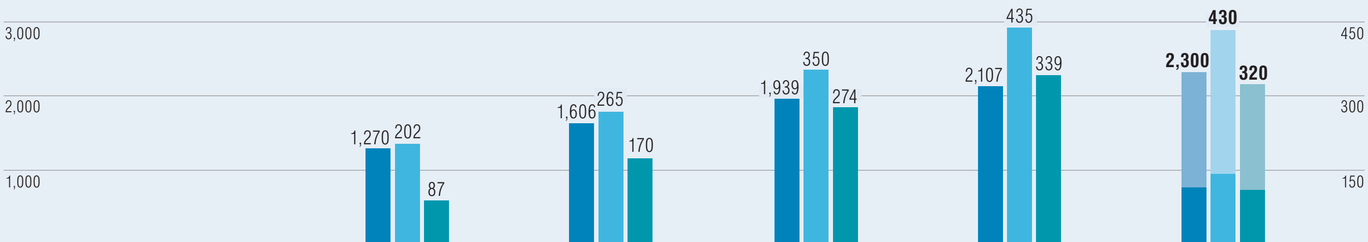
* The figures represent cumulative three-year targets.

FIFTH MANAGEMENT PLAN (APRIL 2010 TO MARCH 2013)

- Getting back on track toward increased revenue and profit
- Targeting record-setting business results in the March 2013 fiscal year

Growth under Medium-term Management Plans

(Billions of Yen)



(Years ended March 31)	1st Plan* 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 (right scale)	202	265	350	435	430
Ordinary profit (right scale)	87	170	274	339	320

Note: The figures represent cumulative total for the period covered by each plan.
* The figures shown for the 1st Plan are the cumulative total for the final three years of the plan.

the second year of the plan, the influence of the earthquake on business conditions is difficult to predict at this point. For revenue and profit, our provisional forecasts for all segments call for the same levels as in the year under review. Overall, we are forecasting revenue from operations of ¥710.0 billion and operating income of ¥140.0 billion. Moreover, we are forecasting ordinary profit exceeding ¥100.0 billion for the sixth consecutive year.

Initiatives Targeting Growth

In our mainstay office building leasing operations, after the earthquake we have seen a rapid rise in demand for buildings that are not only earthquake resistant but also resistant to disaster-related damage, such as power outages. In this environment, the Company will leverage one of its key strengths—a portfolio with a large number of buildings that are superior in terms of location, scale and facilities. In this way, we will strive to steadily meet these client needs and achieve higher operating income in leasing operations for the first time in three years.

In addition, in sales and construction operations, we expect market conditions to show steady recovery. As before the earthquake, low mortgage interest rates and government measures, such as tax reductions to promote the acquisition of housing will support these operations. We expect consumer demand for buildings that are resistant to earthquakes and related damage to steadily increase in the years ahead. To meet this new demand, we will continue working to provide products and services with rigorous safety and continuity-related specifications, including not only earthquake resistance but also other areas, such as the use of emergency power generators.

In this way, we will focus our comprehensive strengths to overcome this difficult situation and will step up our efforts to achieve the Fifth Management Plan and subsequently record sustained growth. We ask for the continued support of our shareholders in the years ahead.

June 2011

J. Takashima

Junji Takashima

Chairman

K. Onodera

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

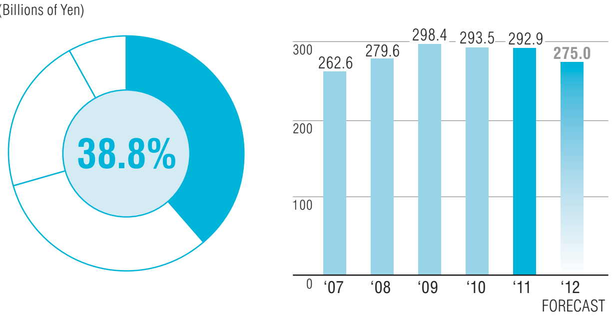
Sumitomo Realty's four operational fields have complementary operational cycles and market characteristics, and in the past the adverse effects of changing market conditions on a particular field have generally been offset by favorable performances in others. As a result, the Company has been able to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

LEASING

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

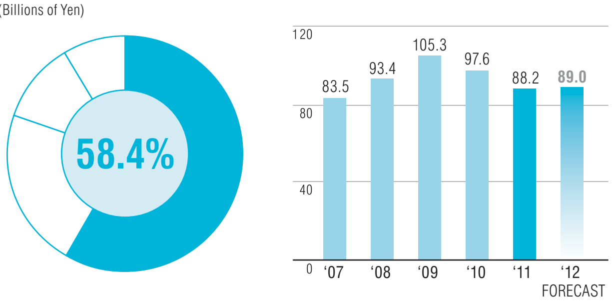
Revenue from Operations

(Billions of Yen)



Operating Income

(Billions of Yen)

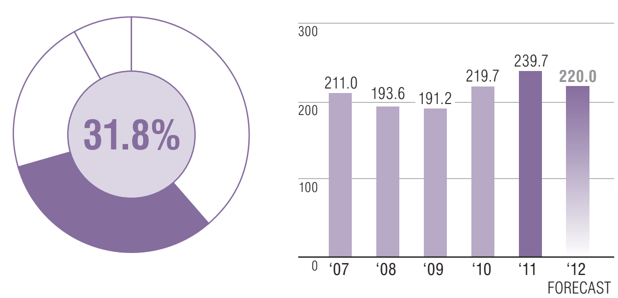


SALES

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

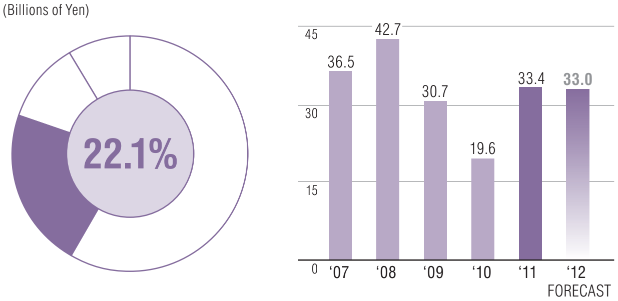
Revenue from Operations

(Billions of Yen)



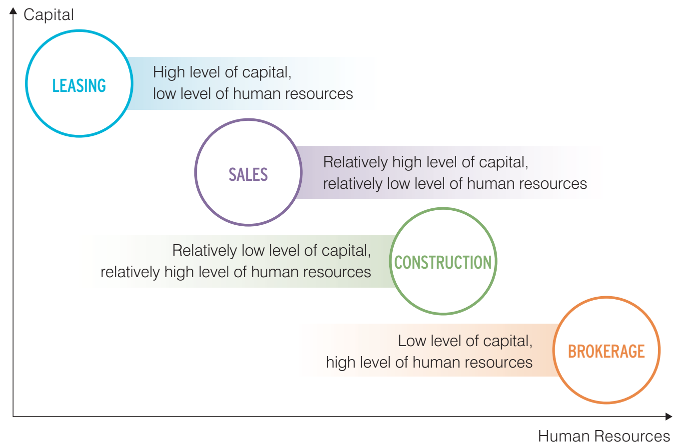
Operating Income

(Billions of Yen)



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

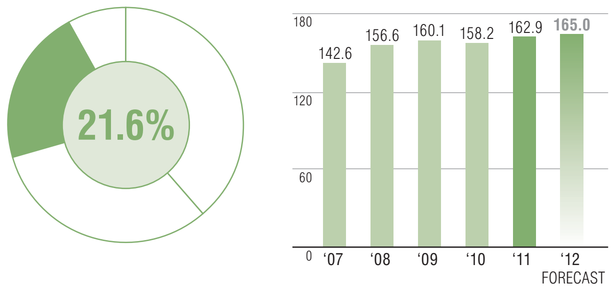


CONSTRUCTION

Custom home construction and remodeling and related activities

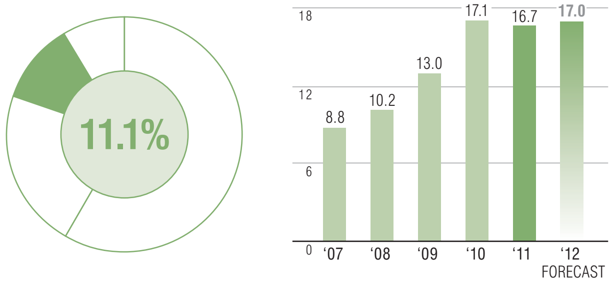
Revenue from Operations

(Billions of Yen)



Operating Income

(Billions of Yen)

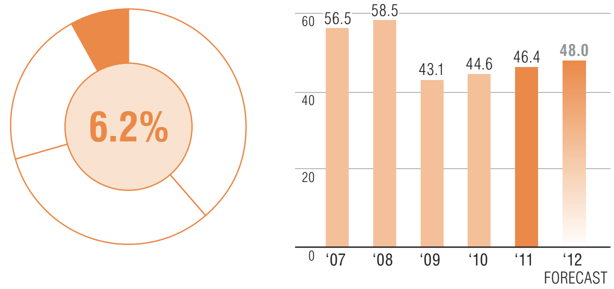


BROKERAGE

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

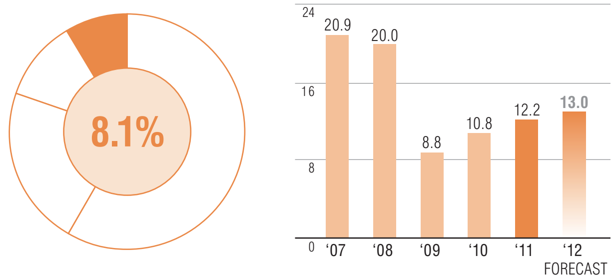
Revenue from Operations

(Billions of Yen)



Operating Income

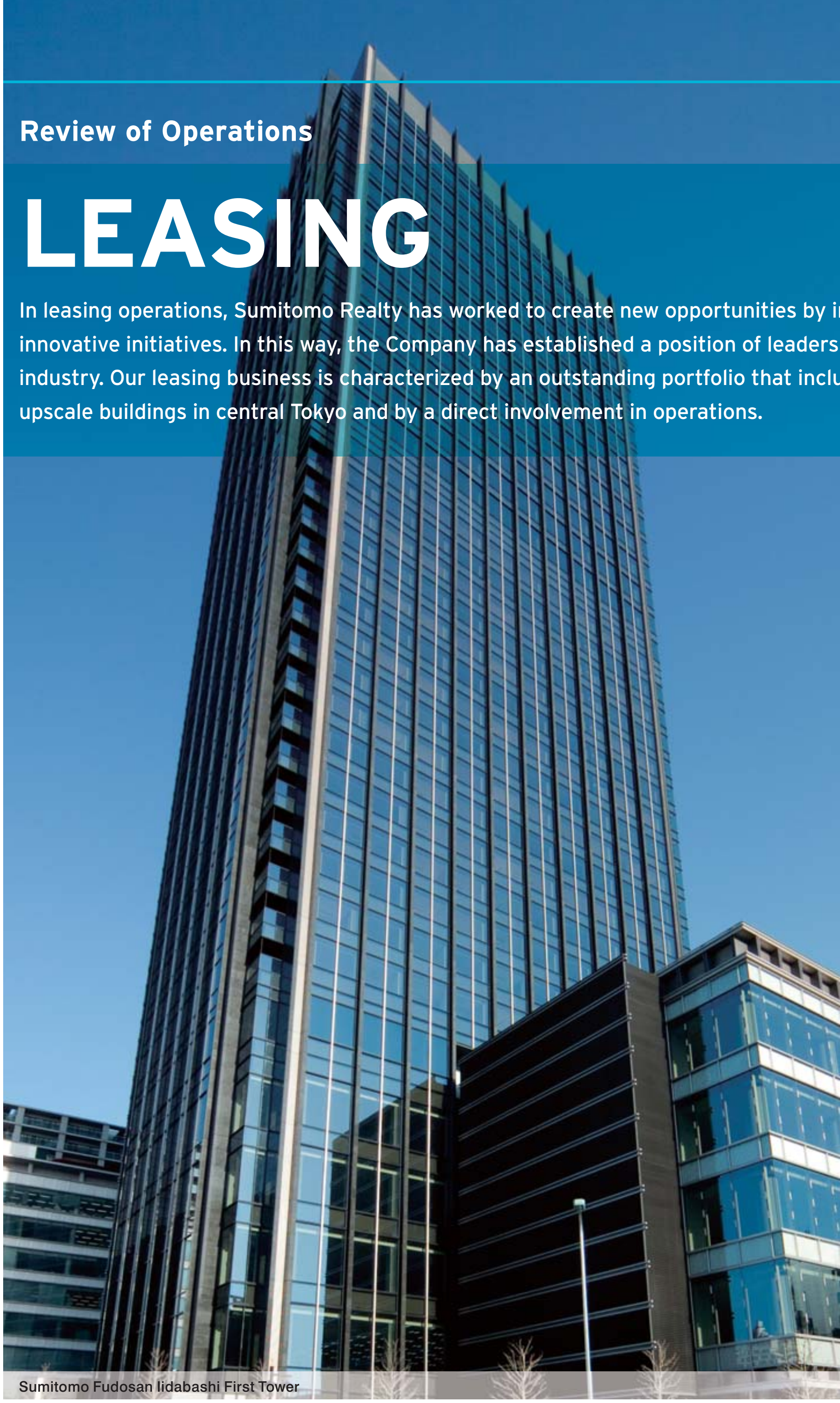
(Billions of Yen)



Review of Operations

LEASING

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



Sumitomo Fudosan Iidabashi First Tower

Sumitomo Fudosan Shibuya First Tower

Sumitomo Fudosan Hanzomon Ekimae Building

Principal Office Buildings Opened in the March 2011 Fiscal Year

Name	Location (Tokyo CBD)	Completion	Gross floor area (m^2)
Sumitomo Fudosan Iidabashi First Tower	Bunkyo Ward	Apr. 10	68,382
Sumitomo Fudosan Shibuya First Tower	Shibuya Ward	Aug. 10	52,942
La Tour Daikanyama (Residence)	Shibuya Ward	Sep. 10	49,954
Sumitomo Fudosan Hanzomon Ekimae Building	Chiyoda Ward	Mar. 11	17,220
Total			188,498

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 Tokyo CBD (Central Business District), especially those areas legally designated for redevelopment.

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

Overview of the Fiscal Year

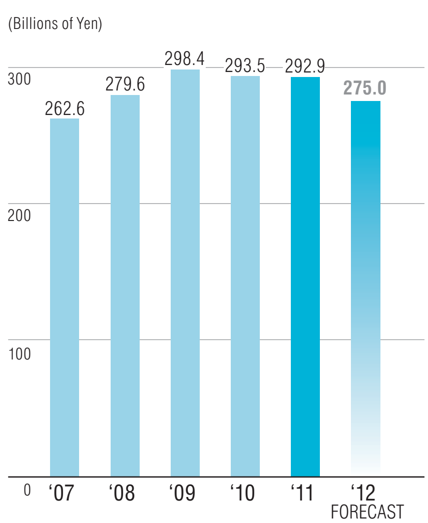
In the Tokyo office building market, which accounts for more than 90% of our portfolio, there was a growing sense that the market had hit bottom in the fiscal year under review. From the beginning of the year, there was a trend toward transactions undertaken to increase efficiency, such as the consolidation of multiple offices into a single location. Tenant demand generally recovered, centered on large buildings, and there was a decline in cancellations that stemmed from business withdrawals and other restructuring initiatives.

In this environment, the vacancy rate for existing buildings peaked in the second quarter, and at the end of March, the vacancy rate was down by a small margin, the first decline in three years. We made favorable progress in attracting tenants to new buildings, and buildings that opened during the year under review, such as the Sumitomo Fudosan Iidabashi First Tower and the Sumitomo Fudosan Shibuya First Tower, became fully occupied. In addition, buildings that opened for occupancy during the previous year, such as the Sumitomo Fudosan Shiodome Hamarikyu Building, made a full-year contribution to our results. However, due to a year-on-year increase in the vacancy rate for existing buildings and an increase in rent reductions when leases were renewed, revenue from operations decreased 0.2%, to ¥292.9 billion, and operating income was down 9.6%, to ¥88.2 billion.

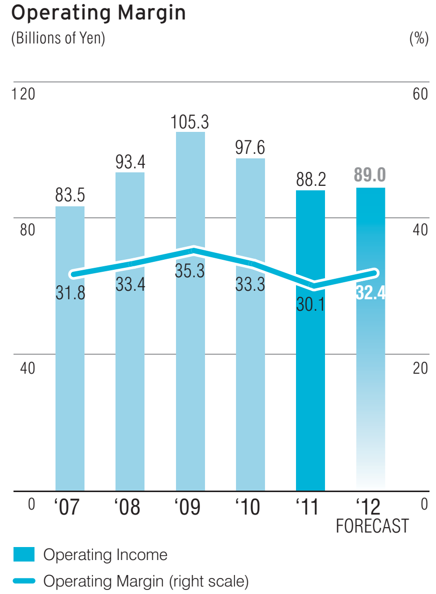
Outlook

In the March 2012 fiscal year, special purpose entities (SPEs) will be brought within the scope of consolidation. As a result, dividend income from SPEs will be eliminated, and revenue will decline year on year. However, contributions to our performance will be made by the full-year results of properties that were completed in the year under review, such as the Sumitomo Fudosan Iidabashi First Tower and the Sumitomo Fudosan Shibuya First Tower. Moreover, contributions will be made by new buildings scheduled to be opened during the year, such as the Iidabashi Fujimi Project and the Nishi Shinjuku 8-Chome Project. Accordingly, we expect revenue from operations to decline 6.1%, to ¥275.0 billion, and operating income to increase for the first time in three years, rising 0.9%, to ¥89.0 billion.

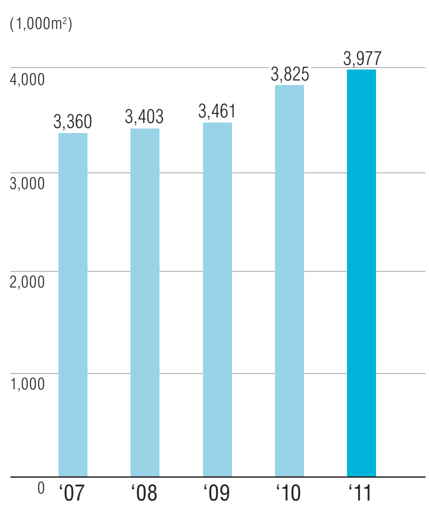
Revenue from Operations



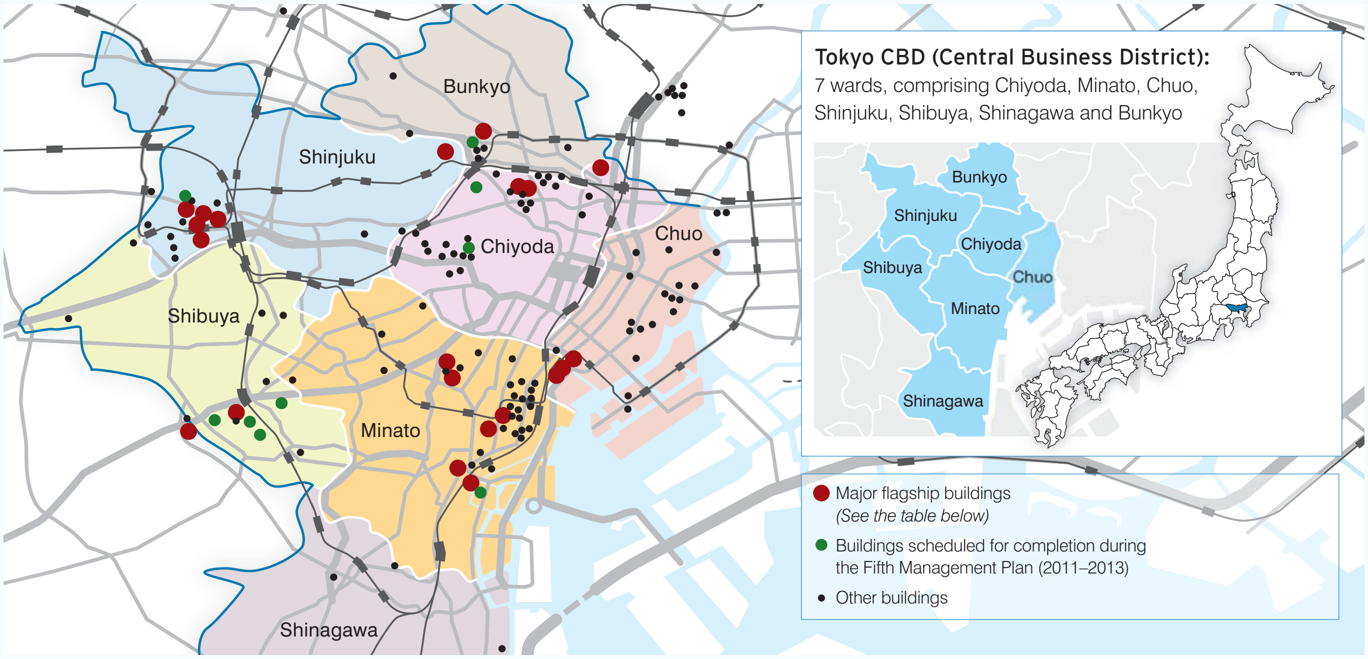
Operating Income and Operating Margin



Gross Floor Area



LEASING: SUMITOMO REALTY'S PORTFOLIO



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	130,226
Shinjuku Oak City	38 / 2	Jan. 03	Shinjuku Ward	117,446
Shiodome Sumitomo Building	25 / 3	Jul. 04	Minato Ward	99,913
Sumitomo Fudosan Mita Twin Building West	43 / 2	Sep. 06	Minato Ward	98,338
Tokyo Shiodome Building	37 / 4	Jan. 05	Minato Ward	95,128
Shinjuku NS Building	30 / 3	Sep. 82	Shinjuku Ward	75,046
Sumitomo Fudosan Iidabashi First Tower	34 / 3	Apr. 10	Bunkyo Ward	68,382
Shibakoen First Building	35 / 2	Jun. 00	Minato Ward	63,822
Chiyoda First Building West	32 / 2	Jan. 04	Chiyoda Ward	61,245
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 Shibuya First Tower	25 / 3	Aug. 10	Shibuya Ward	52,942
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	Jun. 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

In the Tokyo CBD (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 Portfolio | Total Gross Floor Area: 3.98 million m² (as of March 31, 2011)

1. CLOSE — Locations in the Central Business District

Tokyo CBD*1 **86%**

23 Wards **94%**

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.

2. NEW — Brand-new and Recently Constructed Buildings

Less than 10 years old **47%**

New quake-resistance*2 **99%**

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

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

3. LARGE — Large-scale Buildings

Over 10,000m² **82%**

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.

*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

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

Strengths of Sumitomo Realty's Portfolio

Our portfolio includes many competitive prime properties located in central Tokyo. As of the end of March 2011, our leasing portfolio had a gross floor area of 3.98 million square meters and an average age of 14 years, the lowest among Japan's major real estate companies. About 47% of the buildings in our portfolio were completed in the past 10 years. Also, 94% of the buildings in our portfolio were located in the 23 wards of Tokyo, with 86% in Tokyo CBD. 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, uninterruptible power sources, separate climate control systems for each suite, reinforced floors for heavy loads, high-capacity electrical systems, high ceilings and other attractive features, and after the Great East Japan Earthquake they have been 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 less-attractive buildings, such as those with low earthquake resistance, we have been investing aggressively in new building construction, thereby further increasing the concentration of prime properties in our portfolio.

* Fiscal year ending March 31

LEASING: FUTURE DEVELOPMENT PROJECTS

We commenced the Fifth Management Plan in April 2010. To achieve the plan's objectives—getting back on track toward increased revenue and profit and targeting record-setting business results in the March 2013 fiscal year—we plan to increase total floor space by 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.


Iidabashi Fujimi Project


Sumitomo Fudosan Shibuya Garden Tower

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

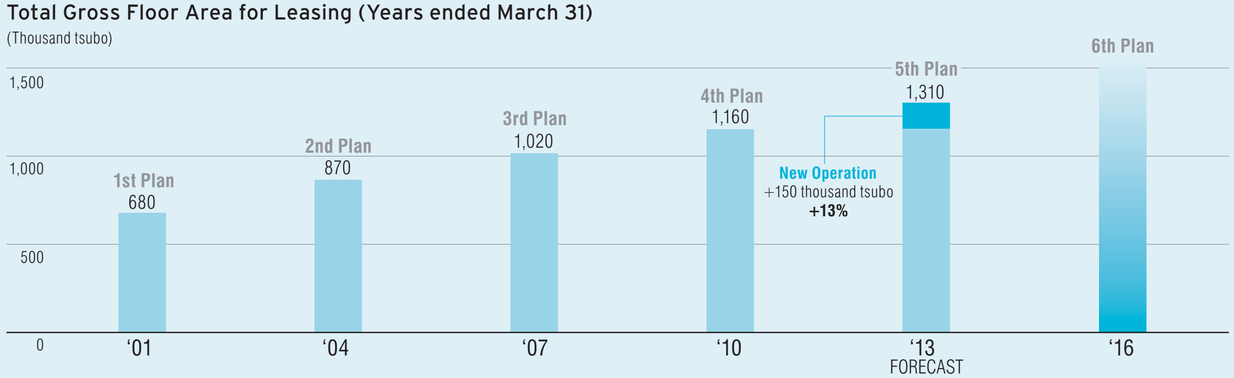
Sumitomo Fudosan Shibuya Garden Tower	
Gross floor area	18,000 tsubo*
Floors	24 above ground
	3 below ground
Expected Completion	April 2012

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

Name	Location (Tokyo CBD)	Expected completion	Gross floor area (Tsubo*)
Projects in the 5th Management Plan (from 2011 to 2013)			
Total Gross Floor Area of Projects Completed in the March 2011 Fiscal Year			60,000
Sumitomo Fudosan Shibuya Infoss Annex	Shibuya Ward	Apr. 11	1,800
Iidabashi Fujimi Project	Chiyoda Ward	Apr. 11	6,700
Nishi Shinjuku 8-Chome Project	Shinjuku Ward	Dec. 11	54,500
Sumitomo Fudosan Tamachi First Building	Minato Ward	Jan. 12	6,700
Sumitomo Fudosan Shibuya Garden Tower	Shibuya Ward	Apr. 12	18,000
Total		Apr. 10–Mar. 13	147,700
Projects After the 6th Management Plan (from 2014)			
Nihonbashi 2-Chome Project	Chuo Ward		40,000
Roppongi 3-Chome Project	Minato Ward		60,000

* 1 tsubo=3.3m²

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



NISHI SHINJUKU 8-CHOME PROJECT

Site area	5,940 tsubo*
Gross floor area	54,500 tsubo*
Floors	40 above ground 3 below ground
Expected completion	December 2011
Use	Four-building project consisting of office, event hall, residence and commercial buildings

* 1 tsubo=3.3m²

In 2011, we will complete the Nishi Shinjuku 8-Chome Project, which is a large-scale, multipurpose project in Shinjuku, an international business center. Following the Great East Japan Earthquake, there is a growing focus on earthquake and blackout resistance in the office building market. Accordingly, this project, which incorporates the most advanced building functions in Japan, as outlined below, has been highly evaluated by companies.

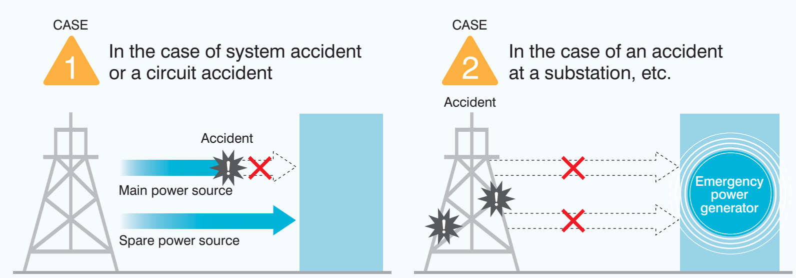
Key Features

1 Vibration-controlling Structure

An active mass damper has been installed on the rooftop deck to reduce swaying of the building caused by strong winds and earthquakes. In addition, there are anti-sway steel sheet walls on floors 1 to 21 and anti-earthquake steel sheet walls on floors 22 to 33. This combination of two types of steel sheet walls achieves superior earthquake resistance.

2 Uninterruptible Power Sources

Even if transmission along the main cables is interrupted, power can still be received from the spare cables. Also, in the event that a transformer substation accident or other problem halts transmission on both the main cables and the spare cables, the emergency generators installed in the building can supply leased rooms with enough power to continue operations for several days.



3 Environmental Friendliness and Public Features

Plants have been added to the rooftops of the event hall building and the residence building. The heat island effect is lessened through the transpiration effect of the plants, thereby reducing the burden placed on the environment by heating and air conditioning equipment. In addition, the project has a high degree of public features. For example, in emergencies the event hall, which is equipped with lifeline facilities, can be used as a temporary evacuation site.

4 Wide-open Astylar Rooms with Extensive Floor Space

Each office floor has 800 tsubo of floor space and a ceiling height of 3.0 meters. In addition, each floor offers astylar space that was achieved by putting the window pillars on the outside. As a result, the space can be used freely and efficiently by tenant companies and the leasable area on each floor has been increased by about 21 square meters.

Growing demand for prime properties

After the Great East Japan Earthquake, there is increasing demand for these types of prime properties, which have leading-edge facilities, a location close to central areas and large floor areas. The Company will make the most of its strong portfolio, which has a large number of properties that have advanced functions and are highly convenient, and will approach the current environment as a growth opportunity.

Review of Operations

SALES

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

City Terrace Narimasu

City House Tsukishima-ekimae Baybreeze Court / Capital Court

City Tower Ariake

City Towers Toyosu The Symbol

Principal Condominium Development Projects (2012–2013)

Name	Location	No. of units for sale	Scheduled delivery*1
City Terrace Narimasu	Itabashi Ward, Tokyo	243	2012
City House Tsukishima-ekimae Baybreeze Court / Capital Court	Chuo Ward, Tokyo	133	2012
City House Tokyo Morishita	Koto Ward, Tokyo	116	2012
City Terrace Yokohama Tsuzuki no Oka	Yokohama shi, Kanagawa	190	2012
City House Tamagawa Terrace	Kawasaki shi, Kanagawa	115*2	2012
City House Fuchu Keyaki-dori	Fuchu shi, Tokyo	140	2012
City Terrace Otakanomori Station-Court	Nagareyama shi, Chiba	328	2012
City Terrace Itabashi Hasune	Itabashi Ward, Tokyo	350	2013
THE ITABASHI Terrace	Itabashi Ward, Tokyo	193	2013
City Tower Ueno-Ikenohata	Taito Ward, Tokyo	135	2013
City Terrace Oi Sendaizaka Hill Top Garden	Shinagawa Ward, Tokyo	130	2013
City Tower Saitama Shintoshin	Saitama shi, Saitama	405	2013
City Tower Tennoji Sanadayama	Osaka shi, Osaka	216	2013
City Tower Nagoya Hisaya-odori koen	Nagoya shi, Aichi	225	2013
City Tower Kobe Sannomiya	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 on the Tokyo Metropolitan area, which accounts for 70% of our units, and are conducted in other large urban areas such as Osaka / Kobe, Sapporo, Sendai, Nagoya, and Fukuoka. 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, the sales environment remained favorable in the year under review, with support from low mortgage interest rates and government measures, such as tax reductions. In the Tokyo Metropolitan area, the number of new condominium units supplied increased for the first time in six years, and the number of units sold was firm. Sales prices also increased, centered on condominiums in favorable locations.

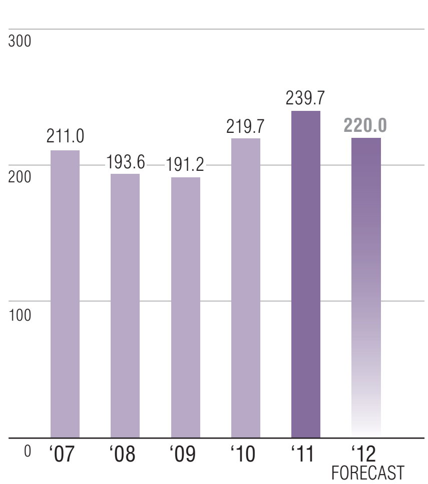
In this environment, the number of condominium units sold was 4,741, a small decline from the previous year, despite the fact that we curtailed our sales activities following the Great East Japan Earthquake, which occurred in March. In addition, the number of condominium units unsold at the end of the fiscal year was 878, a decline of 320 from a year earlier. The number of condominium units, detached houses and land lots delivered—such as those at City Towers Toyosu and Southern Sky Tower Residence—increased by 619 from the previous year, to 4,841. Profitability improved due to a decline in loss on devaluation. As a result, we recorded substantial gains in revenue from operations and operating income. Revenue from operations was up 9.1%, to a new record high of ¥239.7 billion, and operating income rose 70.6%, to ¥33.4 billion.

Outlook

In the March 2012 fiscal year, we plan to deliver a total of 4,600 condominium units, detached houses and land lots, a decrease of 241 year on year, and we will strive to maintain operating income at about the same level as in the March 2011 fiscal year. Of the 4,500 condominium units and detached houses that we expect to deliver in the March 2012 fiscal year, approximately 30% had already been sold at the end of March 2011, the same as in the previous year. As a result, we are forecasting revenue from operations of ¥220.0 billion, down 8.2%, and operating income of ¥33.0 billion, down 1.3%.

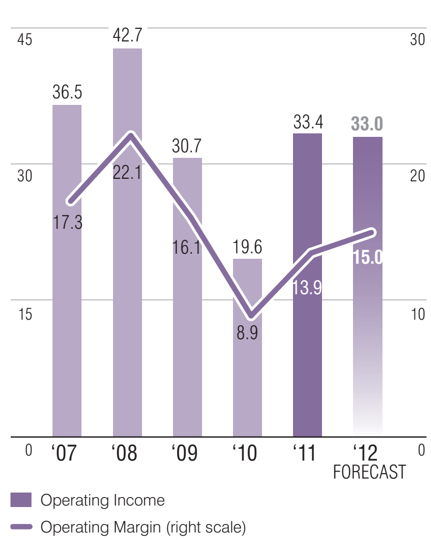
Revenue from Operations

(Billions of Yen)



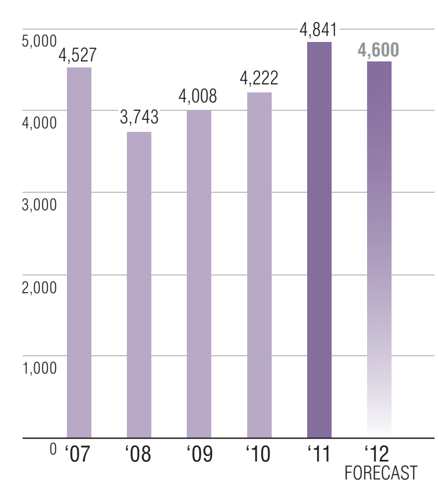
Operating Income and Operating Margin

(Billions of Yen) (%)



Units Delivered

(Units)



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

Review of Operations

CONSTRUCTION

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

J · URBAN COURT

REMODELING (Shinchiku Sokkurisan)

J · SKY

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 50% to 70% of 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 60,000 units, and we anticipate continued growth in Shinchiku Sokkurisan sales in the years ahead.

Shinchiku Sokkurisan

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

CUSTOM HOMES

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

In April 2003, we launched the J·URBAN home design, which combines the excellent security features of condominiums with the superior ventilation and lighting of detached houses. J·URBAN has been highly evaluated in the marketplace and has received a Good Design Award from the Japan Industrial Design Promotion Organization.

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 30-year guarantee and our specialists conduct periodic inspections.

Overview of the Fiscal Year

In the March 2011 fiscal year, following the Great East Japan Earthquake we curtailed our sales activities for Shinchiku Sokkurisan remodeling operations, and orders declined slightly year on year. However, we achieved record-high results in both units delivered and revenue from operations. In custom home operations, the business environment was challenging, with owner-occupied housing starts remaining at a low level. Nonetheless, we recorded solid results, with year-on-year gains in both orders and units delivered.

However, the results of this segment in the fiscal year under review including those of Sumitomo Fudosan Reform Co., Ltd., were affected by the fact that the delivery of certain units was delayed until the March 2012 fiscal year on account of the Great East Japan Earthquake.

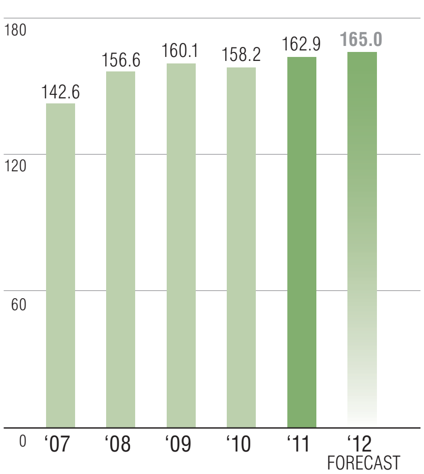
Due to these factors, revenue from operations rose 3.0%, to ¥162.9 billion, but we did not meet our target for operating income, which was down 2.2%, to ¥16.7 billion, as we were unable to absorb the marketing costs spent to strengthen operations.

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 and marketing systems. We are targeting gains in both revenue and profit, with revenue from operations of ¥165.0 billion, up 1.3%, and operating income of ¥17.0 billion, up 1.8%.

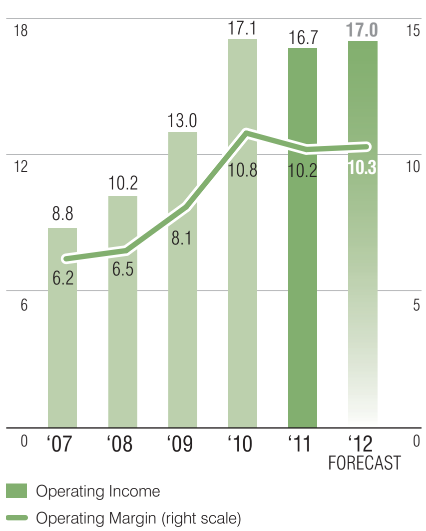
Revenue from Operations

(Billions of Yen)



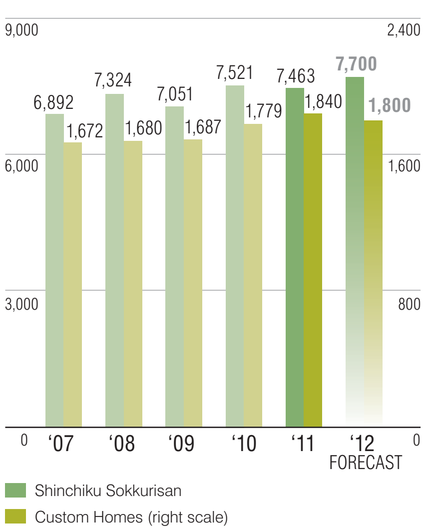
Operating Income and Operating Margin

(Billions of Yen) (%)



Shinchiku Sokkurisan and Custom Home Units Contracted

(Units)



Review of Operations

BROKERAGE

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

Sumitomo Realty's Strengths

Under the STEP brand name, Sumitomo Real Estate Sales operates a network of brokerage offices with close ties to local communities. The network has been steadily expanded and upgraded, and the number of offices reached 243 by the end of March 2011. 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 environment remained favorable in the year under review, and the number of contracts increased. However, in March, when the Great East Japan Earthquake occurred, the number of contracts in the Tokyo Metropolitan area declined, and there were a number of cases in which deliveries were delayed until April.

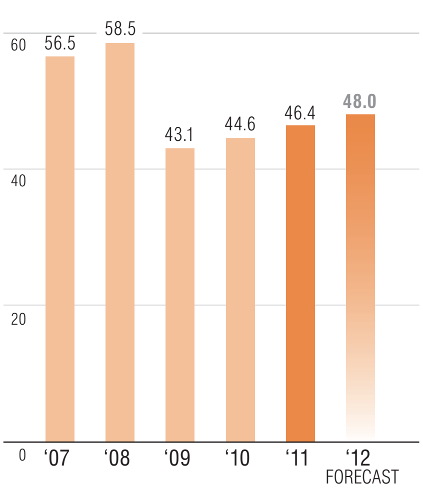
In this setting, despite sluggish transactions in March, transactions in our mainstay brokerage operations increased 4.4%, to 31,293, setting a new record-high. Additionally, the average transaction price increased, and transaction value rose 8.4%, to ¥834.6 billion. As a result, we recorded another year of higher revenue and income, with revenue from operations rising 4.1% year on year, to ¥46.4 billion, and operating income up 13.5%, to ¥12.2 billion.

Outlook

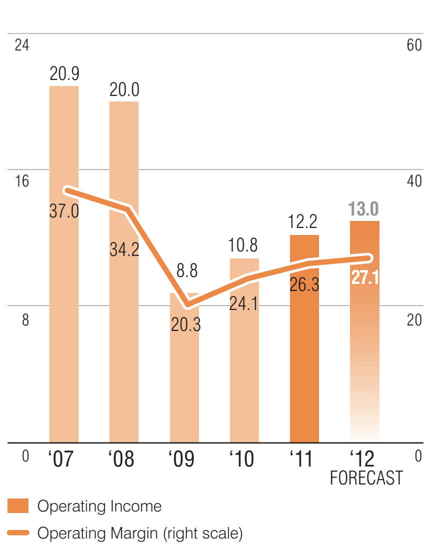
In brokerage operations, we will continue to upgrade existing offices while striving to improve sales efficiency. Through these efforts, we will aim to increase the number of brokerage transactions to a record-high level and achieve our third consecutive year of increased revenue and income.

Accordingly, for the March 2012 fiscal year we forecast revenue from operations of ¥48.0 billion, up 3.4%, and operating income of ¥13.0 billion, up 6.5%.

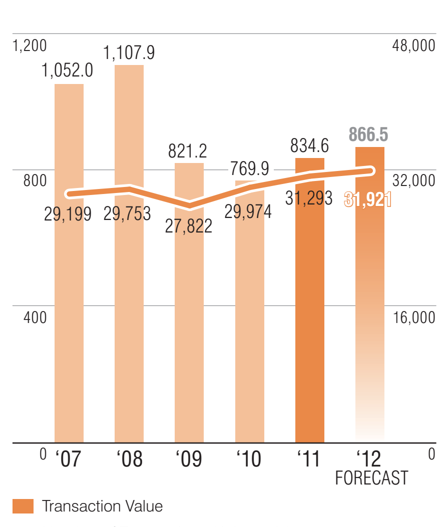
Revenue from Operations



Operating Income and Operating Margin



Number of Transactions and Transaction Value



Our History

Date	Topics
1949	Izumi Real Estate Co., Ltd. established as the successor to the holding company of the Sumitomo *zaibatsu* following the breakup of the conglomerate.
1957	Izumi Real Estate Co., Ltd. changed its name to Sumitomo Realty & Development Co., Ltd.
1963	Merged with the holding company of the former Sumitomo *zaibatsu* during its liquidation.
1964	Entered condominium sales business with Hama-Ashiya Mansion in Kobe, Hyogo Prefecture.
1970	Listed on the Tokyo and Osaka stock exchanges.
1973	Established Sumitomo Fudosan Tatemono Service Co., Ltd., a consolidated subsidiary.
1974	Completed construction of 52-story Shinjuku Sumitomo Building in Shinjuku, Tokyo; moved Company headquarters there from Tokyo Sumitomo Building in Marunouchi, Tokyo.
1975	Established Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary.
1980	Established Sumitomo Fudosan Syscon Co., Ltd., a consolidated subsidiary.
1982	Completed construction of 30-story Shinjuku NS Building in Shinjuku, Tokyo; moved Company headquarters there from Shinjuku Sumitomo Building.
1995	Commenced American Comfort custom home construction business.
1996	Commenced Shinchiku Sokkurisan remodeling business.
1997	Entered high-quality business hotel market. Opened Villa Fontaine Nihonbashi and hotels at two other locations.
1998	Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary, listed on the Tokyo Stock Exchange.
1999	Commenced real estate joint investment trust fund. Launched sales of Sumitomo Realty & Development Fund (SURF) series. Implemented the Sumquest bond issue, which was the first public issue of real estate securities in Japan.
2000	Commenced luxury condominium leasing business. Completed construction of La Tour Shibakoen.
2001	The number of managed STEP brokerage offices exceeded 200.
2002	Completed construction of Izumi Garden Tower (Roppongi 1-Chome Redevelopment Project).
2003	Commenced sales of J·URBAN fixed-price urban-style housing series.
2004	Commenced sales of World City Towers in Minato Ward, Tokyo.
2006	Established Sumitomo Fudosan Reform Co., Ltd., a consolidated subsidiary.
2008	Established Sumitomo Fudosan Bellesalle Co., Ltd., a consolidated subsidiary. Commenced sales at City Towers Toyosu (Koto Ward, Tokyo). Commenced redevelopment work in the Nishi Shinjuku 8-Chome District (Shinjuku Ward, Tokyo).
2010	Commenced sales of J·SKY, the sixth product in the J·URBAN series. Completed construction of Shinjuku Central Park City (Shinjuku Ward, Tokyo) Completed construction of Sumitomo Fudosan Iidabashi First Tower. Cumulative total number of orders for Shinchiku Sokkurisan remodeling business surpassed 60,000.


Shinjuku NS Building


Izumi Garden Tower


World City Towers


Shinjuku Central Park City

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 Internal Audit Division, which has ten staff members, monitors the operational execution of divisions throughout the Group and the operation of internal control systems. The division also works to prevent misconduct and mistakes. Moreover, the division 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 Internal Audit Division, 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 ¥1,037 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					
	2011	2010	2009	2008	2007	2006
For the Year						
Revenue from operations	¥ **744,756**	¥ 719,636	¥ 695,240	¥ 691,928	¥ 676,834	¥ 646,525
Leasing	**292,875**	293,533	298,359	279,568	262,620	234,280
Sales	**239,709**	219,662	191,224	193,575	211,035	224,735
Construction	**162,924**	158,214	160,134	156,606	142,564	135,158
Brokerage	**46,430**	44,621	43,105	58,542	56,532	49,217
Cost of revenue from operations	**551,364**	534,270	496,547	488,202	490,491	487,805
SG&A expenses	**54,929**	51,387	52,327	49,118	49,167	46,697
% of revenue from operations	**7.4%**	7.1%	7.5%	7.1%	7.3%	7.2%
Operating income	**138,463**	133,979	146,366	154,608	137,176	112,023
% of revenue from operations	**18.6%**	18.6%	21.1%	22.3%	20.3%	17.3%
Depreciation and amortization	**23,705**	18,065	17,886	17,150	15,677	16,330
At Year-end						
Current assets	¥ **805,958**	¥ 802,693	¥ 759,816	¥ 784,195	¥ 756,488	¥ 619,219
Sales inventory*1	**627,941**	584,756	568,970	550,863	531,377	388,627
Total assets	**3,234,203**	3,168,098	3,006,412	2,894,004	2,747,900	2,460,080
Shareholders' equity*2	**526,227**	488,896	436,667	427,423	409,197	375,656
Net interest-bearing debt	**1,901,850**	1,785,854	1,722,733	1,548,509	1,343,824	1,150,880
Per Share Amounts (Yen)						
Net income	¥ **107.35**	¥ 111.04	¥ 97.39	¥ 133.00	¥ 105.92	¥ 68.33
Shareholders' equity	**1,109.78**	1,030.93	920.74	900.57	861.93	790.74
Cash dividend applicable to the year	**20.00**	20.00	20.00	18.00	14.00	10.00
Key Ratios						
Equity ratio (%)	**16.3**	15.4	14.5	14.8	14.9	15.3
ND/E ratio*3 (Times)	**3.6**	3.7	3.9	3.6	3.3	3.1

*1 Sales inventory = Inventories + Investments in SPEs 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 2011 fiscal year, the first year of the Fifth Management Plan, we exceeded our initial forecasts for revenue from operations, operating income, and ordinary profit. We achieved our 14th consecutive year of gains in revenue from operations, and operating income and ordinary profit increased for the first time in three years. Other expenses increased due to the influence of the Great East Japan Earthquake, and consequently net income declined. However, net income was more than ¥50.0 billion for the second year in a row.

In the year under review, we got off to a strong start in the first year of the Fifth Management Plan, which is our highest priority. We achieved about one-third of our three-year objectives for revenue from operations, operating income, and ordinary profit. However, following the Great East Japan Earthquake, the management environment changed completely, and it has become difficult to forecast the future course of business conditions. The Company will respond flexibly to this situation and will strive to achieve the objectives in the Fifth Plan. For further information about the Fifth Plan, please see “A Message from the Management” on pages 2 to 3.

Results of Operations

Revenue from Operations and Operating Income

In the fiscal year under review, we recorded lower revenue and profit in leasing operations. However, strong sales of condominiums were registered in sales operations, which recorded substantial gains in revenue and profit and led the Company’s results.

Consequently, in the fiscal year under review revenue from operations was up 3.5%, to ¥744.8 billion, and operating income rose 3.3%, to ¥138.5 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 worsened by ¥7.9 billion, to ¥50.7 billion. Major factors included provision for allowance for loss on disaster of ¥1.9 billion associated with measures to deal with the Great East Japan Earthquake and an increase in loss on devaluation of investments in securities, to ¥6.7 billion, stemming from the fall in stock prices following the earthquake. Interest expense, net, rose 0.7%, to ¥29.8 billion.

Net Income

Income before income taxes and minority interests declined 3.8%, to ¥87.8 billion. Income taxes were down 5.2%, to ¥35.0 billion. Consequently, net income declined 3.3%, to ¥50.9 billion, and the net margin decreased from 7.3% to 6.8%.

Cash Flows

Cash and cash equivalents at end of year totaled ¥119.7 billion, a decrease of ¥29.6 billion from the end of the previous year. Cash flows were as follows.

Cash Flows from Operating Activities

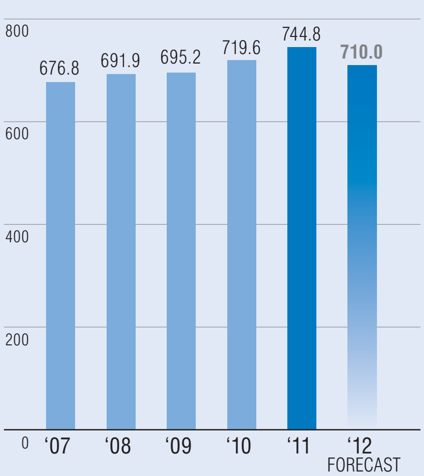
Net cash provided by operating activities was ¥14.4 billion. Income before income taxes and minority interests was ¥87.8 billion. Major reasons included an increase in investments in condominium development for sale and a decrease in notes and accounts payable–trade.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥75.5 billion. Payments for purchases of property and equipment, principally for measures to strengthen leasing operations, were ¥98.1 billion. On the other hand, net proceeds from guarantee and lease deposits paid to lessors were ¥19.4 billion.

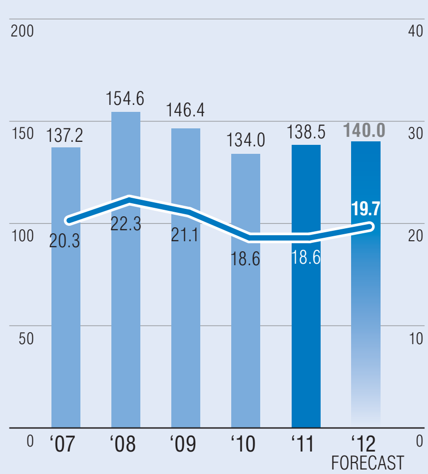
Revenue from Operations

(Billions of Yen)



Operating Income and Operating Margin

(Billions of Yen) (%)

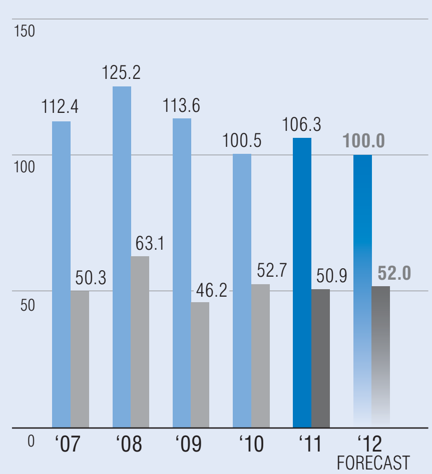


Operating Income

Operating Margin (right scale)

Ordinary Profit* and Net Income

(Billions of Yen)



Ordinary Profit

Net Income

* Please see the note on page 1.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥31.8 billion. For long-term fund raising stability, redemption of bonds and repayment of long-term loans payable totaled ¥274.4 billion, while proceeds from issuance of bonds and from long-term loans payable totaled ¥473.3 billion. Net decrease in short-term debt, including commercial paper, was ¥112.5 billion. Consequently, interest-bearing debt increased by ¥86.4 billion.

Capital Resources and Liquidity

Assets

At the end of the year under review, total assets were ¥3,234.2 billion, an increase of 2.1%. This gain was principally due to an increase in property and equipment stemming from investment in leasing facilities. Total current assets increased 0.4%, to ¥806.0 billion. Net property and equipment increased 4.3%, to ¥1,978.7 billion.

Liabilities

Total liabilities at the end of the year under review were up 1.1% from the previous fiscal year-end, to ¥2,688.9 billion. Total current liabilities decreased 5.8%, to ¥890.3 billion. This was primarily attributable to a decline of ¥112.5 billion in short-term debt and a decline of ¥178.2 billion in deposits received. Total long-term liabilities were up 4.8%, to ¥1,798.5 billion, due to an increase in long-term debt due after one year.

As a result, at the end of the fiscal year, interest-bearing debt was up ¥86.4 billion, to ¥2,021.6 billion.

Interest-bearing debt includes a perpetual subordinated loan of ¥120.0 billion that the Company took out on February 22, 2008. 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 while avoiding equity dilution, as a provision for future financial risk. 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			
	2011	2010	Amount change	% change
Short-term debt:				
Principally from banks	¥ 185,750	¥ 230,250	¥ –44,500	–19.3%
Commercial paper	29,989	97,975	–67,986	–69.4%
Subtotal	215,739	328,225	–112,486	
Long-term debt:				
Bonds	400,000	420,000	–20,000	–4.8%
Loans principally from banks	1,285,860	1,066,941	218,919	20.5%
Perpetual subordinated loan	120,000	120,000	—	—
Subtotal	1,805,860	1,606,941	198,919	12.4%
Long-term debt due within one year	374,792	273,621	101,171	37.0%
Long-term debt due after one year	1,431,068	1,333,320	97,748	7.3%
Interest-bearing debt	2,021,599	1,935,166	86,433	4.5%

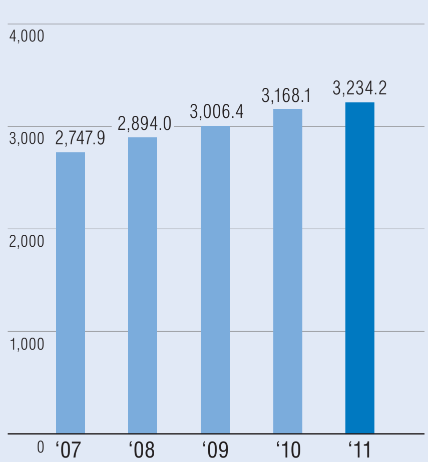
Shareholders' Equity*

Shareholders' equity was up 7.6% year on year, to ¥526.2 billion. Net income was ¥50.9 billion, and retained earnings increased ¥41.4 billion year on year. Consequently, the equity ratio was 16.3%, compared to 15.4% a year earlier. Allowing for the capital nature of the perpetual subordinated loan, the effective equity ratio was 19.1%.

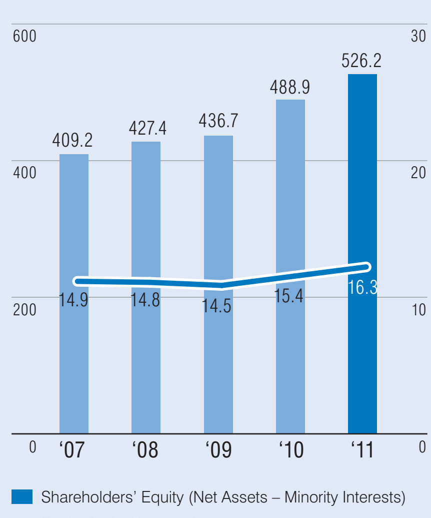
ROE was 10.0%, compared with 11.4% in the previous fiscal year, while ROA was unchanged at 4.4%.

* Shareholders' equity = Net assets – Minority interests

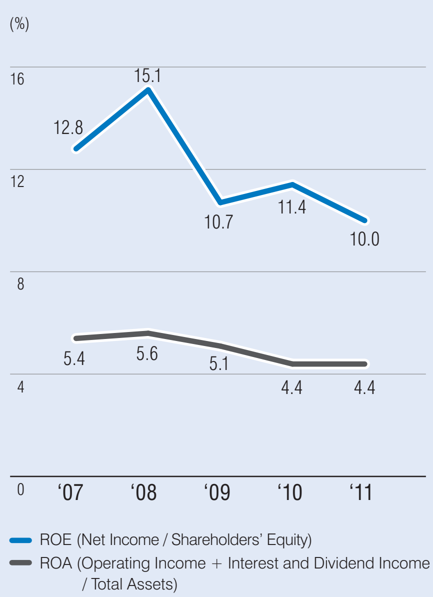
Total Assets



Shareholders' Equity and Equity Ratio



ROE and ROA



Financial Strategy

Characteristics of Operations and Diversification of Fund-raising

In leasing and sales, which are our mainstay business segments, several years are required from the acquisition of a site to the completion of a building and the generation of revenue. In addition, significant advance investment is required. In consideration of these factors, under the three mid-term management plans from April 1997 to March 2007, 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 SPEs. With SPEs 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 2011, the balance of the Company's equity investments in SPEs was ¥137 billion, and the balance of the non-recourse loan and other off-balance-sheet debt was approximately ¥548 billion, for a total of approximately ¥686 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 2011, the balance of investment received in SURF investment partnerships was ¥137 billion, which was recorded on the balance sheet as deposits received. For further information regarding SPEs, please see Note 25 on pages 47 to 48.

By actively utilizing these types of fund-raising methods that do not rely on interest-bearing debt, in the first half of the 2000s, we 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 a decade.

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

Since the second half of the 2000s, it has become increasingly difficult to acquire large prime sites that meet our investment criteria. 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.

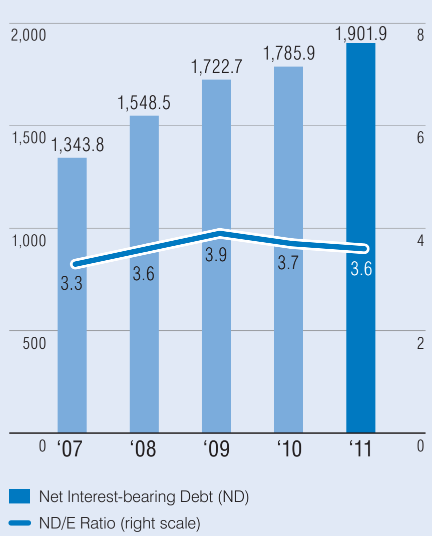
In addition to moving ahead with these types of investments, we are steadily strengthening our financial position. For site acquisition, SPEs that utilize non-recourse methods are not suitable for raising funds for redevelopment projects and we needed to use on-balance-sheet fund-raising methods. Accordingly, 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.

In the March 2013 fiscal year, the final year of the Fifth Plan, through the generation of profit we expect to improve the ND/E ratio, including the debt of SPEs, to about 4 times from 4.8 times as of March 31, 2010.

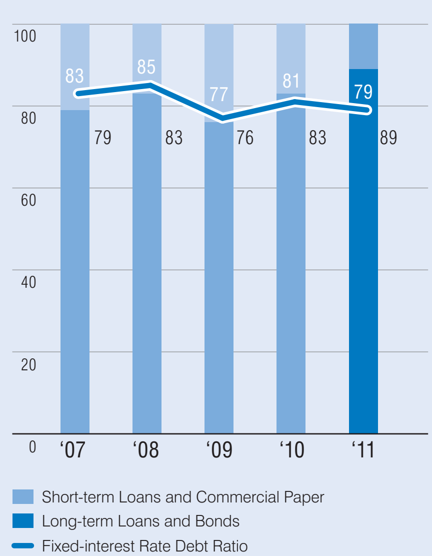
In addition, the cash flow generated by our core leasing business is more than ¥100.0 billion, reaching ¥110.3 billion in the year under review. This represents increased operational stability. Accordingly, while net interest-bearing debt (ND) has increased over the past five years, the ND/Leasing Cash Flows Ratio has remained stable. Also, properties for leasing, including SPEs, have about ¥1 trillion in unrealized gains (the difference between the carrying amount and the fair value). Ratings agencies have evaluated these two strengths highly, and we have maintained our ratings even in difficult financial environments, such as after the Lehman Shock. Due to the early adoption of new accounting standards, SPEs will be included within the scope of consolidation from the March 2012 fiscal year. However, there will no change in evaluations from ratings agencies and financial institutions, and there will be no effect on fund-raising.

We are also working to raise funds at fixed, long-term rates as a

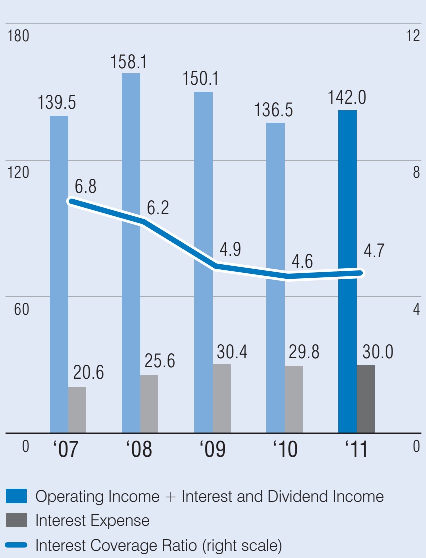
Net Interest-bearing Debt (ND) and ND/E Ratio



Long-term Debt Ratio and Fixed-interest Rate Debt Ratio



Interest Coverage Ratio



precaution against future increases in interest rates. As a result, at the end of the year under review, long-term debt accounted for 89% of interest-bearing debt, and fixed-interest rate debt accounted for 79% 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.

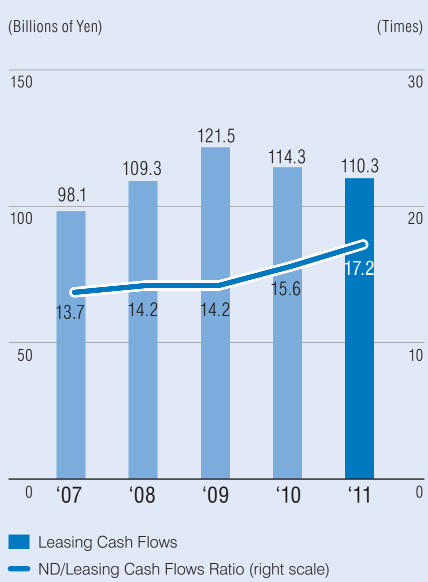
We have implemented four plans since April 1997. We steadily strengthened our profit foundation under two management plans—the First Plan and the Second Plan. In addition, we worked to respond to various changes in accounting standards and to reduce unrealized losses. Over this period, due to comparatively 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.

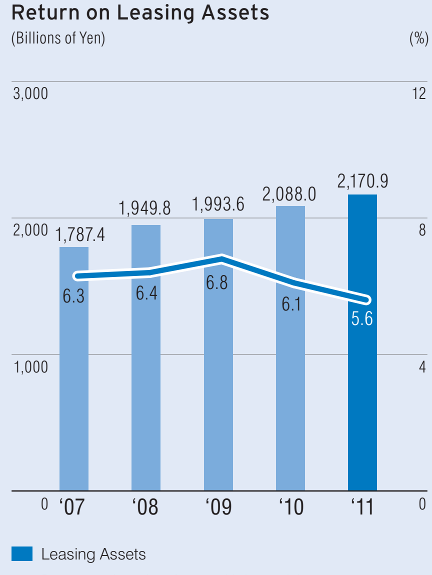
Under the Fourth Plan, profit rose, and as a result we increased dividends over the three years to ¥20.00.

In the year under review, the first year of the Fifth Plan, operating income and ordinary profit increased, but net income declined. With a focus on the continuation of stable dividends, per-share dividends remained the same, at ¥20.00. In addition, we also plan per-share cash dividends of ¥20.00 for the March 2012 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.

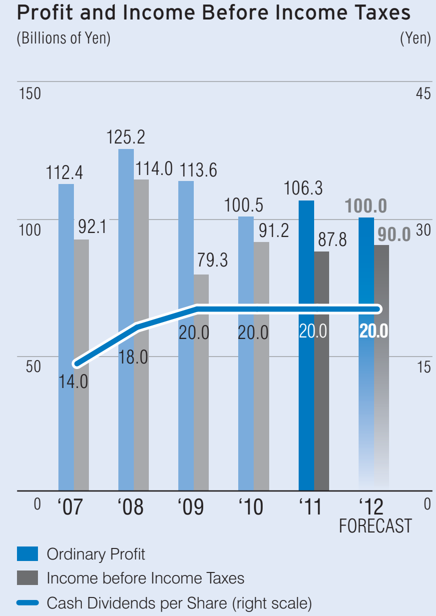
Leasing Cash Flows



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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2011	2010	2011
Current assets:			
Cash, time and notice deposits (Notes 3 and 7)	¥ 119,749	¥ 149,313	$ 1,440,156
Marketable securities (Notes 7 and 8)	—	2,705	—
Investments in SPEs holding properties for sale (Notes 7 and 8)	69,850	62,885	840,048
Notes and accounts receivable–trade (Note 7)	14,284	17,232	171,786
Allowance for doubtful accounts (Note 7)	(947)	(681)	(11,389)
Inventories (Note 4)	558,091	521,871	6,711,858
Deferred income taxes (Note 18)	12,823	13,743	154,215
Other current assets	32,108	35,625	386,146
Total current assets	805,958	802,693	9,692,820
Investments and loans:			
Investments in and loans to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	5,699	5,779	68,539
Investments in securities and other (Notes 7 and 8)	239,666	244,760	2,882,333
Allowance for doubtful accounts	(15,471)	(14,960)	(186,061)
Total investments and loans	229,894	235,579	2,764,811
Property and equipment:			
Land (Notes 4, 6 and 24)	1,523,347	1,490,605	18,320,469
Buildings and structures (Notes 4, 6 and 24)	587,659	523,544	7,067,456
Machinery and equipment (Notes 4, 6 and 24)	19,052	17,741	229,128
Leased assets	1,804	1,222	21,696
Construction in progress (Notes 4 and 24)	64,252	60,051	772,724
	2,196,114	2,093,163	26,411,473
Accumulated depreciation	(217,451)	(196,752)	(2,615,165)
Net property and equipment	1,978,663	1,896,411	23,796,308
Other assets:			
Guarantee and lease deposits paid to lessors (Note 7)	145,707	166,571	1,752,339
Leasehold rights and other intangible assets	51,815	51,363	623,151
Deferred income taxes (Note 18)	11,605	8,802	139,567
Other	10,561	6,679	127,011
Total other assets	219,688	233,415	2,642,068
Total assets	¥3,234,203	¥3,168,098	$38,896,007

See accompanying notes.

Liabilities and Net Assets	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term debt (Notes 7 and 9)	¥ 215,739	¥ 328,225	$ 2,594,576
Long-term debt due within one year (Notes 6, 7 and 9)	374,792	273,621	4,507,420
Notes and accounts payable–trade (Note 7)	31,756	54,171	381,912
Accrued income taxes (Note 18)	17,109	20,902	205,761
Accrued bonuses	3,184	2,760	38,292
Allowance for loss on disaster (Note 12)	1,930	—	23,211
Deposits received (Notes 7 and 19)	169,719	187,537	2,041,118
Other current liabilities	76,112	78,009	915,359
Total current liabilities	890,341	945,225	10,707,649
Long-term liabilities:			
Long-term debt due after one year (Notes 6 ,7 and 9)	1,431,068	1,333,320	17,210,679
Guarantee and deposits received (Notes 7 and 19)	332,304	370,326	3,996,440
Allowance for employees' severance and retirement benefits (Note 10)	4,882	4,970	58,713
Other long-term liabilities	30,279	6,857	364,150
Total long-term liabilities	1,798,533	1,715,473	21,629,982
Contingent liabilities (Note 26)			
Net assets (Note 20):			
Shareholders' equity			
Common stock:			
Authorized – 1,900,000 thousand shares			
Issued – 476,086 thousand shares	122,805	122,805	1,476,909
Capital surplus	132,748	132,748	1,596,488
Retained earnings	290,260	248,836	3,490,800
Treasury stock	(3,645)	(3,543)	(43,836)
Total shareholders' equity	542,168	500,846	6,520,361
Accumulated other comprehensive loss			
Net unrealized holding losses on securities	(6,701)	(3,393)	(80,589)
Net deferred losses on hedges	(1,925)	(2,591)	(23,151)
Foreign currency translation adjustments	(7,315)	(5,966)	(87,974)
Total accumulated other comprehensive loss	(15,941)	(11,950)	(191,714)
Minority interests	19,102	18,504	229,729
Total net assets	545,329	507,400	6,558,376
Total liabilities and net assets	¥3,234,203	¥3,168,098	$38,896,007

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Revenue from operations	¥744,756	¥719,636	¥695,240	$8,956,777
Costs and expenses:				
Cost of revenue from operations	551,364	534,270	496,547	6,630,956
Selling, general and administrative expenses	54,929	51,387	52,327	660,601
	606,293	585,657	548,874	7,291,557
Operating income	138,463	133,979	146,366	1,665,220
Other income (expenses):				
Interest expense, net	(29,789)	(29,591)	(29,718)	(358,256)
Dividend income	3,344	2,339	3,053	40,216
Gain on sale of property and equipment	120	53	10	1,443
Loss on sale of property and equipment	(19)	—	(657)	(229)
Loss on impairment of fixed assets (Note 11)	(7,602)	(7,826)	(165)	(91,425)
Loss on disposal of property and equipment	(2,188)	(93)	(1,035)	(26,314)
Gain on sale of investments in securities	4	1	28	48
Loss on sale of investments in securities	(33)	(56)	(235)	(397)
Loss on devaluation of investments in securities	(6,710)	(1,837)	(14,188)	(80,698)
Dividend to partnership investors	(3,043)	(2,944)	(3,135)	(36,597)
Gain on prior periods adjustment (Note 14)	413	—	1,023	4,967
Gain on adjustment of accrued rent payable (Note 13)	—	645	—	—
Compensation income	78	147	—	938
Loss on devaluation of inventories (Note 15)	—	—	(13,770)	—
Loss on devaluation of common stocks of affiliates	—	(10)	(3,545)	—
Provision for allowance for loss on disaster	(1,930)	—	—	(23,211)
Repair expenses for prior periods construction (Note 16)	—	—	(1,641)	—
Other, net	(3,350)	(3,599)	(3,137)	(40,287)
	(50,705)	(42,771)	(67,112)	(609,802)
Income before income taxes and minority interests	87,758	91,208	79,254	1,055,418
Income taxes (Note 18):				
Current	35,138	35,137	29,362	422,586
Deferred	(128)	1,805	2,686	(1,540)
Total	35,010	36,942	32,048	421,046
Income before minority interests	52,748	54,266	47,206	634,372
Minority interests	1,840	1,604	1,001	22,129
Net income	¥ 50,908	¥ 52,662	¥ 46,205	$ 612,243

	Yen			U.S. dollars (Note 1)
	2011	2010	2009	2011
Amounts per share of common stock:				
Net income:				
- Basic	¥107.35	¥111.04	¥97.39	$1.29
- Diluted	94.73	92.11	86.30	1.14
Cash dividend applicable to the year	20.00	20.00	20.00	0.24

Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Income before minority interests	¥52,748	¥54,266	$634,372
Other comprehensive income (loss)			
Net unrealized holding gains (losses) on securities	(3,308)	12,380	(39,784)
Net deferred gains (losses) on hedges	534	(167)	6,422
Foreign currency translation adjustments	(1,610)	(319)	(19,362)
Total other comprehensive income (loss)	(4,384)	11,894	(52,724)
Comprehensive income	¥48,364	¥66,160	$581,648
Comprehensive income attributable to:			
Owners of the parent	¥46,917	¥64,565	$564,246
Minority interests	1,447	1,595	17,402

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, 2011, 2010 and 2009

	Thousands	Millions of yen										
		Shareholders' equity					Accumulated other comprehensive loss					
	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 gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
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)
Disposal 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)
Disposal 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
Net income	—	—	—	50,908	—	50,908	—	—	—	—	—	50,908
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(1,349)	(1,349)	—	(1,349)
Net unrealized holding losses on securities	—	—	—	—	—	—	(3,308)	—	—	(3,308)	—	(3,308)
Acquisition of treasury stock	—	—	—	—	(102)	(102)	—	—	—	—	—	(102)
Cash dividends paid:												
Final for prior year (¥10 per share)	—	—	—	(4,742)	—	(4,742)	—	—	—	—	—	(4,742)
Interim for current year (¥10 per share)	—	—	—	(4,742)	—	(4,742)	—	—	—	—	—	(4,742)
Minority interests	—	—	—	—	—	—	—	—	—	—	598	598
Net deferred gains on hedges	—	—	—	—	—	—	—	666	—	666	—	666
Balance at March 31, 2011	476,086	¥122,805	¥132,748	¥290,260	¥(3,645)	¥542,168	¥ (6,701)	¥(1,925)	¥(7,315)	¥(15,941)	¥19,102	¥545,329

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Accumulated other comprehensive loss					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding losses on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balance at March 31, 2010	$1,476,909	$1,596,488	$2,992,615	$(42,609)	$6,023,403	$(40,805)	$(31,161)	$(71,750)	$(143,716)	$222,538	$6,102,225
Net income	—	—	612,243	—	612,243	—	—	—	—	—	612,243
Foreign currency translation adjustments	—	—	—	—	—	—	—	(16,224)	(16,224)	—	(16,224)
Net unrealized holding losses on securities	—	—	—	—	—	(39,784)	—	—	(39,784)	—	(39,784)
Acquisition of treasury stock	—	—	—	(1,227)	(1,227)	—	—	—	—	—	(1,227)
Cash dividends paid:											
Final for prior year ($0.12 per share)	—	—	(57,029)	—	(57,029)	—	—	—	—	—	(57,029)
Interim for current year ($0.12 per share)	—	—	(57,029)	—	(57,029)	—	—	—	—	—	(57,029)
Minority interests	—	—	—	—	—	—	—	—	—	7,191	7,191
Net deferred gains on hedges	—	—	—	—	—	—	8,010	—	8,010	—	8,010
Balance at March 31, 2011	$1,476,909	$1,596,488	$3,490,800	$(43,836)	$6,520,361	$(80,589)	$(23,151)	$(87,974)	$(191,714)	$229,729	$6,558,376

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 87,758	¥ 91,208	¥ 79,254	$ 1,055,418
Depreciation and amortization	23,705	18,065	17,886	285,087
Loss on impairment of fixed assets (Note 11)	7,602	7,826	165	91,425
Provision for allowance for loss on disaster	1,930	—	—	23,211
Provision for (Reversal of) allowance for doubtful accounts	776	325	(1,086)	9,333
Increase (Decrease) in allowance for employees' severance and retirement benefits	(87)	(17)	342	(1,046)
Loss on devaluation of inventories (Note 15)	—	—	13,770	—
Loss (Gain) on sale of property and equipment, net	(101)	(53)	647	(1,215)
Loss on disposal of property and equipment	2,188	93	1,035	26,314
Loss on sale of investments in securities, net	29	55	207	349
Loss on devaluation of investments in securities	6,710	1,837	14,188	80,698
Loss on devaluation of common stocks of affiliates	—	10	3,545	—
Interest and dividend income	(3,525)	(2,560)	(3,735)	(42,393)
Interest expense	29,969	29,812	30,400	360,421
Increase in investments in SPEs holding properties for sale	(6,965)	(12,800)	(11,090)	(83,764)
Decrease (Increase) in notes and accounts receivable–trade	2,935	(5,671)	2,519	35,298
Increase in inventories	(30,830)	(5,190)	(106,778)	(370,776)
Decrease (Increase) in loans receivable	528	604	(3,108)	6,350
Increase (Decrease) in notes and accounts payable–trade	(22,407)	14,478	612	(269,477)
Increase (Decrease) in advances received	(2,936)	10,876	(2,510)	(35,310)
Other, net	(17,457)	7,543	(25,450)	(209,947)
Total	79,822	156,441	10,813	959,976
Proceeds from interest and dividend income	3,525	2,560	3,735	42,393
Payments for interest	(30,261)	(29,142)	(30,638)	(363,933)
Payments for income tax and other taxes	(38,644)	(36,057)	(36,583)	(464,750)
Net cash provided by (used in) operating activities	14,442	93,802	(52,673)	173,686
Cash flows from investing activities:				
Payments for purchases of property and equipment	(98,059)	(114,060)	(84,620)	(1,179,302)
Proceeds from sale of property and equipment	1,040	54	20,245	12,508
Payments for purchases of investments in securities	(7,301)	(15,243)	(16,586)	(87,805)
Proceeds from sale of investments in securities	7,074	2,713	17,657	85,075
Payments for guarantee and lease deposits paid to lessors	(2,241)	(1,445)	(3,231)	(26,951)
Proceeds from guarantee and lease deposits paid to lessors	21,642	4,125	12,709	260,277
Payments for guarantee and lease deposits received	(26,385)	(23,319)	(15,060)	(317,318)
Proceeds from guarantee and lease deposits received	20,156	15,382	22,212	242,405
Receipts of deposits from partnership investors	88,996	30,907	47,455	1,070,307
Restitution of deposits from partnership investors	(78,133)	(65,487)	(112,336)	(939,663)
Other, net	(2,301)	(1,220)	1,408	(27,674)
Net cash used in investing activities	(75,512)	(167,593)	(110,147)	(908,141)
Cash flows from financing activities:				
Increase (Decrease) in short-term debt, net	(112,486)	(117,645)	161,650	(1,352,808)
Proceeds from issuance of bonds	60,000	90,000	—	721,587
Redemption of bonds	(80,000)	(40,000)	(15,000)	(962,117)
Proceeds from long-term loans payable	413,300	279,000	135,700	4,970,535
Repayment of long-term loans payable	(194,381)	(123,816)	(99,756)	(2,337,715)
Increase (Decrease) in assignment of receivables	(20,090)	6,711	1,138	(241,612)
Increase in treasury stocks, net	(102)	(52)	(756)	(1,227)
Cash dividends paid	(10,334)	(10,334)	(10,508)	(124,281)
Other, net	(24,072)	14,573	964	(289,500)
Net cash provided by financing activities	31,835	98,437	173,432	382,862
Effect of exchange rate changes on cash and cash equivalents	(331)	(230)	(1,150)	(3,981)
Net increase (decrease) in cash and cash equivalents	(29,566)	24,416	9,462	(355,574)
Cash and cash equivalents at beginning of year	149,315	124,897	116,536	1,795,730
Increase in cash and cash equivalents of newly consolidated subsidiaries	—	2	479	—
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)	¥ 119,749	¥ 149,315	¥ 124,897	$ 1,440,156

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, 2011, 2010 and 2009

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, 2011, which was ¥83.15 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.

(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 operations of condominiums, detached houses and land lots are recognized when units are delivered and accepted by customers. Revenues from leasing operations of buildings, apartments and other properties 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 SPEs 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 SPEs 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 its 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

(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 "Guidance on Accounting Standard for Lease Transactions" (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, 2011, 2010 and 2009 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) Comprehensive Income
Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Comprehensive Income" (Statement No. 25 issued by the Accounting Standards Board of Japan on June 30, 2010). The amounts of "Accumulated other comprehensive loss" and "Total accumulated other comprehensive loss" for the prior year represent the amounts of "Valuation and transaction adjustments" and "Total valuation and transaction adjustments," respectively.

(14) Asset Retirement Obligations
Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Asset Retirement Obligations" (Statement No.18 issued by the Accounting Standards Board of Japan on March 31, 2008), and "Guidance on Accounting Standard for Asset Retirement Obligations" (Guidance No.21 issued by the Accounting Standards Board of Japan on March 31, 2008).

This accounting change has an immaterial impact on operating income and income before income taxes and minority interests.

(15) 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 "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 year ended March 31, 2010 and their percentage of completion by the end of the fiscal year under review that 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 year ended March 31, 2010.

(16) 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 "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 and income before income taxes and minority interests.

(17) 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 foreign exchange forward contracts are used as hedges and meet certain hedging criteria (regarding foreign exchange contracts), the foreign exchange forward contracts and hedged items are accounted for in the following manner:

1. If a foreign exchange forward 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 foreign exchange forward 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 foreign exchange forward 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.

(18) 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).

(19) 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.

(20) Reclassifications and Restatement

Certain prior year amounts have been reclassified to conform to the 2011 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash, time and notice deposits	¥119,749	¥149,313	$1,440,156
Marketable securities	—	2	—
Cash and cash equivalents	¥119,749	¥149,315	$1,440,156

4. Inventories

Inventories at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Real estate for sale	¥206,339	¥240,517	$2,481,527
Real estate for sale in process	345,165	276,416	4,151,112
Costs on uncompleted construction contracts	5,570	3,673	66,987
Other	1,017	1,265	12,232
Total	¥558,091	¥521,871	$6,711,858

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Inventories:			
Transfer to property and equipment	¥ —	¥(5,717)	$ —
Transferred from property and equipment	12,961	3,647	155,875
Net increase (decrease)	¥12,961	¥(2,070)	$155,875

5. Investments in and loans to unconsolidated subsidiaries and affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments in	¥2,849	¥2,874	$34,264
Loans to	2,850	2,905	34,275
Total	¥5,699	¥5,779	$68,539

6. Pledged assets

Assets pledged as collateral at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Buildings and structures	¥12,238	¥13,114	$147,180
Land	27,727	27,727	333,458
Other	88	111	1,058
Total	¥40,053	¥40,952	$481,696

Secured liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Long-term debt due within one year	¥ 1,750	¥ 1,750	$ 21,047
Long-term debt due after one year	20,500	22,250	246,542
Total	¥22,250	¥24,000	$267,589

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–trade 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 continuously reviews whether it keeps to hold securities with consideration for its relationships with the issuers.

Investments in SPEs holding properties for sale are preferred equity investments to Special Purpose Entities based on the Act on Securitization of Assets. These investments are exposed to the issuer's credit risk, and as a result 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. However, 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 and deposits, and 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 22 "Derivative transactions," are not representing the market risks related to derivative transactions.

The carrying amounts of financial instruments on the consolidated balance sheets, their fair values and the differences between them as of March 31, 2011 and 2010 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2).)

For 2011

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets:						
(1) Cash, time and notice deposits	¥ 119,749	¥ 119,749	¥ —	$ 1,440,156	$ 1,440,156	$ —
(2) Notes and accounts receivable–trade	14,284			171,786		
Allowance for doubtful accounts*1	(119)			(1,431)		
Balance	14,165	14,165	—	170,355	170,355	—
(3) Investments in securities						
Available-for-sale securities	123,854	123,854	—	1,489,525	1,489,525	—
(4) Long-term loans*2	3,493	3,588	95	42,008	43,151	1,143
(5) Guarantee and lease deposits						
Held-to-maturity securities	1,270	1,281	11	15,274	15,406	132
Available-for-sale securities	510	510	—	6,133	6,133	—
Total assets	¥ 263,041	¥ 263,147	¥ 106	$ 3,163,451	$ 3,164,726	$ 1,275
Liabilities:						
(1) Notes and accounts payable–trade	¥ 31,756	¥ 31,756	¥ —	$ 381,912	$ 381,912	$ —
(2) Short-term debt	215,739	215,739	—	2,594,576	2,594,576	—
(3) Long-term debt (including due within one year)	1,805,860	1,822,223	16,363	21,718, 099	21,914,888	196,789
(4) Deposits received*3	67,500	67,500	—	811,787	811,787	—
Total liabilities	¥2,120,855	¥2,137,218	¥16,363	$ 25,506,374	$25,703,163	$196,789
Derivative transactions*4:						
Non-hedge accounting	¥ —	¥ —	¥ —	$ —	$ —	$ —
Hedge accounting	(3,309)	(3,309)	—	(39,796)	(39,796)	—
Total derivative transactions	¥ (3,309)	¥ (3,309)	¥ —	$ (39,796)	$ (39,796)	$ —

For 2010

	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	¥ 149,313	¥ 149,313	¥ —
(2) Notes and accounts receivable–trade	17,232		
Allowance for doubtful accounts*1	(104)		
Balance	17,128	17,128	—
(3) Securities			
Available-for-sale 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)	¥ —

*1 The carrying amount of notes and accounts receivable–trade is 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. Figures in parentheses indicate net liabilities.

(Note 1) The calculation methods of fair value for financial instruments.

Assets:

(1) Cash, time and notice deposits

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

(2) Notes and accounts receivable–trade

The fair value of notes and accounts receivable–trade approximates their carrying amounts 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 amount deducted by the estimated allowance for doubtful accounts on the consolidated balance sheets as of the end of the fiscal year.

(3) Investments in securities (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 classified by purpose of holding, 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 classified by purpose of holding, 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 amounts 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 22 "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 debt (including due within one year)) is based on the market price.

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

The fair value of these items approximates their carrying amounts 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 22 "Derivative transactions."

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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments in subsidiaries and affiliates*1	¥ 2,849	¥ 2,874	$ 34,264
Unlisted equity securities*1	18,953	15,985	227,937
Senior securities, etc.*1	33,813	33,824	406,651
Investments in silent partnerships, etc.*1	38,261	38,117	460,144
Investments in SPEs holding properties for sale*2	69,850	62,885	840,048
Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities)*3	143,927	165,307	1,730,932
Guarantee and deposits received*4	164,318	171,308	1,976,164

*1 These items are not included in "Assets (3) Investments in securities (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 SPEs 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 and available-for-sale securities) are not included in "Assets (5) Guarantee and lease deposits" because the assessment of their fair value is deemed extremely difficult and their remaining terms 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 their remaining terms cannot be determined.

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

For 2011

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥119,749	¥ —	¥ —	¥—
Notes and accounts receivable–trade	13,612	672	—	—
Investments in securities				
Available-for-sale securities with maturities (Corporate bonds)	—	1,100	700	—
Long-term loans	55	3,438	—	—
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	10	1,280	—	—
Available-for-sale securities with maturities (National government bonds)	—	—	503	—
Total	¥133,426	¥6,490	¥1,203	¥—

For 2010

	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				
Available-for-sale securities with maturities (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	¥—

For 2011

	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	$1,440,156	$ —	$ —	$—
Notes and accounts receivable–trade	163,704	8,082	—	—
Investments in securities				
Available-for-sale securities with maturities (Corporate bonds)	—	13,229	8,419	—
Long-term loans	661	41,347	—	—
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	121	15,394	—	—
Available-for-sale securities with maturities (National government bonds)	—	—	6,049	—
Total	$1,604,642	$78,052	$14,468	$—

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

For 2011

	Millions of yen					
	2012	2013	2014	2015	2016	2017 and thereafter
Short-term debt	¥215,739	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	374,792	306,223	277,692	264,548	352,439	230,166
Deposits received	67,500	—	—	—	—	—
Total	¥658,031	¥306,223	¥277,692	¥264,548	¥352,439	¥230,166

For 2010

	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

For 2011

	Thousands of U.S. dollars					
	2012	2013	2014	2015	2016	2017 and thereafter
Short-term debt	$2,594,576	$ —	$ —	$ —	$ —	$ —
Long-term debt (including due within one year)	4,507,420	3,682,778	3,339,651	3,181,575	4,238,593	2,768,082
Deposits received	811,787	—	—	—	—	—
Total	$7,913,783	$3,682,778	$3,339,651	$3,181,575	$4,238,593	$2,768,082

8. Securities

For 2011

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, 2011:

(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, etc.	¥1,078	¥1,089	¥11	$12,965	$13,097	$132
Securities whose fair market value does not exceed book value:						
National and local government bonds, etc.	192	192	—	2,309	2,309	—
Total	¥1,270	¥1,281	¥11	$15,274	$15,406	$132

(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	¥ 49,095	¥ 31,559	¥ 17,536	$ 590,439	$ 379,543	$ 210,896
Debt securities*1	1,539	1,508	31	18,509	18,136	373
Subtotal	50,634	33,067	17,567	608,948	397,679	211,269
Securities whose book value does not exceed acquisition cost:						
Equity securities	71,339	99,958	(28,619)	857,956	1,202,141	(344,185)
Debt securities*2	92	95	(3)	1,106	1,142	(36)
Others	2,299	2,483	(184)	27,649	29,862	(2,213)
Subtotal	73,730	102,536	(28,806)	886,711	1,233,145	(346,434)
Total	¥124,364	¥135,603	¥(11,239)	$1,495,659	$1,630,824	$(135,165)

*1 ¥418 million ($5,027 thousand) of debt securities in securities whose book value exceeds acquisition cost is included in “Guarantee and lease deposits” on the consolidated balance sheets.

*2 Debt securities of ¥92 million ($1,106 thousand) in securities whose book value does not exceed acquisition cost is included in “Guarantee and lease deposits” on the consolidated balance sheets.

(Note) The Company recognized ¥6,710 million ($80,698 thousand) of impairment loss on investments in securities (¥5,422 million ($65,207 thousand) on equity securities in available-for-sale securities).

B. Total sales of available-for-sale securities sold in the year ended March 31, 2011 amounted to ¥285 million ($3,428 thousand), and the related gains and losses amounted to ¥4 million ($48 thousand) and ¥33 million ($397 thousand), respectively.

C. Investments in SPEs holding properties for sale are equity investments in Special Purpose Entities (SPEs) which own and develop real estate. The Company or its subsidiaries plan to sell real estate in SPEs after the completion of construction.

As of March 31, 2011, investments in SPEs holding properties for sale mainly consisted of preferred subscription certificates issued by SPEs.

D. The Company lent the equity securities temporarily to a financial institution under a securities lending agreement. Lent securities, included in investments in securities and other, were ¥81,281 million ($977,523 thousand) as of March 31, 2011.

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		
	Book value	Fair market value	Difference
Securities whose fair market value exceeds book value:			
National and local government bonds, etc.	¥1,249	¥1,264	¥15
Securities whose fair market value does not exceed book value:			
National and local government bonds, etc.	15	15	—
Total	¥1,264	¥1,279	¥15

(b) Available-for-sale securities:

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
Equity securities	¥ 62,491	¥ 42,831	¥ 19,660
Others	3,344	3,327	17
Subtotal	65,835	46,158	19,677
Securities whose book value does not exceed acquisition cost:			
Equity securities	65,986	91,251	(25,265)
Others	2,749	2,889	(140)
Subtotal	68,735	94,140	(25,405)
Total	¥134,570	¥140,298	¥ (5,728)

(Note) The Company recognized ¥1,837 million of impairment loss on investments in securities (¥1,837 million on equity securities in available-for-sale securities).

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

C. Investments in SPEs holding properties for sale are equity investments in Special Purpose Entities (SPEs) which own and develop real estate. The Company or its subsidiaries plan to sell real estate in SPEs after the completion of construction.

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

D. The Company lent the equity securities temporarily to a financial institution under a securities lending agreement. Lent securities, included in investments in securities and other, were ¥109,271 million as of March 31, 2010.

9. Short-term debt and long-term debt

Short-term debt at March 31, 2011 and 2010 consisted of the following :

	Millions of yen				Thousands of U.S. dollars
	2011	Average interest rate (%)	2010	Average interest rate (%)	2011
Loans, principally from banks	¥185,750	0.72	¥230,250	0.88	$2,233,915
Commercial paper	29,989	0.18	97,975	0.22	360,661
Total	¥215,739		¥328,225		$2,594,576

The interest rates represent weighted-average rates in effect at March 31, 2011 and 2010, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
1.52% domestic straight bonds, due 2010	¥ —	¥ 20,000	$ —
1.29% domestic straight bonds, due 2012	20,000	20,000	240,529
1.28% domestic straight bonds, due 2012	30,000	30,000	360,793
0.75% domestic straight bonds, due 2010	—	30,000	—
1.18% domestic straight bonds, due 2010	—	30,000	—
1.85% domestic straight bonds, due 2011	20,000	20,000	240,529
1.86% domestic straight bonds, due 2011	20,000	20,000	240,529
1.84% domestic straight bonds, due 2011	20,000	20,000	240,529
1.87% domestic straight bonds, due 2012	20,000	20,000	240,529
1.58% domestic straight bonds, due 2011	10,000	10,000	120,265
1.89% domestic straight bonds, due 2013	10,000	10,000	120,265
1.70% domestic straight bonds, due 2013	20,000	20,000	240,529
1.80% domestic straight bonds, due 2012	20,000	20,000	240,529
1.76% domestic straight bonds, due 2012	20,000	20,000	240,529
1.68% domestic straight bonds, due 2013	20,000	20,000	240,529
1.63% domestic straight bonds, due 2013	20,000	20,000	240,529
2.50% domestic straight bonds, due 2019	10,000	10,000	120,265
1.81% domestic straight bonds, due 2014	20,000	20,000	240,529
1.87% domestic straight bonds, due 2014	10,000	10,000	120,265
1.48% domestic straight bonds, due 2014	10,000	10,000	120,265
1.28% domestic straight bonds, due 2015	10,000	10,000	120,265
1.17% domestic straight bonds, due 2015	30,000	30,000	360,793
0.96% domestic straight bonds, due 2015	30,000	—	360,793
0.94% domestic straight bonds, due 2015	10,000	—	120,265
0.80% domestic straight bonds, due 2015	20,000	—	240,529
Loans, principally from banks and insurance companies, interest principally at rates of 0.32% to 2.67% in 2011, and 0.62% to 2.66% in 2010:			
Secured	22,250	24,000	267,589
Unsecured*	1,383,610	1,162,941	16,639,928
Subtotal	1,805,860	1,606,941	21,718,099
Amount due within one year	(374,792)	(273,621)	(4,507,420)
Total	¥1,431,068	¥1,333,320	$17,210,679

* Unsecured long-term debt as of March 31, 2011 and 2010 includes a perpetual subordinated loan of ¥120,000 million ($1,443,175 thousand) and ¥120,000 million, respectively.

The aggregate annual maturities of long-term debt at March 31, 2011 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 374,792	$ 4,507,420
2013	306,223	3,682,778
2014	277,692	3,339,651
2015	264,548	3,181,575
2016	352,439	4,238,593
2017 and thereafter	230,166	2,768,082
Total	¥1,805,860	$21,718,099

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 off-set 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 8,019	¥ 7,664	$ 96,440
Fair value of plan assets	(2,909)	(2,865)	(34,985)
Unrecognized actuarial differences	(228)	171	(2,742)
Allowance for employees' severance and retirement benefits	¥ 4,882	¥ 4,970	$ 58,713

Included in the consolidated statements of income for the years ended March 31, 2011, 2010 and 2009 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service costs – benefits earned during the year	¥ 514	¥ 517	¥ 537	$ 6,182
Interest cost on projected benefit obligation	146	147	135	1,756
Expected return on plan assets	(57)	(51)	(57)	(686)
Amortization of actuarial differences	(163)	174	299	(1,960)
Other	309	320	181	3,716
Severance and retirement benefit expenses	¥ 749	¥1,107	¥1,095	$ 9,008

Other of ¥309 million ($3,716 thousand) for the year ended March 31, 2011, ¥320 million 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, 2011, 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 expenses in the succeeding period.

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, 2011, 2010 and 2009, respectively.

For 2011

Use	Location	Number of properties
Land for development	Katsushika-ku, Tokyo	1
Ancillary facility	Minami-Uonuma-shi, Niigata	1

For 2010

Use	Location	Number of properties
Land for development	Taito-ku, Tokyo, etc.	7
Rights 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

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 transferring inventories from property and equipment, the carrying values of the land holdings summarized above have been reduced to their recoverable amounts by ¥7,602 million ($91,425 thousand), ¥7,826 million and ¥165 million for the years ended March 31, 2011, 2010 and 2009, respectively. These write-downs were recognized as impairment losses in other expenses.

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

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Land	¥7,602	¥7,304	¥122	$91,425
Intangible assets	—	489	—	—
Buildings, structures and others	—	33	43	—
Total	¥7,602	¥7,826	¥165	$91,425

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. Allowance for loss on disaster

Allowance for loss on disaster of ¥1,930 million ($23,211 thousand) for the year ended March 31, 2011 is to prepare for expenditure to restore any fixed assets or inventories damaged by the Great East Japan Earthquake.

13. Gain on adjustment of accrued rent payable

Gain on adjustment of accrued rent payable of ¥645 million 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.

14. Gain on prior periods adjustment

Gain on prior periods adjustment of ¥413 million ($4,967 thousand) for the year ended March 31, 2011 is due to the adjustment of useful life of depreciable assets. 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.

15. 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 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 inventories at the beginning of the year ended March 31, 2009.

16. 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.

17. Asset retirement obligations

Even though removing asbestos is required to some buildings the Company and its consolidated subsidiaries (“the Group”) operate at the time of demolishing, it is difficult to estimate the fair value of obligations associated with such assets reasonably since the timing and/or method of settlement for the retirement obligations are not clear enough. Therefore, for the year ended March 31, 2011, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

In addition, under the partial lease contracts, the Group has obligations for restoring office spaces when tenants move out. For the asset retirement obligations associated with such a case, the duration of use of the assets is not clear enough and these assets do not have any relocation plans. Therefore, the Group is unable to estimate the asset retirement obligations since it is difficult to estimate the timing of fulfillment of the obligations. Consequently, for the year ended March 31, 2011, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

18. Income taxes

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitant taxes was approximately 40.69% for the years ended March 31, 2011, 2010 and 2009.

The differences between the statutory tax rate and the Company’s effective tax rate for the years ended March 31, 2011, 2010 and 2009 were insignificant and not presented.

Details of deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Loss on impairment of fixed assets	¥ 5,679	¥ 5,685	$ 68,298
Net unrealized holding losses on securities	4,605	2,425	55,382
Loss on devaluation of real estate for sale	4,108	4,404	49,405
Net operating loss carryforwards	3,237	4,632	38,930
Allowance for employees' severance and retirement benefits	1,984	2,019	23,860
Accrued enterprise tax and business office tax	1,803	1,958	21,684
Accrued bonuses	1,431	1,239	17,210
Net deferred losses on hedges	1,229	1,899	14,781
Loss on devaluation of investments in securities	1,225	—	14,732
Unrealized intercompany profits	—	1,305	—
Other	10,681	9,658	128,454
Subtotal of deferred tax assets	35,982	35,224	432,736
Valuation allowance	(6,088)	(7,583)	(73,217)
Total deferred tax assets	29,894	27,641	359,519
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(4,959)	(4,959)	(59,639)
Other	(507)	(137)	(6,098)
Total deferred tax liabilities	(5,466)	(5,096)	(65,737)
Net deferred tax assets	¥24,428	¥22,545	$293,782

19. Guarantee and deposits received

Guarantee and deposits received at March 31, 2011 and 2010 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2011	Average interest rate (%)	2010	Average interest rate (%)	2011
Short-term deposits and long-term deposits due within one year:					
Non-interest-bearing	¥102,219	—	¥168,537	—	$1,229,331
Interest-bearing	67,500	0.51	19,000	0.63	811,787
	169,719		187,537		2,041,118
Guarantee and lease deposits from tenants:					
Non-interest-bearing	164,318	—	171,308	—	1,976,164
Interest-bearing	—	—	—	—	—
Long-term deposits:					
Non-interest-bearing	167,986	—	133,018	—	2,020,276
Interest-bearing	—	—	66,000	0.60	—
	332,304		370,326		3,996,440
Total	¥502,023		¥557,863		$6,037,558

The aggregate annual maturities of deposits received at March 31, 2011 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥67,500	$811,786
2013	—	—
2014	—	—
2015	—	—
2016	—	—
2017 and thereafter	—	—
Total	¥67,500	$811,786

20. 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 on 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.

21. 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, 2011, 2010 and 2009 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Acquisition cost:				
Buildings and structures	¥ 885	¥ 4,502	¥ 5,268	$ 10,643
Other	1,174	1,447	1,936	14,119
Accumulated depreciation	(1,663)	(4,811)	(4,964)	(20,000)
Net book value	¥ 396	¥ 1,138	¥ 2,240	$ 4,762

Pro-forma depreciation equivalents of ¥714 million ($8,587 thousand), ¥1,023 million and ¥1,250 million for the years ended March 31, 2011, 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, 2011, 2010 and 2009 amounted to ¥714 million ($8,587 thousand), ¥1,023 million and ¥1,250 million respectively.

Future lease payments and receipts under such finance leases and non-cancelable operating leases at March 31, 2011, 2010 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Finance leases				
Future lease payments:				
Due within one year	¥ 262	¥ 737	¥ 1,043	$ 3,150
Due after one year	134	401	1,197	1,612
Total	¥ 396	¥ 1,138	¥ 2,240	$ 4,762
Operating leases				
Future lease payments:				
Due within one year	¥ 2,374	¥ 4,348	¥ 6,245	$ 28,551
Due after one year	13,870	21,609	14,360	166,807
Total	¥ 16,244	¥25,957	¥20,605	$ 195,358
Future lease receipts:				
Due within one year	¥ 48,884	¥28,331	¥ 43	$ 587,901
Due after one year	53,597	29,941	124	644,582
Total	¥102,481	¥58,272	¥ 167	$1,232,483

22. Derivative transactions

Hedge accounting was applied for all derivative transactions for the years ended March 31, 2011 and 2010.

The summary of these transactions is as follows:

For 2011

(1) Foreign currency related derivatives

Hedging accounting	Hedging instruments	Hedged items	Millions of yen 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		¥1,219	¥—	¥ (38)
	Cross currency swap contracts				
	Receipts in U.S. dollars / Payments in yen		8,310	—	(251)
Total			¥9,529	¥—	¥(289)

Hedging accounting	Hedging instruments	Hedged items	Thousands of U.S. dollars 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		$ 14,660	$—	$ (457)
	Cross currency swap contracts				
	Receipts in U.S. dollars / Payments in yen		99,940	—	(3,019)
Total			$114,600	$—	$(3,476)

(Note) 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	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts	Bank loans and deposits			
	Fixed rate payments / Floating rate receipts		¥245,000	¥135,000	¥(3,020)
Special hedge accounting	Interest rate swap contracts	Bank loans			
	Fixed rate payments / Floating rate receipts		570,645	391,665	–*

Hedging accounting	Hedging instruments	Hedged items	Thousands of U.S. dollars Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts	Bank loans and deposits			
	Fixed rate payments / Floating rate receipts		$2,946,482	$1,623,572	$(36,320)
Special hedge accounting	Interest rate swap contracts	Bank loans			
	Fixed rate payments / Floating rate receipts		6,862,838	4,710,343	–*

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

* 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.

For 2010

(1) Foreign currency related derivatives

Hedging accounting	Hedging instruments	Hedged items	Millions of yen 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

(Note) 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	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts	Bank loans and deposits			
	Fixed rate payments / Floating rate receipts		¥254,000	¥245,000	¥(4,668)
Special hedge accounting	Interest rate swap contracts	Bank loans			
	Fixed rate payments / Floating rate receipts		562,397	437,745	—*

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

* 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.

23. Segment information

The Company and its consolidated subsidiaries mainly operate their business in five segments: (1) Leasing business consists of leasing of buildings, apartments and other properties, and management of these properties; (2) Sales business consists of sale of condominiums, detached houses and land lots; (3) Construction business consists of construction of housing, condominiums and buildings; (4) Brokerage business; and (5) Other business including fitness business, restaurant business and finance business.

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Statement No.17 issued by the Accounting Standards Board of Japan on March 27, 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Guidance No.20 issued by the Accounting Standards Board of Japan on March 21, 2008).

Information by business segment for the years ended March 31, 2011, 2010 and 2009 is summarized as follows:

	Millions of yen							
	Reportable segments							
For 2011	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations								
Customers	¥ 290,536	¥239,620	¥160,771	¥45,840	¥ 7,989	¥ 744,756	¥ —	¥ 744,756
Intersegment	2,339	89	2,153	590	4,857	10,028	(10,028)	—
Total	292,875	239,709	162,924	46,430	12,846	754,784	(10,028)	744,756
Segment profit	¥ 88,241	¥ 33,418	¥ 16,698	¥12,203	¥ 520	¥ 151,080	¥(12,617)	¥ 138,463
Segment assets	¥2,170,939	¥721,957	¥ 13,626	¥12,959	¥41,859	¥2,961,340	¥272,863	¥3,234,203
Other								
Depreciation and amortization	¥ 22,017	¥ 161	¥ 355	¥ 242	¥ 92	¥ 22,867	¥ 838	¥ 23,705
Loss on impairment of fixed assets	—	7,602	—	—	—	7,602	—	7,602
Increase in property and equipment, and intangible assets	121,507	148	215	203	66	122,139	315	122,454

For 2010	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
	Millions of yen							
I Revenue from operations and operating income:								
Revenue from operations								
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 expenses, 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 expenses	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	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
	Millions of yen							
I Revenue from operations and operating income:								
Revenue from operations								
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 expenses, 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 expenses	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

	Thousands of U.S. dollars							
	Reportable segments							
For 2011	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations								
Customers	$ 3,494,119	$2,881,780	$1,933,506	$551,293	$ 96,079	$ 8,956,777	$ —	$ 8,956,777
Intersegment	28,130	1,070	25,893	7,095	58,413	120,601	(120,601)	—
Total	3,522,249	2,882,850	1,959,399	558,388	154,492	9,077,378	(120,601)	8,956,777
Segment profit	$ 1,061,227	$ 401,900	$ 200,818	$146,759	$ 6,253	$ 1,816,957	$ (151,737)	$ 1,665,220
Segment assets	$26,108,707	$8,682,586	$ 163,873	$155,851	$503,415	$35,614,432	$3,281,575	$38,896,007
Other								
Depreciation and amortization	$ 264,787	$ 1,936	$ 4,269	$ 2,910	$ 1,107	$ 275,009	$ 10,078	$ 285,087
Loss on impairment of fixed assets	—	91,425	—	—	—	91,425	—	91,425
Increase in property and equipment, and intangible assets	1,461,299	1,780	2,586	2,441	794	1,468,900	3,788	1,472,688

Distributions from SPEs and partnerships that operate real estate leasing business are included in revenue from operations of the "Leasing business."

Intercompany eliminations between the Company and its consolidated subsidiaries and undistributed corporate expenses to each segment are included in adjustments of segment profit, and the Company classified expenses of general administrative division in the Company and certain of its consolidated subsidiaries to corporate expenses for the year ended March 31, 2011.

Intercompany eliminations between the Company and its consolidated subsidiaries and undistributed corporate assets to each segment are included in adjustments of segment assets, and the Company classified cash, time and notice deposits, investments in securities and assets of the general administrative division in the Company and certain of its consolidated subsidiaries to corporate assets for the year ended March 31, 2011.

For the years ended March 31, 2010 and 2009, the Company classified expenses and assets of the general administrative division in the Company and certain of its consolidated subsidiaries to unallocatable operating expenses and corporate assets in the elimination and/or corporate.

24. Investment and rental properties

The Company and its certain of its 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 of its consolidated subsidiaries use some of the floor space of these properties.

The carrying amounts of these properties on the consolidated balance sheets, their changes during the current fiscal year and their fair values at March 31, 2011 and 2010 are as follows:

	Millions of yen			
	Carrying amount			Fair value
For 2011	As of March 31, 2010	Changes	As of March 31, 2011	As of March 31, 2011
Investment and rental properties	**¥1,833,481**	**¥69,814**	**¥1,903,295**	**¥2,426,030**
A portion used as investment and rental properties	**65,066**	**4,002**	**69,068**	**92,139**

	Millions of yen			
	Carrying amount			Fair value
For 2010	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
For 2011	As of March 31, 2010	Changes	As of March 31, 2011	As of March 31, 2011
Investment and rental properties	**$22,050,283**	**$839,615**	**$22,889,898**	**$29,176,548**
A portion used as investment and rental properties	**782,502**	**48,141**	**830,643**	**1,108,106**

Notes:
* Carrying amounts on the consolidated balance sheets are the amounts determined by deducting accumulated depreciation from the acquisition costs.
* Fair values as of March 31, 2011 and 2010 are determined by the Company primarily based on their fair values according to the "Real Estate Appraisal Standards."

Significant changes during the years ended March 31, 2011 and 2010 shown above are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Increase:			
Acquired real estate	**¥120,899**	¥115,585	**$1,453,987**
Transferred from real estate for sale	**—**	5,717	**—**
New consolidation	**—**	2,345	**—**
Decrease:			
Depreciation	**¥ (20,595)**	¥ —	**$ (247,685)**
Transferred to real estate for sale in process	**(12,961)**	—	**(155,875)**
Loss on impairment of fixed assets	**(7,602)**	(7,267)	**(91,425)**
Transferred to real estate for sale	**—**	(3,430)	**—**

Income and expenses for investment and rental properties for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen			
For 2011	Income	Expenses	Balance	Other income (expenses)
Investment and rental properties	**¥138,048**	**¥77,600**	**¥60,448**	**¥(9,294)**
A portion used as investment and rental properties	**8,024**	**5,935**	**2,089**	**(17)**

	Millions of yen		
For 2010	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			
For 2011	Income	Expenses	Balance	Other income (expenses)
Investment and rental properties	**$1,660,229**	**$933,254**	**$726,975**	**$(111,774)**
A portion used as investment and rental properties	**96,500**	**71,377**	**25,123**	**(204)**

Notes:
* As a portion used as investment and rental properties includes a portion used by the Company or certain of its 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.
* Other income (expenses) for investment and rental properties is mostly the loss on impairment of fixed assets and for a portion used as investment and rental properties is mostly the loss on disposal of property and equipment.

25. 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, 2011, 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, 2011, the Company had outstanding investments in 25 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
	2011	2010	2011
Assets:			
Real property	**¥658,967**	¥687,896	**$7,925,039**
Other	**42,179**	44,185	**507,264**
Total	**¥701,146**	¥732,081	**$8,432,303**
Liabilities and net assets:			
Borrowings*1	**¥542,371**	¥577,815	**$6,522,802**
Preferred capital, etc.*2	**112,208**	112,027	**1,349,465**
Other	**46,567**	42,239	**560,036**
Total	**¥701,146**	¥732,081	**$8,432,303**

*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, 2011 and 2010, see *3.

The carrying amounts of investment and rental properties held by SPEs on their balance sheets and their fair values at March 31, 2011 and 2010 are as follows:

For 2011

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment and rental properties held by SPEs	¥658,967	¥1,114,133	$7,925,039	$13,399,074

For 2010

	Millions of yen	
	Carrying amount	Fair value
Investment and rental properties held by SPEs	¥687,896	¥1,134,665

(2) Transactions with the SPEs

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments, etc.*3:			
Investments:			
Marketable securities	¥ —	¥ 2,702	$ —
Investments in securities	72,679	72,153	874,071
Investments in SPEs holding properties for sale	64,735	62,585	778,533
Total	137,414	137,440	1,652,604
Revenue from operations	26,677	16,664	320,830
Other income	35	63	421
Real estate leasing*4:			
Cost of revenue from operations	44,396	41,226	533,927
Management services*5:			
Revenue from operations	37	572	445
Real estate transactions*6:			
Transaction payments	18,700	24,484	224,895

*3 Includes investments in preferred stocks and specified debentures issued by TMKs and equity in *Tokumei Kumiai* invested by the Company. In addition, dividends on investments are recorded as revenue from operations, and interest on specified debentures is recorded as other income.
*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.

26. Contingent liabilities

At March 31, 2011, the Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥118 million ($1,419 thousand).

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.

27. Subsequent events

On June 8, 2011, the Company issued ¥10,000 million ($120,265 thousand) in 0.74% unsecured bonds due 2016.

On June 29, 2011, the shareholders of the Company approved payments of a year-end cash dividend of ¥10 ($0.12) per share or a total of ¥4,742 million ($57,029 thousand) to shareholders of record at March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

Independent Auditors' Report

KPMG

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 its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income and comprehensive income for the years in the two-year period ended March 31, 2011, statement of income for the year ended March 31, 2009, and statements of changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2011, 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 its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, 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, 2011 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 LLC

Tokyo, Japan
June 29, 2011

Senior Management

As of June 29, 2011

Board of Directors and Auditors

Chairman of the Board

Junji Takashima*

President

Kenichi Onodera*

Directors

Nobuaki Takemura*

Kojun Nishima*

Masato Kobayashi*

Yoshinobu Sakamoto

Masayuki Iwamoto

Yoshiyuki Odai

Masayoshi Ohashi

Statutory Auditors

Naoto Enda

Ryoichi Nomura

Hiroshi Tomoyasu

Tadashi Kitamura

Yoshifumi Nakamura

* Representative Director

Executive Officers

Senior Managing Executive Officers

Takahiro Daisaka

Takashi Saito

Managing Executive Officers

Satoru Ozawa

Takao Shiojima

Masaki Ogawa

Isamu Jobo

Koji Ito

Toshikazu Tanaka

Tadaharu Izumisawa

Kazuo Yoda

Hiroyuki Hashizume

Naoto Yamamoto

Akihiro Katsuki

Katsunori Takahashi

Corporate Data

As of March 31, 2011

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

9,733 (Consolidated)

Major Consolidated Subsidiaries

Sumitomo Real Estate Sales Co., Ltd.

Sumitomo Fudosan Tatemono Service Co., Ltd.

Sumitomo Fudosan Syscon Co., Ltd.

Sumitomo Fudosan Reform Co., Ltd.

Sumitomo Fudosan Esforta Co., Ltd.

Sumitomo Fudosan Villa Fontaine Co., Ltd.

Sumitomo Fudosan Finance Co., Ltd.

Sumitomo Fudosan Bellesalle Co., Ltd.

Investor Information

As of March 31, 2011

Paid-in Capital

¥122,805 million

Number of Common Stock

Authorized: 1,900,000,000 shares

Issued: 476,085,978 shares

Number of Shareholders

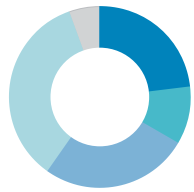
15,537

Stock Exchange Listings

Tokyo Stock Exchange

Osaka Securities Exchange

Breakdown of Shareholders

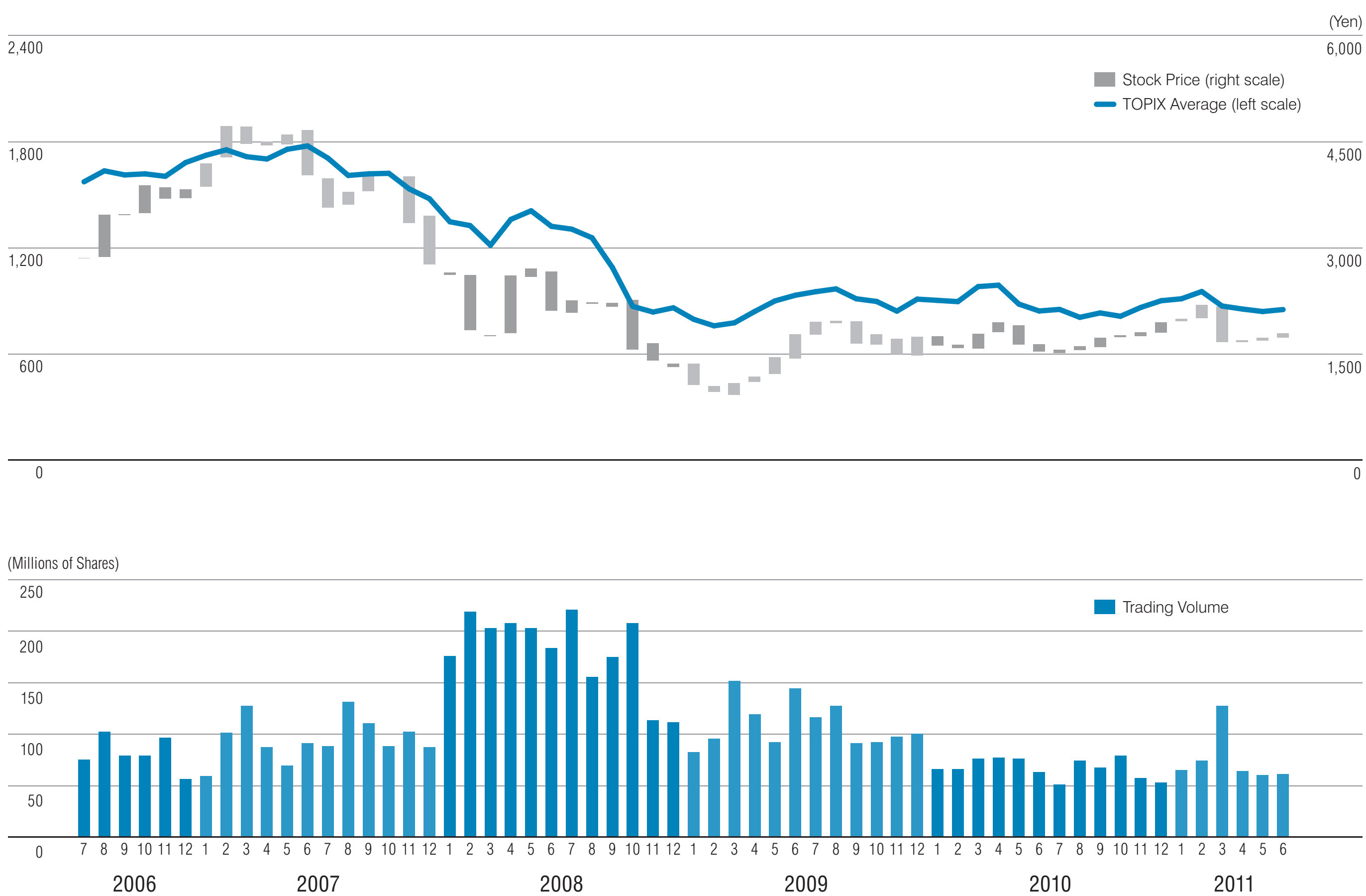


Trust Accounts	23.21%
Financial Institutions	10.15%
Other Companies	26.52%
Foreign Companies	34.77%
Individuals and Others	5.35%

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of shares held
Japan Trustee Services Bank, Ltd. (Trust account)	27,059	5.68%
The Master Trust Bank of Japan, Ltd. (Trust account)	19,756	4.15%
Sumitomo Mitsui Banking Corporation	11,990	2.52%
Japan Trustee Services Bank, Ltd. (Trust account 4)	10,411	2.19%
SSBT OD05 Omnibus Account – Treaty Clients	8,634	1.81%
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%

Stock Price and Trading Volume on Tokyo Stock Exchange



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