Sumitomo Realty & Development Co., Ltd.

New Value for New Growth

Annual Report 2012

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.


Shinjuku NS Building (Head office)

Our History

1949–80

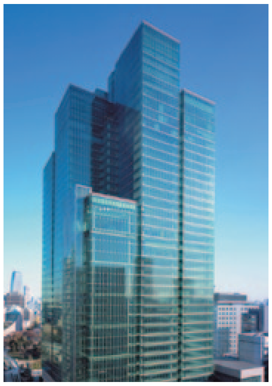
- **1949** Izumi Real Estate Co., Ltd. established as the successor to the holding company of the Sumitomo *zaibatsu* following the breakup of the conglomerate.
- **1957** Izumi Real Estate Co., Ltd. changed its name to Sumitomo Realty & Development Co., Ltd.
- **1963** Merged with the holding company 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 Stock Exchange and Osaka Securities Exchange.
- **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.

81–2000

- **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.

Global Events

- **1964** Tokyo Olympic Games
- **1973** First oil crisis
- **1978** Second oil crisis
- **1985** The Plaza Accord
- **1987** Black Monday
- **1989** Collapse of Berlin Wall
  The Nikkei Stock Average reaches an all-time high


Izumi Garden Tower


Shinjuku Central Park City


World City Towers


City Towers Toyosu

01–10

- **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).
- **2010** Completed construction of Shinjuku Central Park City (Shinjuku Ward, Tokyo)

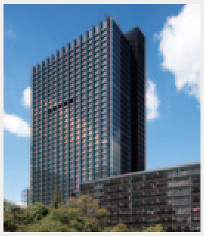
11–12

- **2011** Cumulative units contracted topped 70,000 in Shinchiku Sokkurisan remodeling operations.

  Opened Grand Mansion Gallery.

  * Refer to page 17 for details

  Completed Sumitomo Fudosan Shinjuku Grand Tower.


Sumitomo Fudosan Shinjuku Grand Tower

- **2012** Launched a Custom-order Condominium service.

  * Refer to page 17 for details

  Commenced sales of J·RESIDENCE.

  * Refer to page 20 for details


J·RESIDENCE

- **1999** The euro is introduced
- **2001** The September 11th terrorist attacks
- **2008** Lehman crisis

- **2011** The Great East Japan Earthquake

  European sovereign debt crisis

  Record high yen against the U.S. dollar

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

Overview of March 2012 Fiscal Year

Revenue from operations fell due to a year-on-year decrease in condominium units delivered. However, operating income and ordinary profit exceeded our initial provisional forecasts and we recorded higher earnings for the second consecutive year. Net income was also higher year on year.

	Millions of yen			Thousands of U.S. dollars*1
	2012	2011	2010	**2012**
For the Year				
Revenue from operations	**¥ 688,662**	¥ 744,756	¥ 719,636	**$ 8,385,024**
Operating income	**147,465**	138,463	133,979	**1,795,507**
Ordinary profit*2	**107,912**	106,296	100,464	**1,313,917**
Net income	**53,236**	50,908	52,662	**648,192**
At Year-end				
Total assets	**¥3,859,698**	¥3,234,203	¥3,168,098	**$46,994,984**
Shareholders' equity*3	**553,844**	526,227	488,896	**6,743,504**
Interest-bearing debt	**2,554,115**	2,021,599	1,935,166	**31,098,441**
Per Share Data (Yen and U.S. dollars)				
Net income	**¥ 112.28**	¥ 107.35	¥ 111.04	**$ 1.37**
Shareholders' equity	**1,168.11**	1,109.78	1,030.93	**14.22**
Cash dividend applicable to the year	**20.00**	20.00	20.00	**0.24**

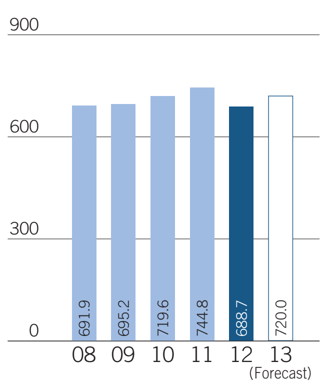
*1 U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥82.13 = U.S.$1, the prevailing exchange rate at March 31, 2012.
*2 Ordinary profit, which equals operating income after adjustment for non-operating gains/losses, is a management index that is widely used in Japan.
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

¥688.7 billion

in the March 2012 fiscal year

(Billions of Yen)

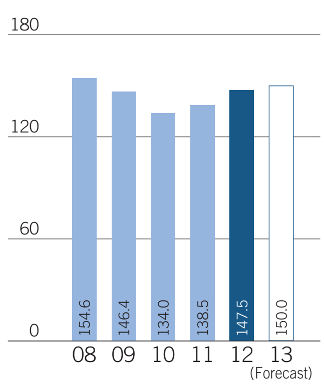


Operating Income

¥147.5 billion

in the March 2012 fiscal year

(Billions of Yen)

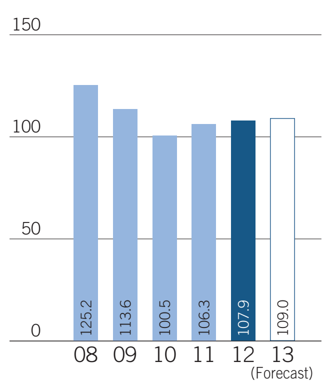


Ordinary Profit*2

¥107.9 billion

in the March 2012 fiscal year

(Billions of Yen)

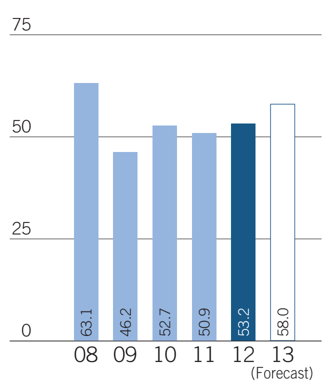


Net Income

¥53.2 billion

in the March 2012 fiscal year

(Billions of Yen)



A Message from the Management

We aim to achieve the targets of our Fifth Management Plan and move to the next stage of growth by responding flexibly to change in our operating environment.

Junji Takashima
Chairman

Kenichi Onodera
President

Progress under the Fifth Management Plan

We are currently working on our Fifth Management Plan, which ends in the March 2013 fiscal year. This plan was formulated in the middle of two straight years of lower earnings due to the impact of the global economic downturn after the beginning of the global financial crisis. Before that, in the year ended March 31, 2008, we achieved record ordinary profit of ¥125.2 billion. We embarked on this plan with the basic policies of "Getting back on track toward increased revenue and profit" and "Targeting record-setting business results in the March 2013 fiscal year."

In the March 2012 fiscal year, the second year of the Fifth Management Plan, we saw the continuation of a seesaw business environment, with the after-effects of the Great East Japan Earthquake still being felt. This has made it difficult for us to achieve our target for revenue from operations. However, we had achieved the equivalent of around two-thirds of our operating income and ordinary profit targets under the plan as of March 31, 2012, meaning we are making steady progress on the earnings front. With one year left to go in the Fifth Management Plan, we intend to muster all our strengths and put the upmost priority on achieving our plan targets.

Results for the Year under Review

In the March 2012 fiscal year, consolidated revenue from operations was ¥688.7 billion, while operating income was ¥147.5 billion and ordinary profit was ¥107.9 billion. Operating income and ordinary profit thus rose for the second consecutive year.

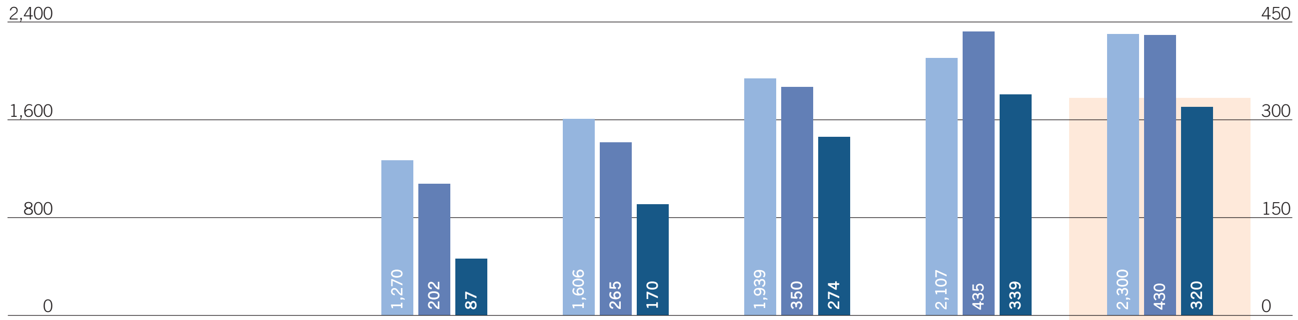
We began the March 2012 fiscal year with a provisional target of achieving ordinary profit in excess of ¥100.0 billion for the 6th straight year. The target was provisional because of difficult conditions which made it hard to predict the impact of the Great East Japan Earthquake on our performance. However, we actually did better than we expected. Consumer sentiment cooled and materials were in short supply after the earthquake, but that turmoil was brought to a close relatively quickly, while continued low interest rates underpinned a robust performance in our condominiums and brokerage operations. Leasing operations also made a contribution, recording the first increase in three years, mainly due to newly opened buildings.

Revenue from operations fell due to a year-on-year decrease in unit sales of condominiums. However, operating income and ordinary profit exceeded our initial provisional forecasts and we recorded higher earnings for the second straight year. Our business performance was better than we anticipated.

In line with our emphasis on the continued payment of stable dividends, we maintained the annual dividend at ¥20 per share, including an interim dividend of ¥10 per share. In the March 2013 fiscal year, we intend to maintain an annual dividend of ¥20 per share, including an interim dividend of ¥10 per share.

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



(Billions of Yen)	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

(Years ended March 31)	Results 2011	Results 2012	Achievement ratio	Remaining balance 2013
Revenue from operations	745	689	62%	867
Operating income (right scale)	138	147	66%	144
Ordinary profit (right scale)	106	108	67%	106

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

Outlook

In the March 2013 fiscal year, the final year of the Fifth Management Plan, we are aiming for higher revenue and earnings in all of our four main businesses. We are forecasting revenue from operations of ¥720.0 billion, operating income of ¥150.0 billion and ordinary profit of ¥109.0 billion. We are therefore projecting top-line growth and a third year of higher operating income and ordinary profit.

There are increasing expectations for an economic recovery in Japan, due to improving corporate earnings and reconstruction demand stemming from the Great East Japan Earthquake. However, instability still clouds the economic picture due to factors such as the debt crisis in Europe, the persistently strong yen and likely power supply shortages in Japan. While responding to unfolding developments, we are determined to bring our Fifth Management Plan to a successful conclusion by achieving our goals. We will also work extra hard so that we can create a growth scenario for our Sixth Management Plan.

We ask for the continued support of our shareholders in the years ahead.

June 2012

Junji Takashima
Chairman

Kenichi Onodera
President

At a Glance

Balanced Portfolio

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

Characteristics of Our Four Operational Fields

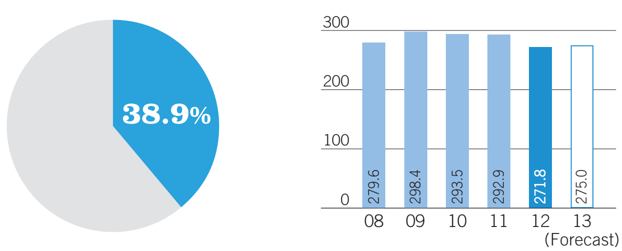
Leasing and sales are our traditional main fields of business. These are capital-intensive fields; returns and risk are both high and substantial upfront investment is required, but the level of human resources is relatively low. In leasing, the period from the initial investment to the generation of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

LEASING

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

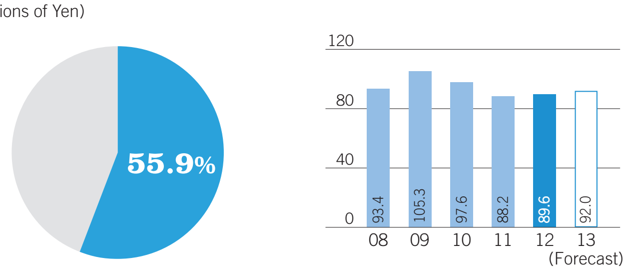
Revenue from Operations

(Billions of Yen)



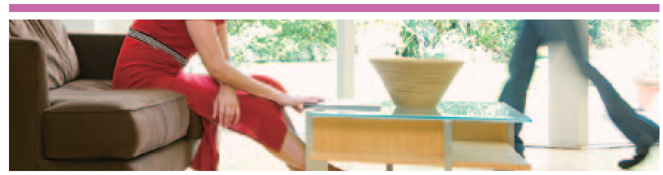
Operating Income

(Billions of Yen)



Major Consolidated Subsidiaries

Sumitomo Fudosan Tatemono Service Co., Ltd.
Sumitomo Fudosan Villa Fontaine Co., Ltd.
Sumitomo Fudosan Bellesalle Co., Ltd.

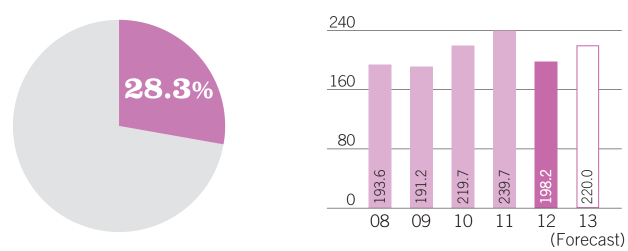


SALES

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

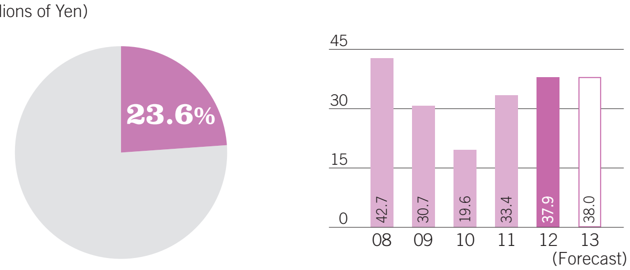
Revenue from Operations

(Billions of Yen)



Operating Income

(Billions of Yen)



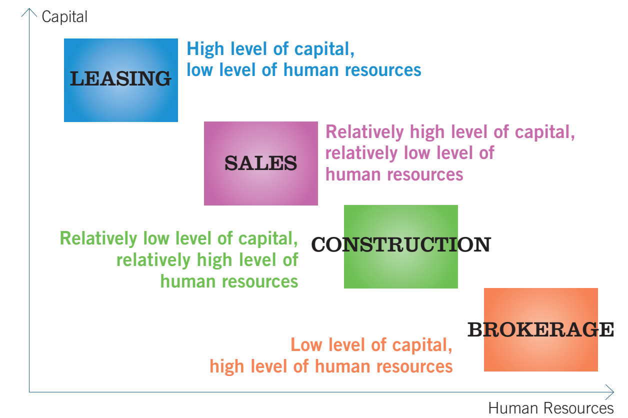
Major Consolidated Subsidiaries

Sumitomo Real Estate Sales Co., Ltd.

Taking Steps to Maintain Well-balanced Operation

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

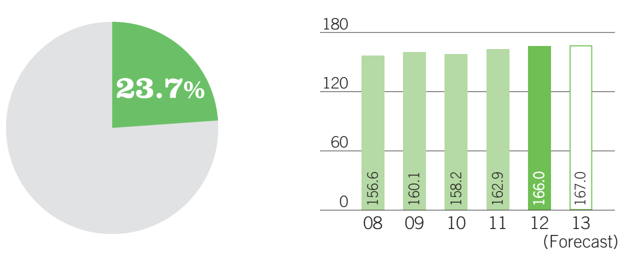
Sumitomo Realty's Balanced Portfolio



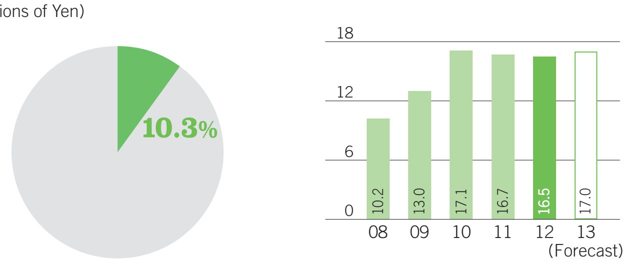
CONSTRUCTION

Custom home construction and remodeling and related activities

Revenue from Operations
(Billions of Yen)



Operating Income
(Billions of Yen)

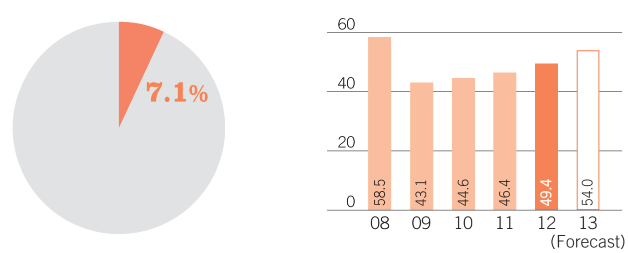


Major Consolidated Subsidiaries
Sumitomo Fudosan Syscon Co., Ltd.
Sumitomo Fudosan Reform Co., Ltd.

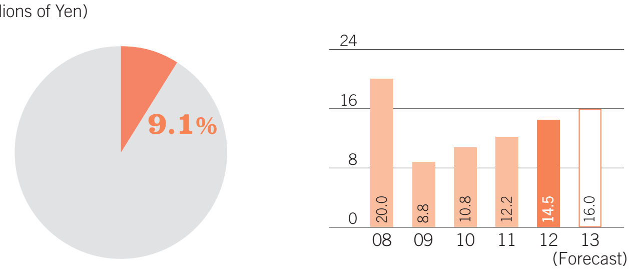
BROKERAGE

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)



Major Consolidated Subsidiaries
Sumitomo Real Estate Sales Co., Ltd.

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 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.

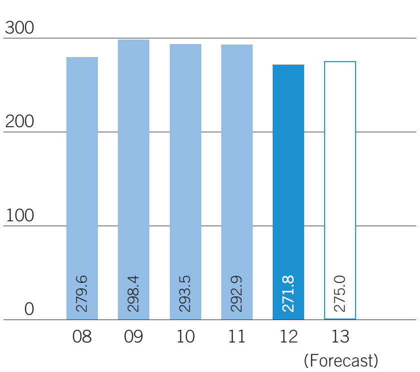
We currently operate about 200 buildings for lease. The advanced interior features of our buildings are complemented with distinctive exterior designs, including hotel-like entranceways and all-glass exteriors. Sumitomo Realty creates innovative buildings with strong market presences.

Overview of the Fiscal Year

In the Tokyo office building market, which accounts for more than 90% of our portfolio, demand was lackluster from companies looking for additional office space to expand operations amid continued economic uncertainty created by events and factors such as the European sovereign debt crisis, the strong yen, and the Great East Japan Earthquake. On the other hand, we received more inquiries, particularly for large buildings. The increase was driven by emerging demand for buildings with outstanding BCP (Business Continuity Plan) features, especially in terms of high earthquake resistance and own power generation, which added to demand from tenants looking to integrate or amalgamate operations into one location.

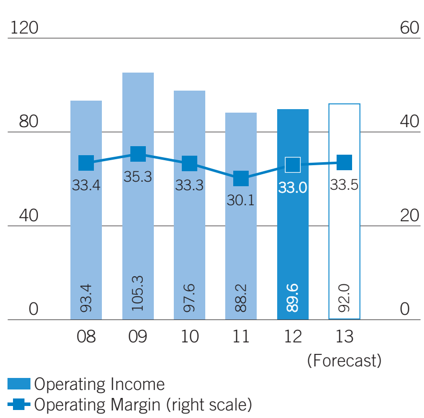
Revenue from Operations

(Billions of Yen)



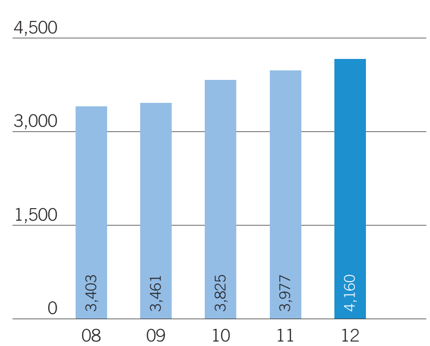
Operating Income and Operating Margin

(Billions of Yen) (%)



Gross Floor Area

(1,000 m²)




Sumitomo Fudosan Shibuya Infoss Annex


Sumitomo Fudosan Chiyoda Fujimi Building


Sumitomo Fudosan Shinjuku Grand Tower

In this market environment, revenue from operations was ¥271.8 billion, down 7.2% year on year. However, operating income rose for the first time in three years, increasing 1.6% to ¥89.6 billion. This was partly due to a steady improvement in the vacancy rate for existing buildings, while buildings that opened in the previous fiscal year, including Sumitomo Fudosan Iidabashi First Tower and Sumitomo Fudosan Shibuya First Tower, also made a full-year contribution to our results.

Revenue from operations decreased year on year for the fiscal year under review. However, if the impact of consolidation of Special Purpose Entities (SPEs) at the beginning of the fiscal year is excluded, revenue from operations and operating income actually increased ¥2.5 billion and ¥1.9 billion year on year, respectively.

We are now making steady progress soliciting tenants for buildings that were opened in the year under review, such as Sumitomo Fudosan Chiyoda Fujimi Building, and Sumitomo Fudosan Shinjuku Grand Tower, as well as buildings scheduled for completion in the year ending March 31, 2013—Sumitomo Fudosan Tamachi First Building and Sumitomo Fudosan Shibuya Garden Tower.

Outlook

In the March 2013 fiscal year, we are projecting higher revenues and earnings due to the full-year contribution of buildings opened in the year ended March 31, 2012 including Sumitomo Fudosan Shinjuku Grand Tower and Sumitomo Fudosan Chiyoda Fujimi Building, as well as the contribution from buildings to be opened during the year ending March 31, 2013, including Sumitomo Fudosan Shibuya Garden Tower.

Accordingly, we expect revenue from operations to increase 1.2% to ¥275.0 billion, and operating income to rise 2.6% to ¥92.0 billion.

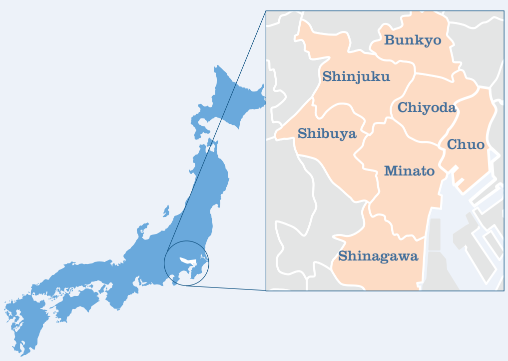
Principal Office Buildings Opened in the March 2012 Fiscal Year

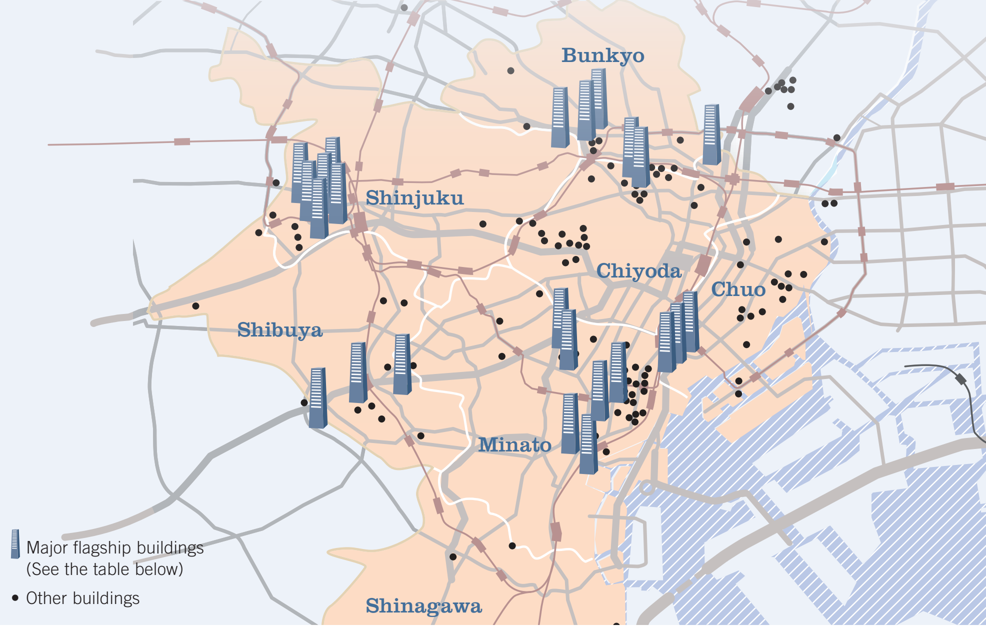
Name	Location (Tokyo CBD)	Completion	Gross floor area (m^2)
Sumitomo Fudosan Shibuya Infoss Annex	Shibuya Ward	Apr. '11	5,896
Sumitomo Fudosan Chiyoda Fujimi Building	Chiyoda Ward	Apr. '11	22,544
Sumitomo Fudosan Shinjuku Grand Tower	Shinjuku Ward	Dec. '11	168,058
TOTAL			**196,498**

LEASING: Sumitomo Realty's Portfolio

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.

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





Major Flagship Buildings

	Name	Location (Tokyo CBD)	No. of floors (Above ground/ Below ground)	Completion	Gross floor area (m²)
1	Izumi Garden Tower	Minato Ward	43/4	Oct. 02	204,269
2	Shinjuku Sumitomo Building	Shinjuku Ward	52/4	Mar. 74	177,467
3	Sumitomo Fudosan Shinjuku Grand Tower	Shinjuku Ward	40/3	Dec. 11	168,058
4	Shinjuku Central Park City	Shinjuku Ward	44/2	Feb. 10	130,197
5	Shinjuku Oak City	Shinjuku Ward	38/2	Jan. 03	117,446
6	Shiodome Sumitomo Building	Minato Ward	25/3	July 04	99,913
7	Sumitomo Fudosan Mita Twin Building West	Minato Ward	43/2	Sept. 06	98,338
8	Tokyo Shiodome Building	Minato Ward	37/4	Jan. 05	95,128
9	Shinjuku NS Building	Shinjuku Ward	30/3	Sept. 82	75,046
10	Sumitomo Fudosan Iidabashi First Tower	Bunkyo Ward	34/3	Apr. 10	68,382
11	Shibakoen First Building	Minato Ward	35/2	June 00	63,822
12	Chiyoda First Building West	Chiyoda Ward	32/2	Jan. 04	61,209
13	Sumitomo Fudosan Aobadai Tower	Meguro Ward	33/3	Aug. 09	55,773
14	Sumitomo Fudosan Iidabashi Building No. 3	Shinjuku Ward	24/2	Oct. 02	53,047
15	Sumitomo Fudosan Shibuya First Tower	Shibuya Ward	25/3	Aug. 10	52,942
16	Sumitomo Fudosan Iidabashi First Building	Bunkyo Ward	14/2	Mar. 00	52,747
17	Sumitomo Fudosan Shiodome Hamarikyu Building	Chuo Ward	21/2	Aug. 09	47,951
18	Chiyoda First Building East	Chiyoda Ward	17/2	Oct. 98	37,473
19	Sumitomo Fudosan Nishi Shinjuku Building	Shinjuku Ward	33/2	Apr. 09	37,317
20	Sumitomo Fudosan Shibakoen Tower	Minato Ward	30/2	Oct. 01	35,549
21	Sumitomo Fudosan Mita Twin Building East	Minato Ward	17/1	Aug. 06	35,047
22	Shibuya Infoss Tower	Shibuya Ward	21/4	Mar. 98	34,460
23	Sumitomo Fudosan Akihabara Building	Chiyoda Ward	19/3	June 09	31,991
24	Roppongi First Building	Minato Ward	20/4	Oct. 93	31,516

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

Leasing Portfolio | Total Gross Floor Area: 4.16 million m² (as of March 31, 2012)

1. CLOSE

Locations in the Tokyo CBD

Tokyo CBD*1	23 Wards
86%	94%

To be a prime property, a building must be in the central business district and near a major station. In the Tokyo CBD, 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.

*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

2. NEW

Brand-new and Recently Constructed Buildings

Less than 10 years old	New quake-resistance*2
47%	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 10,000 m² (gross floor area)
84%

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.

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*	2.5 m	2.7 m	2.9–3.3 m
Floor load	300 kg/m²	300–500 kg/m²	500–1,000 kg/m²
Air conditioning	Central air conditioning system	Climate control zones	Separate climate control systems
Power capacity	45 VA/m²	60–70 VA/m²	85 VA/m² and over

* Includes raised floors

Strengths of Sumitomo Realty's Portfolio

Our portfolio includes many competitive prime properties located in central Tokyo. As of the end of March 2012, our leasing portfolio had a gross floor area of 4.16 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 the Tokyo CBD. Furthermore, 84% 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, which 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. Since 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 years 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 140,000 tsubo. In this way, we will take steps to further expand our earnings foundation and strive to achieve sustained growth in the years ahead.

Sumitomo Fudosan Shibuya Garden Tower

Projects in the March 2013 Fiscal Year

Sumitomo Fudosan Tamachi First Building	
Gross floor area (Tsubo)	6,600
No. of floors	11 above ground/ 1 below ground
Completion	Apr. 2012

Sumitomo Fudosan Shibuya Garden Tower	
Gross floor area (Tsubo)	18,000
No. of floors	24 above ground/ 3 below ground
Completion	June 2012

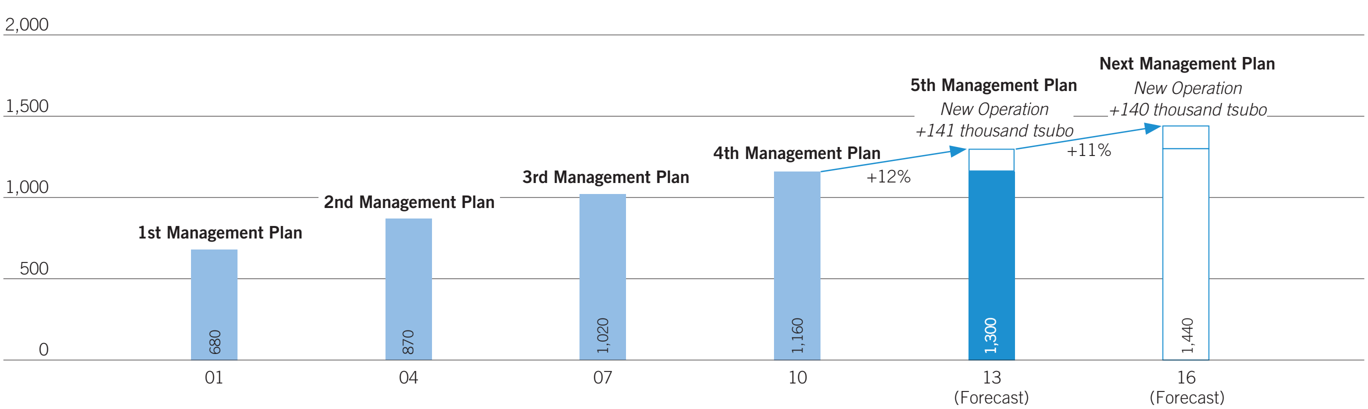
Principal Projects during the 5th Management Plan (2011–2013)

Name	Location (Tokyo CBD)	Completion	Gross floor area (Tsubo*)
Total gross floor area of projects completed in the March 2011 fiscal year			57,000
Total gross floor area of projects completed in the March 2012 fiscal year			59,400
Sumitomo Fudosan Tamachi First Building	Minato Ward	Apr. 2012	6,600
Sumitomo Fudosan Shibuya Garden Tower	Shibuya Ward	June 2012	18,000
The 5th Management Plan TOTAL		**Apr. 2010–Mar. 2013**	**141,000**

* 1 tsubo = 3.3 m²

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

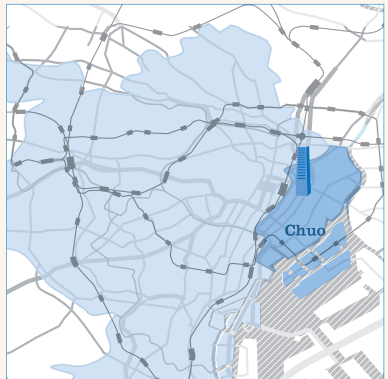
(Thousand tsubo)



Principal Projects during the Next Management Plan

—Two large-scale redevelopment projects set to get underway—

Nihonbashi 2-Chome Project

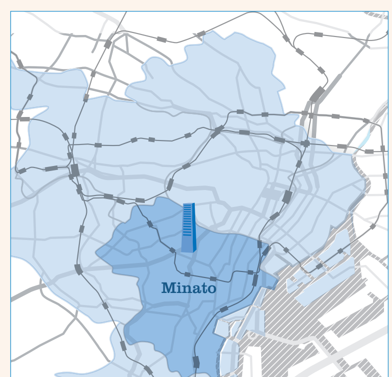


Location	Chuo Ward
Gross floor area	40,000 tsubo
Expected completion	March 2015 FY
Floors	35 above ground 4 below ground

Project Features

1. Subway: Direct connection to Nihonbashi (planned)
2. Enhanced station functions: Building a square in front of the station, improving pedestrian convenience
3. Improved disaster prevention: Providing evacuation spaces, improving area earthquake resistance, preventing fires spreading
4. Reinvigorating the Nihonbashi area: Tourist and information facilities
5. Environmental consideration: CO_2 reduction, greenification

Roppongi 3-Chome Project

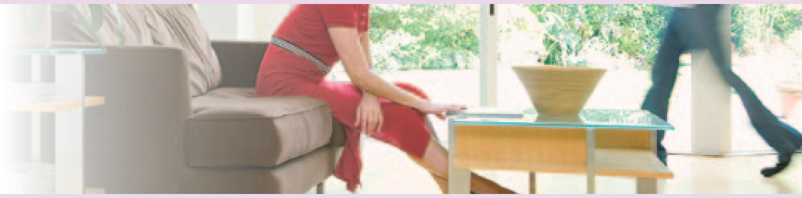


Location	Minato Ward
Gross floor area	60,000 tsubo
Expected completion	March 2016 FY
Floors	40 above ground 5 below ground

Project Features

1. Redevelopment of an approximate 2.7 hectare site adjacent to Roppongi-itchome station
2. A big project with approximately 60,000 tsubo of gross floor area and three types of facilities: office, residential and commercial
3. Facilities in front of the station, a green square, greater pedestrian convenience and barrier-free access
4. Disaster prevention: underground square to serve as a temporary evacuation space in a disaster

SALES



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

Sumitomo Realty's Strengths

Sumitomo Realty's condominium operations are centered 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.

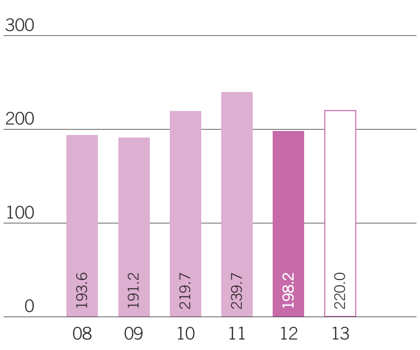
Over the past decade, we have been one of the leading suppliers of condominium units nationwide. This strong position is the result of our central urban strategy, which we implemented ahead of competitors, and our aggressive approach to large-scale and high-rise condominiums. Our landmark exterior designs, 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.

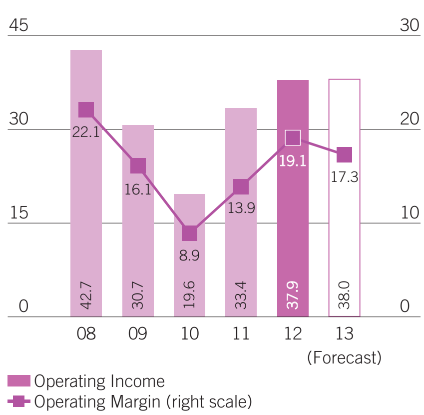
Overview of the Fiscal Year

In the condominium market, which accounts for more than 90% of our portfolio in this segment, sales were a little sluggish at the beginning of the year, reflecting the impact of voluntary restraint in our sales activities in the aftermath of the Great East Japan Earthquake. However, the sales environment returned to near pre-disaster levels, supported by firm underlying demand. This demand was underpinned by low mortgage interest rates and government measures, such as tax reductions.

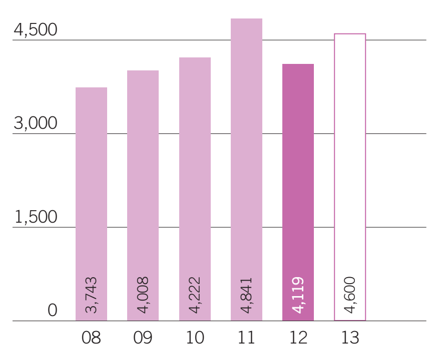
Revenue from Operations
(Billions of Yen)



Operating Income and Operating Margin
(Billions of Yen) (%)



Units Delivered
(Units)



City House Fuchu Keyaki-dori

City Terrace Narimasu

In this environment, the number of condominium units, detached houses and land lots delivered, including City Terrace Narimasu, City Terrace Otakanomori Station-Court, and City House Fuchu Keyaki-dori, was 4,119, down 722 year on year.

The number of condominium units sold decreased year on year to 4,034. However, this drop mainly reflected voluntary restraint in our sales activities following the Great East Japan Earthquake, and the absence of new sales of large properties that were recorded in the previous fiscal year. The number of visitors to our showrooms remained steady, however, supporting a rise in condominium unit sales.

Revenue from operations declined by 17.3% to ¥198.2 billion because of the drop in units delivered. However, operating income rose by 13.4% to ¥37.9 billion on improved margins.

Outlook

In the March 2013 fiscal year, we are aiming for higher revenue from operations and earnings on projected units delivered of 4,600 condominium units and detached houses and land lots, an increase of 481 units delivered year on year.

Of the 4,500 condominium units and detached houses that we expect to deliver in the March 2013 fiscal year, approximately 30% had already been sold at April 1, 2012, the same as in the previous year.

Therefore, we are forecasting revenue from operations of ¥220.0 billion, up 11.0% year on year, and operating income of ¥38.0 billion, up 0.3%.

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 Tokyo Morishita	Koto Ward, Tokyo	116	2012
City House Fuchu Keyaki-dori	Fuchu, Tokyo	140	2012
City Terrace Otakanomori Station-Court	Nagareyama	328	2012
City Terrace Yokohama Tsuzuki no Oka	Yokohama	190	2012
City House Tamagawa Terrace	Kawasaki	115*[2]	2012
City House Kairoen Marina Court	Hiroshima	154	2012
City Terrace Itabashi Hasune	Itabashi Ward, Tokyo	350	2013
City Terrace Shimomeguro	Meguro Ward, Tokyo	175	2013
City Terrace Nishiogikubo	Suginami Ward, Tokyo	143	2013
City Terrace Oi-sendaizaka Hill Top Garden	Shinagawa Ward, Tokyo	130	2013
City Tower Saitama Shintoshin	Saitama	405	2013
City Terrace Yokohama Nakamachidai Ichibankan	Yokohama	245	2013
City Tower Nagoya Hisaya-odori Koen	Nagoya	226	2013
City Tower Tennoji Sanadayama	Osaka	216	2013

*[1] Fiscal years ending March 31
*[2] The number of units includes the units of business partners.

City Terrace Yokohama Nakamachidai Ichibankan

City Terrace Shimomeguro

Policy Regarding Main Disaster-Prevention Measures in Condominiums

Since the Great East Japan Earthquake in March 2011, there has been greater interest than ever among customers in the safety and security of their homes. In response, we are steadily implementing disaster-prevention measures in our condominiums in terms of facilities and specifications. And our policy is to actively employ quake-resistant technologies, especially for the high-rise buildings we begin construction on going forward.

Examples * Deployment differs by property

Preparing for a Disaster

- Distribution of a disaster-prevention manual
- Provision of disaster-prevention rucksacks: These rucksacks contain drinking water, food, dust masks and other items necessary in an emergency.

Measures during a Disaster

- Earthquake early warning service: This equipment alerts occupants to an impending earthquake based on data from the Japan Meteorological Agency.
- Foundation strengthening to prevent furniture from toppling over
- Provision of home security lighting: This equipment can be used as automatic lighting or as a flashlight when removed from its casing during a power outage.

Measures after a Disaster

- Installation of emergency generators: These generators can supply power for a certain period of time to disaster-prevention facilities in common areas even during a blackout.
- Provision of emergency manhole toilets: These toilets connect directly with the sewage system enabling use in a disaster.
- Installation of emergency wells: These wells ensure building occupants have water for general daily use even when basic services such as water and electricity are cut off.

	City Tower Nagoya Hisaya-odori Koen	City Tower Kobe Sannomiya
		
No. of units for sale	226	594
No. of floors	31 above ground/ 1 below ground	54 above ground/ 1 below ground
Scheduled delivery	2013	2014
Features	Earthquake-resistant structure Emergency generator	

TOPICS New Initiatives in the Condominium Business

Grand Mansion Gallery Opened October 2011

We have established Grand Mansion Gallery showrooms for condominium sales in five locations in central Tokyo: Shinjuku, Shibuya, Ikebukuro, Akihabara and Tamachi. We did this to enable people to inspect and compare condominiums in one location instead of trekking around various showrooms spread across the Tokyo metropolitan area. (The name "Grand Mansion Gallery" uses the word "mansion" because it is the Romanized Japanese word for condominium.)

Each Grand Mansion Gallery is divided into three sections—counsel, choice and experience—to match customers' reasons for visiting. Visitors can receive advice on properties; compare the features of properties in brochures and on touch screens, and check interior colors and materials; and get a close-up view of disaster-prevention systems and the latest equipment and facilities.

These groundbreaking comprehensive showrooms target greater customer convenience and satisfaction.

Point 1 Counsel

Concierge Desk and Meeting Space
- Property consultations
- Loan and taxation explanations
- New/existing and ownership/rental condominium comparisons

Point 2 Choice

Touch Panel Devices and Concept Theatre
- List by area of all of our condominiums for sale in the Tokyo metropolitan area
- Touch panel device-based property search
- Brochures

Point 3 Experience

Concept Room and Exhibition Corner
- Display of interior colors and materials for checking
- Hands-on display of the latest facilities, including "mist sauna" bathrooms and intercom and security systems
- Exhibition space showing disaster-response measures

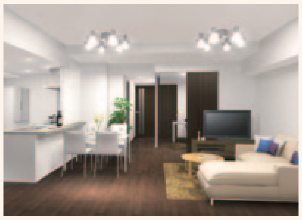
Custom-order Service Announced January 2012

Generally in Japan condominiums are provided to customers with limited floor plans and customers cannot choose or change their floor plans to fit their lifestyles.

Sumitomo Realty has launched a Custom-order Condominium service, enabling customers to partially personalize interior designs suited to various lifestyles in new condominiums.

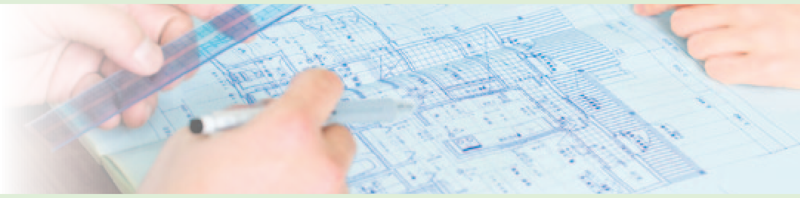
In addition to being able to select the interior color, customers can reposition plumbing for the kitchen, bathroom and other parts of a condominium free of charge, even after completion.

Our aim is to raise customer satisfaction by providing a detailed response to their needs.



	Past	Present
Interior design, including floor plan, options available for one condominium unit	2 or 3 types	Up to 13 types (3 color options are available for room interiors)
Selection period for interior design, including floor plan	Short time after construction begins (before completion)	Selection possible after building completion
Fee for selection after building completion	Option not available	Available free of charge

CONSTRUCTION



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

Sumitomo Realty's Strengths

CUSTOM HOMES

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

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

In June 2012, we commenced sales of a new product called "J·RESIDENCE."

J·URBAN

Key Features

- Advanced performance: We have developed proprietary earthquake-resistant technologies, namely the "New Power Column", "New Power Cube" and "Super Power Wall" construction methods, and are actively incorporating these technologies in all our products.
- Top-class equipment and specifications: Leveraging our strengths in the form of our track record in condominiums and economies of scale as a comprehensive developer, we employ high-grade condominium interior materials as a standard specification.
- Complete after-sales support: Our homes are backed by a 30-year guarantee and we have a dedicated contact line for customers.

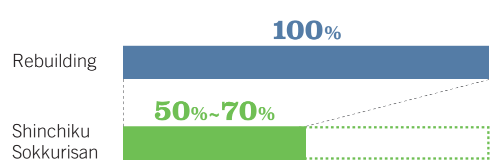
New Power Cube:
Building deformation is alleviated during an earthquake by attaching earthquake-resistant systems to the upper part of L-shaped walls. The interior, which is usually used for storage, can be customized for refuge in an emergency. Standard specification for J·RESIDENCE.

REMODELING Shinchiku Sokkurisan

AFTER

BEFORE

Cost Comparison

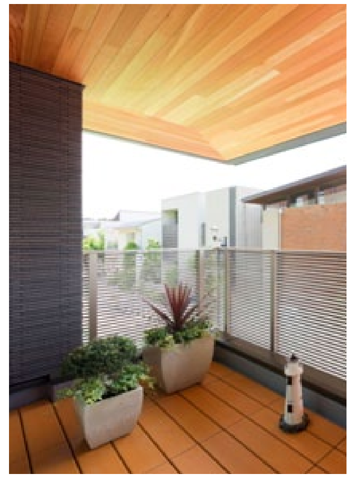


In 1996, Sumitomo Realty launched the Shinchiku Sokkurisan Full Remodeling Package. This product addresses the concern that remodeling can sometimes be more expensive than rebuilding in Japan due to the risk of cost overruns. With Shinchiku Sokkurisan, a house can be fully remodeled at 50% to 70% of the cost and in half the time required to rebuild it. And because Shinchiku Sokkurisan uses fewer 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 70,000 units, and we anticipate continued growth in Shinchiku Sokkurisan sales in the years ahead.

Key Features

- 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.

NEW MODEL



J·RESIDENCE

Features

- Accommodates people of all ages and can blend in with any location
- A residential style that incorporates the equipment and specifications found in high-grade condominiums
- The proprietary earthquake-resistant, New Power Cube, is incorporated as a standard specification

Overview of the Fiscal Year

In Shinchiku Sokkurisan remodeling operations during the year under review, we saw year-on-year declines in both units contracted and units delivered. These declines resulted from voluntary restraint in our sales activities and the temporary suspension of construction after the Great East Japan Earthquake. Despite these declines, revenue from operations rose year on year to a record level, with sales per unit rising in the share of earthquake strengthening work performed.

In custom home operations, units contracted, units delivered and revenue from operations were all up from the year ended March 31, 2011 despite a persistently low level of new owner-occupied housing starts in Japan.

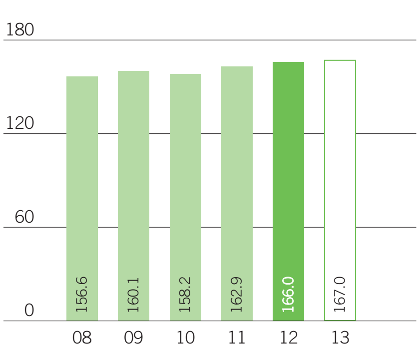
In this segment, which includes Sumitomo Fudosan Reform Co., Ltd., revenue from operations rose 1.9% to ¥166.0 billion. Operating income, however, was down by 1.3% to ¥16.5 billion, as we were unable to fully absorb sales cost increases from the Great East Japan Earthquake.

Outlook

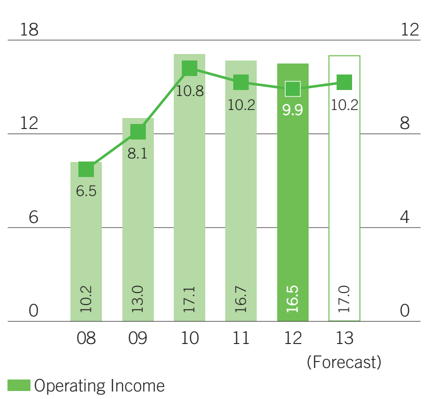
In both the Shinchiku Sokkurisan remodeling operations and custom home operations, we will work to enhance our product lineup and continue strengthening sales and marketing systems. We aim to expand orders and return to an upward earnings trajectory.

For the March 2013 fiscal year we are projecting revenue from operations of ¥167.0 billion, up 0.6%, and operating income of ¥17.0 billion, up 3.2%.

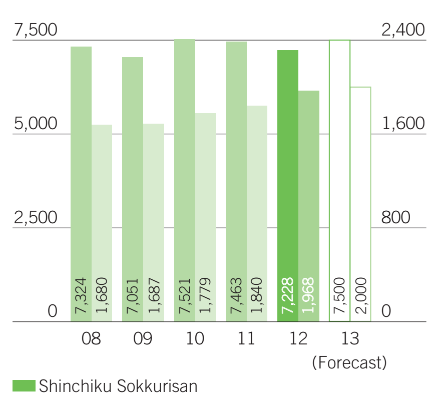
Revenue from Operations
(Billions of Yen)



Operating Income and Operating Margin
(Billions of Yen)



Shinchiku Sokkurisan and Custom Home Units Contracted
(Units)



BROKERAGE

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

Sumitomo Realty's Strengths

Under the STEP brand name, Sumitomo Real Estate Sales operates a network of brokerage offices with close ties to local communities. The network has been steadily expanded and upgraded, and the number of offices reached 246 by the end of March 2012. 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 in Japan, transactions temporarily stalled in the Tokyo metropolitan area immediately after the Great East Japan Earthquake. However, transactions slowly increased through the latter half of the fiscal year, supported by low mortgage interest rates for home purchases. The number of contracts has begun to recover as a result.

Under these conditions, brokerage operations, which are handled by Sumitomo Real Estate Sales Co., Ltd., saw transactions edge up 0.5% year on year to 31,443, a record for the third consecutive year, and the resumption of new office openings. Moreover, the average transaction price rose and transaction value increased 7.0% year on year, with contracts for large properties contributing to corporate transactions.

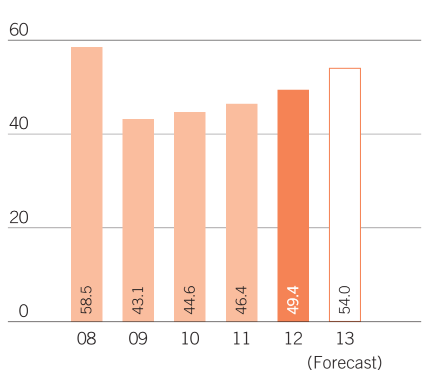
Accordingly, revenue from operations and operating income rose for the third consecutive year in this segment. Revenue from operations rose 6.4% to ¥49.4 billion, and operating income rose 19.2% to ¥14.5 billion.

Outlook

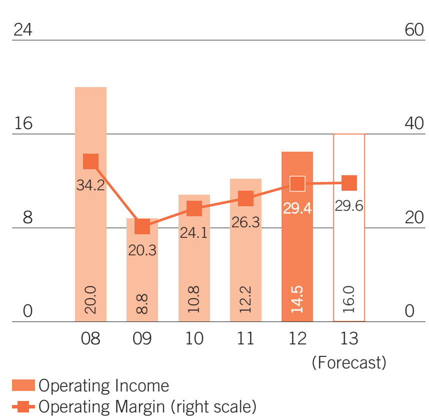
In brokerage operations, we will continue to open new offices and upgrade existing offices. While also striving to improve sales efficiency, we aim to set a new brokerage transaction record and deliver a fourth consecutive year of higher revenue and earnings.

Accordingly, for the March 2013 fiscal year we are forecasting revenue from operations of ¥54.0 billion, up 9.3%, and operating income of ¥16.0 billion, up 10.0%.

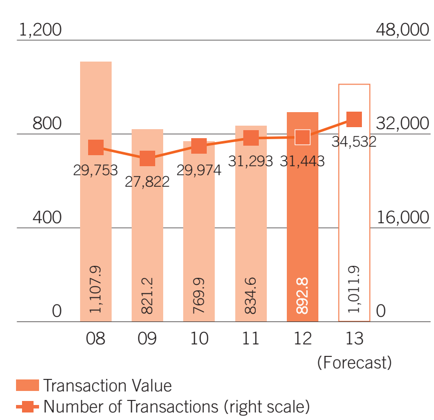
Revenue from Operations
(Billions of Yen)



Operating Income and Operating Margin
(Billions of Yen) (%)



Number of Transactions and Transaction Value
(Billions of Yen)



Basic Stance

1. Sumitomo's Business Philosophy

The Sumitomo Group's business philosophy is encapsulated by the following precepts—"Place prime importance on integrity and sound management in the conduct of its business" and "Under no circumstances, shall it pursue easy gains or act imprudently."

These have been inherited as teachings since the time of the Sumitomo Group's founder. They are still regarded as the touchstone for the Sumitomo Realty Group's business activities.

2. The Sumitomo Realty Group's Fundamental Mission

Guided by Sumitomo's business philosophy, we have set forth our fundamental mission as being "to create even better social assets for the next generation" through our business. Based on this fundamental stance, we engage in business with the aim of creating cities and urban spaces that are resilient to disasters and friendly to people and the environment.

Our Aims in Creating Cities

We aim to create cities from the following three main perspectives.

1 Disaster Resistant

Protecting office workers and businesses

Sumitomo Realty's latest office buildings actively employ earthquake-resistant features to protect office workers. Furthermore, we install emergency generators in buildings to supply power for a certain period of time during a blackout, enabling tenants to continue operations.

Contributing to regional disaster prevention

Sumitomo Realty has contributed to regional development through various redevelopment projects in cities. By redeveloping areas with densely packed wooden houses, we recreate cities so they are more resistant to disasters. The open spaces that are a feature of our redevelopment projects also serve as places for temporary refuge in a disaster.

2 People Friendly

Enhancing regional convenience and promoting barrier-free access

Our redevelopment business makes people-friendly cities. A case in point is the Roppongi 3-Chome Project (East District), where an underground walkway is being built so that pedestrians of all abilities can move more easily from city areas to train stations.

AEDs

In order to be better prepared for a medical emergency at an office building, hotel or other key facility we run and manage, we have installed automated external defibrillators (AEDs). What's more, all personnel undertake first-aid training.

3 Environment Friendly

Improving the environmental performance of buildings

When we build condominiums, we give consideration to the environment, including by planting trees, adding greenery to rooftops, and creating open green areas. Furthermore, the soil excavated during construction is processed into soil blocks.

We have developed technology for reusing soil from condominium construction sites to create blocks with few CO_2 emissions. The blocks are environmentally friendly because they are made of natural materials, which will eventually return to the ground at the end of their life. The blocks are used in planted zones in condominium sites.

Promoting energy conservation

In buildings we operate, we work to reduce CO_2 emissions, such as by actively introducing highly energy-efficient HF fluorescent lamps and LED lighting.

CSR through Business

Urban Redevelopment That Improves Cities—Sumitomo Fudosan Shinjuku Grand Tower

In December 2011, we completed redeveloping an approximate 2 hectare area in the western part of Shinjuku Ward, Tokyo, under the basic concept of creating a multi-purpose urban area combining offices, residences, an event hall and shops with a gross floor area of 168,058 m^2.

1. Redevelopment of an Area of Densely Packed Old Wooden Houses

Prior to redevelopment, the area was disaster-prone, with old wooden houses densely packed around narrow streets. The redevelopment has turned it into a safe and pleasant area with the infrastructure expected of a modern city, such as fire-resistant buildings, public spaces and roads.

Furthermore, by equipping the area with community roads primarily for non-automobile use and walkways, we have enhanced convenience and safety for pedestrians.

2. Disaster Resistance

We have created open spaces that can serve as refuge areas for locals in a disaster, and provided spaces for temporary toilets as well as emergency water wells. Furthermore, we will open the large, multi-purpose Belle Salle hall to provide shelter for people who cannot return home in an emergency.

3. Creating Green and Open Spaces

The redevelopment features an approximate 4,000 m^2 open area along the road. Our aim was to create an urban space with a pleasant environment that is easy to work in. We also endeavored to ease the “heat island” effect and improve the environment by adding greenery to the roofs of buildings.

4. Introduction of Solar Power Generation and Energy-Saving Facilities

To supply electricity to some common areas, we installed solar panels on the roof for generating power. And we are working to reduce energy use as well by employing a highly efficient electrical air-conditioning system and LED lighting, as well as motion-sensing lights.

Shinchiku Sokkurisan Remodeling Operations

Our Shinchiku Sokkurisan remodeling operations facilitate remodeling of existing buildings. We reduce remodeling costs, improve earthquake-resistance and make other improvements in response to customer demands.

1. Earthquake Reinforcement, Extended Life and Energy Conservation for Housing

Shinchiku Sokkurisan is contributing to efforts to promote earthquake-proofing of existing homes through low-cost remodeling. It is also extends the life of existing housing through earthquake reinforcement work requiring no dismantlement, while leaving the main structural elements intact. The process also does not waste resources and generates little industrial waste; for instance, old tatami mats are reused as material for cement.

2. Harmony with Building’s History

Shinchiku Sokkurisan can also breathe new life into old houses. We add value suited to modern living, while taking care to preserve the history and character of a house that may have been home to many generations of a family. Sumitomo Realty is giving its all to reinvigorate old houses more than 100 years old, helping to ensure that tradition stays alive.

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

The Board of Directors is made up of nine directors. The Board makes decisions on important Company matters, and oversees the directors' execution of duties. Furthermore, internal information, awareness of issues and other matters are shared through the Board of Directors, internal meetings and other forums, promoting quick and rational decision-making.

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 other important meetings, and track internal issues that are important for robust auditing.

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 outside statutory auditors fulfill their roles by expressing objective opinions on governance from an independent standpoint from the Company without being influenced by executives responsible for operational execution. They also work together to improve auditing by, for example, exchanging opinions as needed with other statutory auditors, the Internal Audit Division and the independent auditors. At the same time, they provide timely advice and guidance to internal departments associated with internal control.

Sumitomo Realty does not have standards or a policy regarding independence from the Company for selecting outside statutory auditors. However, the Company does refer to the Tokyo Stock Exchange's evaluation standards regarding the independence of directors and corporate auditors when appointing such individuals.

The Internal Audit Division, which has nine 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, and proposes operational improvements. Moreover, the division reports the results of its audits to the statutory auditors and the independent auditors and exchanges opinions with them in an appropriate manner. These activities help to improve the quality and efficiency of the audit work of the Internal Audit Division, the statutory auditors and the independent auditors. At the same time, 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.

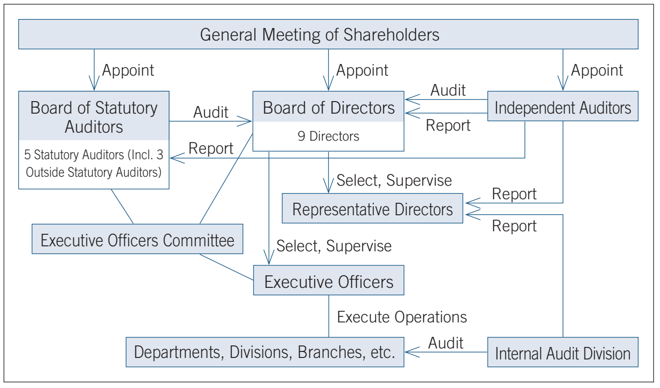
Independent Auditors

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.

Reason for Adopting the Current Structure

The current Board of Directors is comprised of directors who are familiar with the nature of the Company's business. The Company therefore believes that the current Board of Directors is most suitable for promoting management. While Sumitomo Realty has not appointed any outside directors, the Company ensures corporate governance is maintained by enhancing management oversight through the Board of Statutory Auditors and through proper information disclosure. The Company has judged that corporate governance is functioning effectively with a system of five statutory auditors at present, three of whom are outside statutory auditors.



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 Risk Management 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 ¥1,048 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 Group endeavors to increase corporate value through integrated Group management. This entails striving for well-balanced growth whereby mainstay businesses of a different nature—leasing, sales, construction and brokerage—complement each other.

Of our business segments, the real property leasing business and the real property sales business are "development businesses based on market anticipation" requiring anticipatory investments. In other words, we need to acquire land and construct a building within a planned period before we are allowed to record revenue. The Company's main business is to always make appropriate anticipatory investments for the future. The characteristic of the two businesses mentioned above is that investments lead to revenues and enhancement of our corporate value after an interval.

However, considering the existence of various market participants in stock markets who are capable of making huge amount of investment, we are cautious about a risk of potential abnormal investment in stock of the Company amid an enormous variety of decisions and speculations. Hence as a company aiming to improve shareholder value steadily over the medium and long term, we have determined that it promotes the common interests of shareholders to take certain measures to avoid disturbance by abnormal speculations to our business approach, which has brought significant achievements. The Company therefore 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 and Board of Directors' Judgment

The Company believes that if a large-scale purchase of the Company shares is initiated, the shareholders, in principle, should decide to accept or reject the large-scale purchase. To enable the shareholders to correctly understand the large-scale purchase's effect on the corporate value and the common interests of shareholders, however, it is necessary that both the party making the large-scale purchase and the Board of Directors of the Company provide to the shareholders necessary and sufficient information, opinions, alternative proposals, etc. and that the shareholders are given sufficient time to consider the provided information, opinions, alternative proposals, etc.

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.

Based on the above basic conceptions, we set out rules on large-scale purchase and request the large-scale purchaser to comply with the large-scale purchase rules. The Board of Directors shall take certain measures if the large-scale purchaser does not comply with the large-scale purchase rules, or even though the large-scale purchaser complies with the large-scale purchase rules, if it is clear that the large-scale purchase will cause unrecoverable damages to the Company or if the large-scale purchase significantly damages the corporate value and common interests of shareholders.

Senior Management

As of June 28, 2012

Board of Directors and Statutory 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
Tadaharu Izumisawa

Managing Executive Officers
Takao Shiojima
Isamu Jobo
Koji Ito
Toshikazu Tanaka
Naoto Yamamoto
Akihiro Katsuki
Katsunori Takahashi
Hiroshi Kato

Eleven-year Financial Summary

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

	Millions of yen			
	2012	2011	2010	2009
For the Year				
Revenue from operations	**¥ 688,662**	¥ 744,756	¥ 719,636	¥ 695,240
Leasing	**271,812**	292,875	293,533	298,359
Sales	**198,154**	239,709	219,662	191,224
Construction	**165,995**	162,924	158,214	160,134
Brokerage	**49,397**	46,430	44,621	43,105
Cost of revenue from operations	**490,437**	551,364	534,270	496,547
SG&A expenses	**50,760**	54,929	51,387	52,327
% of revenue from operations	**7.4%**	7.4%	7.1%	7.5%
Operating income	**147,465**	138,463	133,979	146,366
% of revenue from operations	**21.4%**	18.6%	18.6%	21.1%
Depreciation and amortization	**36,049**	23,705	18,065	17,886
At Year-end				
Current assets	**¥ 801,142**	¥ 805,958	¥ 802,693	¥ 759,816
Sales inventory	**586,170**	558,091	521,871	518,885
Total assets	**3,859,698**	3,234,203	3,168,098	3,006,412
Shareholders' equity*2	**553,844**	526,227	488,896	436,667
Net interest-bearing debt	**2,407,639**	1,901,850	1,785,854	1,722,733
Per Share Amounts (Yen)				
Net income	**¥ 112.28**	¥ 107.35	¥ 111.04	¥ 97.39
Shareholders' equity	**1,168.11**	1,109.78	1,030.93	920.74
Cash dividend applicable to the year	**20.00**	20.00	20.00	20.00
Key Ratios				
Equity ratio (%)	**14.3**	16.3	15.4	14.5
ND/E ratio*3 (Times)	**4.3**	3.6	3.7	3.9

*1 U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥82.13 = U.S.$1, the prevailing exchange rate at March 31, 2012.
*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

2008	2007	2006	2005	2004	2003	2002	Thousands of U.S. dollars*1 2012
¥ 691,928	¥ 676,834	¥ 646,525	¥ 616,115	¥ 573,862	¥ 533,915	¥ 497,877	$ 8,385,024
279,568	262,620	234,280	221,234	202,776	192,979	178,034	3,309,534
193,575	211,035	224,735	224,191	213,303	183,745	170,428	2,412,687
156,606	142,564	135,158	127,388	125,086	124,464	115,329	2,021,125
58,542	56,532	49,217	43,445	39,809	37,577	36,184	601,449
488,202	490,491	487,805	470,636	435,078	403,777	377,199	5,971,472
49,118	49,167	46,697	45,188	42,807	41,626	40,308	618,045
7.1%	7.3%	7.2%	7.3%	7.5%	7.8%	8.1%	—
154,608	137,176	112,023	100,291	95,977	88,512	80,370	1,795,507
22.3%	20.3%	17.3%	16.3%	16.7%	16.6%	16.1%	—
17,150	15,677	16,330	14,019	12,211	11,973	10,731	438,926
¥ 784,195	¥ 756,488	¥ 619,219	¥ 481,341	¥ 503,911	¥ 423,446	¥ 404,999	$ 9,754,560
511,868	489,093	330,700	211,180	189,547	161,156	156,535	7,137,100
2,894,004	2,747,900	2,460,080	2,136,329	2,090,970	2,015,667	1,972,735	46,994,984
427,423	409,197	375,656	320,098	303,875	211,821	213,767	6,743,504
1,548,509	1,343,824	1,150,880	935,155	916,156	1,036,419	1,098,407	29,314,976
¥ 133.00	¥ 105.92	¥ 68.33	¥ 32.64	¥ 15.34	¥ 12.22	¥ 56.50	$ 1.37
900.57	861.93	790.74	673.40	639.01	520.84	525.17	14.22
18.00	14.00	10.00	9.00	9.00	6.00	6.00	0.24
14.8	14.9	15.3	15.0	14.5	10.5	10.8	—
3.6	3.3	3.1	2.9	3.0	4.9	5.1	—

Management's Discussion and Analysis

Overview and the Fifth Management Plan

In the March 2012 fiscal year, the second year of the Fifth Management Plan, consolidated revenue from operations was ¥688.7 billion, while operating income was ¥147.5 billion and ordinary profit was ¥107.9 billion. Operating income and ordinary profit thus rose for the second consecutive year. Net income was also higher year on year at ¥53.2 billion.

In the year under review, we saw the continuation of a seesaw business environment, with the after-effects of the Great East Japan Earthquake still being felt. This has made it difficult for us to achieve our Fifth Management Plan target for revenue from operations. However, we had achieved the equivalent of around two-thirds of our operating income and ordinary profit targets under the plan as of March 31, 2012, meaning we are making steady progress on the earnings front. With one year left to go in the Fifth Management Plan, we intend to muster all our strengths and put the upmost priority on achieving our plan targets. For further information about the Fifth Management Plan, please see "A Message from the Management" on pages 4 to 5.

Results of Operations

Revenue from Operations and Operating Income

In the fiscal year under review, we recorded lower revenue but higher profit in leasing operations. In the sales segment, revenue from operations declined because of a drop in units delivered. As with leasing, operating income improved in sales.

Consequently, in the fiscal year under review revenue from operations declined 7.5%, to ¥688.7 billion, and operating income rose 6.5%, to ¥147.5 billion. For further information about each segment, please see the Review of Operations section on pages 8 to 21.

Other Income and Expenses

Net other expenses decreased by ¥0.4 billion, to ¥50.3 billion. Major factors included loss on impairment of fixed assets of ¥5.6 billion and interest expense, net of ¥35.7 billion, which rose 20.0% year on year due to the consolidation of SPEs.

Net Income

Income before income taxes and minority interests rose 10.7%, to ¥97.2 billion. Income taxes increased 19.5%, to ¥41.8 billion. Consequently, net income rose 4.6%, to ¥53.2 billion, and the net margin increased from 6.8% to 7.7%.

Cash Flows

Cash and cash equivalents at end of year totaled ¥140.2 billion, an increase of ¥20.5 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 ¥101.4 billion, an ¥87.0 billion improvement year on year. Besides income before income taxes and minority interests of ¥97.2 billion, this reflected a lower increase in inventories year on year and an increase in notes and accounts payable—trade.

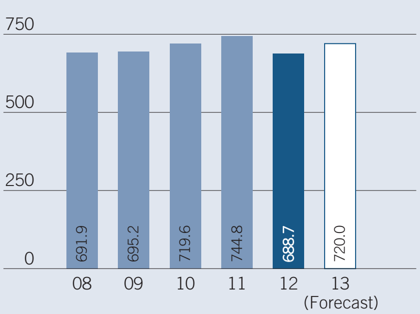
Cash Flows from Investing Activities

Net cash used in investing activities was ¥72.1 billion. Payments for purchases of property and equipment, principally for measures to strengthen leasing operations, were ¥112.3 billion. On the other hand, net receipts of deposits from partnership investors were ¥39.1 billion and net proceeds from guarantee and lease deposits paid to lessors were ¥8.4 billion.

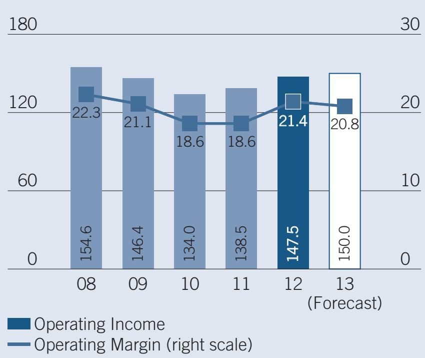
Cash Flows from Financing Activities

Net cash used in financing activities was ¥30.1 billion. For long-term fund raising stability, redemption of bonds and repayment of long-term loans payable totaled ¥374.1 billion, while proceeds from issuance of bonds and from long-term loans payable totaled ¥420.9 billion. Net decrease in short-term debt, including commercial paper, was ¥46.0 billion. Furthermore, a net ¥9.9 billion was used for the redemption of non-recourse bonds and the repayment of long-term non-recourse loans raised by SPEs consolidated during the year under review.

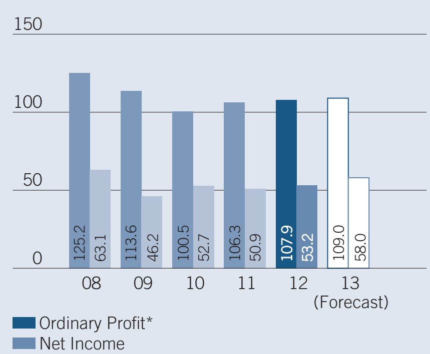
Revenue from Operations
(Billions of Yen)



Operating Income and Operating Margin
(Billions of Yen) (%)



Ordinary Profit* and Net Income
(Billions of Yen)



* Please see the note on page 3.

Capital Resources and Liquidity

SPE Consolidations

Effective from the year ended March 31, 2012, the Company early adopted new accounting standards. As a result, 24 Special Purpose Entities (SPEs) in which the Company has a stake were newly included within the scope of consolidation. For further information about the new accounting standards, please see “(1) Consolidation” of “Notes to Consolidated Financial Statements” on page 37.

Assets

At the end of the year under review, total assets had increased ¥625.5 billion to ¥3,859.7 billion. This increase mainly reflected the consolidation of SPEs effective from the March 2012 fiscal year. This led to a ¥693.9 billion increase in net property and equipment to ¥2,672.5 billion, while total investments and loans decreased ¥65.5 billion to ¥164.4 billion.

Liabilities

Total liabilities at the end of the year under review were up ¥588.1 billion from the previous fiscal year-end, to ¥3,277.0 billion. This increase was largely due to the consolidation of SPEs.

At the end of the fiscal year, consolidated interest-bearing debt was up ¥532.5 billion, to ¥2,554.1 billion. The main reason was the impact of consolidating SPEs at the beginning of the year. However, consolidated interest-bearing debt was almost the same as March 31, 2011, if the impact of consolidating SPEs at the beginning of the year under review is excluded. For a breakdown of consolidated interest-bearing debt, please see the table on the right.

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 31.

Shareholders’ Equity*

Shareholders’ equity was up 5.2% year on year, to ¥553.8 billion. Net income was ¥53.2 billion, and retained earnings increased ¥22.8 billion year on year. Consequently, the equity ratio was 14.3%, compared to 16.3% a year earlier. Allowing for the capital nature of the perpetual subordinated loan, the effective equity ratio was 16.7%.

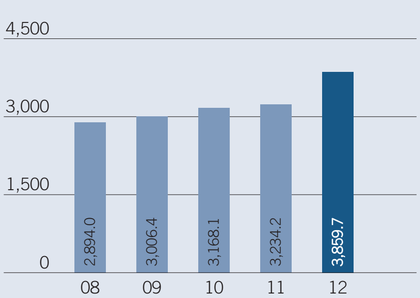
ROE was 9.9%, compared with 10.0% in the previous fiscal year, while ROA was 4.3%, compared with 4.4% in the March 2011 fiscal year.

* Shareholders’ equity = Net assets – Minority interests

	Millions of yen			
	2012	2011	Amount change	% change
Short-term debt:				
Principally from banks	¥ **149,700**	¥ 185,750	¥–36,050	–19.4%
Commercial paper	**19,994**	29,989	–9,995	–33.3%
Subtotal	**169,694**	215,739	–46,045	–21.3%
Long-term debt:				
Bonds	**340,000**	400,000	–60,000	–15.0%
Non-recourse bonds	**138,348**	—	138,348	—
Loans principally from banks	**1,392,668**	1,285,860	106,808	8.3%
Non-recourse loans	**393,405**	—	393,405	—
Perpetual subordinated loan	**120,000**	120,000	—	—
Subtotal	**2,384,421**	1,805,860	578,561	32.0%
Interest-bearing debt Total	**¥2,554,115**	¥2,021,599	¥532,516	26.3%

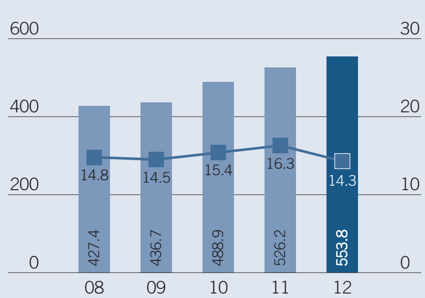
Total Assets

(Billions of Yen)



Shareholders’ Equity and Equity Ratio

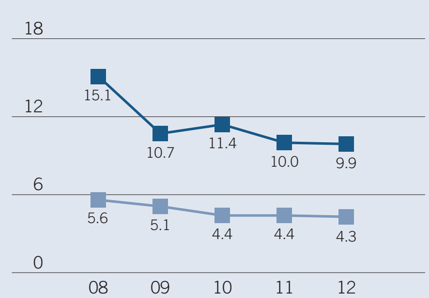
(Billions of Yen) (%)



Shareholders’ Equity (Net Assets – Minority Interests)
Equity Ratio (right scale)

ROE and ROA

(%)



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

Financial Strategy

Characteristics of Operations and Diversification of Fund-raising

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

Specifically, we have aggressively introduced development securitization methods using 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. 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 2012, the balance of investment received in SURF investment partnerships was ¥136 billion, which was recorded on the balance sheet as deposits received.

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 subsequent 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. 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.

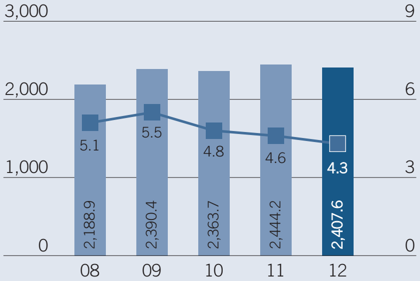
In the March 2013 fiscal year, the final year of the Fifth Plan, through the generation of profit we expect to improve the ND/E ratio, including the debt of SPEs, to about 4 times from 4.8 times as of March 31, 2010.

In addition, the cash flow generated by our core leasing business is more than ¥100.0 billion, reaching ¥123.6 billion in the year under review. This represents increased operational stability. Accordingly, while net interest-bearing debt (ND) has increased compared with four years ago, 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 rating even in difficult financial environments, such as after the Lehman Shock. Presently, we maintain A and A⁻ ratings with JCR and R&I, respectively. 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 be 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 precaution against future increases in interest rates. As a result, at the end of the year under review, long-term debt accounted for 93% of interest-bearing debt, and fixed-interest rate debt accounted for 80% of interest-bearing debt.

ND including Debt of Non-consolidated SPEs and ND/E Ratio

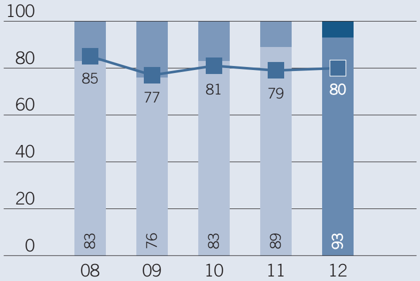
(Billions of Yen) (Times)



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

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

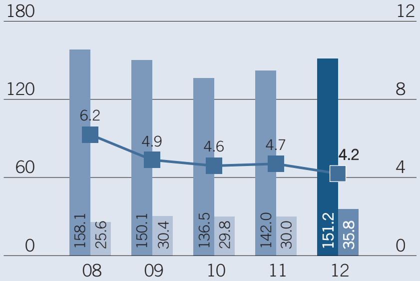
(%)



Short-term Loans and Commercial Paper
Long-term Loans and Bonds
Fixed-interest Rate Debt Ratio

Interest Coverage Ratio

(Billions of Yen) (Times)



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

Site acquisition is essential to the achievement of ongoing growth. Moving forward, we will continue to strengthen our financial position through the generation of profit 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.

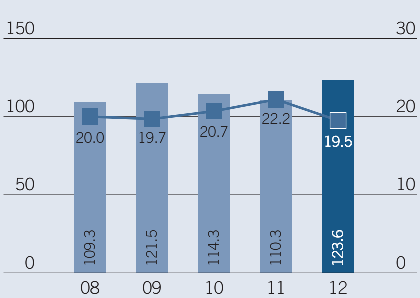
We have implemented four plans since April 1997. We steadily strengthened our profit foundation under two management plans—the First Plan and the Second Plan. In addition, we worked to respond to various changes in accounting standards and to reduce unrealized losses. Over this period, due to comparatively 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 laid the foundation for full-scale growth in EPS. Thereafter, we continued to increase the dividend in line with earnings growth to the extent that we raised the dividend for the March 2009 fiscal year, the year after we recorded record earnings, to ¥20.00 per share.

However, earnings subsequently declined due to the Lehman Shock. Nevertheless, we focused on the continuation of stable dividends and maintained the dividend per share at ¥20.00. In the March 2012 fiscal year, the second year of the Fifth Plan, while operating income and ordinary profit increased, we maintained a stable dividend of ¥20.00 per share. In addition, we plan to pay a per-share cash dividend of ¥20.00 for the March 2013 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

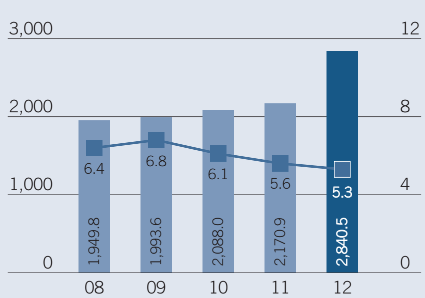
(Billions of Yen) (Times)



Leasing Cash Flows
ND*/Leasing Cash Flows Ratio (right scale)
* Including debt of non-consolidated SPEs

Leasing Assets and Return on Leasing Assets

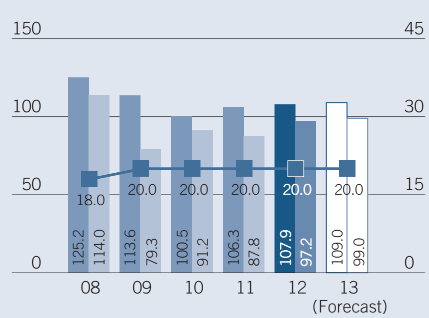
(Billions of Yen) (%)



Leasing Assets
Return on Leasing Assets (right scale)

Cash Dividends per Share, Ordinary Profit and Income Before Income Taxes

(Billions of Yen) (%)



Ordinary Profit
Income before Income Taxes
Cash Dividends per Share (right scale)

Consolidated Balance Sheets

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2012**	2011	**2012**
Current assets:			
Cash, time and notice deposits (Notes 3, 6 and 7)	**¥ 146,476**	¥ 119,749	**$ 1,783,465**
Notes and accounts receivable—trade (Note 7)	**17,058**	14,284	**207,695**
Allowance for doubtful accounts (Note 7)	**(511)**	(947)	**(6,222)**
Inventories (Note 4)	**586,170**	558,091	**7,137,100**
Deferred income taxes (Note 17)	**10,588**	12,823	**128,918**
Other current assets	**41,361**	101,958	**503,604**
Total current assets	**801,142**	805,958	**9,754,560**
Investments and loans:			
Investments in and loans to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	**1,044**	5,699	**12,712**
Investments in securities and other (Notes 7 and 8)	**178,394**	239,666	**2,172,093**
Allowance for doubtful accounts	**(15,068)**	(15,471)	**(183,466)**
Total investments and loans	**164,370**	229,894	**2,001,339**
Property and equipment:			
Land (Notes 4, 6 and 24)	**2,005,364**	1,523,347	**24,416,949**
Buildings and structures (Notes 4, 6 and 24)	**899,281**	587,659	**10,949,483**
Machinery and equipment (Notes 6 and 24)	**24,854**	19,052	**302,618**
Leased assets	**2,656**	1,804	**32,339**
Construction in progress (Notes 4, 6 and 24)	**59,818**	64,252	**728,332**
	2,991,973	2,196,114	**36,429,721**
Accumulated depreciation	**(319,451)**	(217,451)	**(3,889,577)**
Net property and equipment	**2,672,522**	1,978,663	**32,540,144**
Other assets:			
Guarantee and lease deposits paid to lessors (Note 7)	**134,067**	145,707	**1,632,376**
Leasehold rights and other intangible assets	**51,587**	51,815	**628,114**
Deferred income taxes (Note 17)	**18,565**	11,605	**226,044**
Other	**17,445**	10,561	**212,407**
Total other assets	**221,664**	219,688	**2,698,941**
Total assets	**¥3,859,698**	¥3,234,203	**$46,994,984**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Short-term debt (Notes 7 and 9)	¥ 169,694	¥ 215,739	$ 2,066,163
Long-term debt due within one year (Notes 6, 7 and 9)	307,623	374,792	3,745,562
Long-term non-recourse debt due within one year (Notes 6, 7 and 9)	137,438	—	1,673,420
Notes and accounts payable—trade (Note 7)	34,663	31,756	422,050
Accrued income taxes	24,066	17,109	293,023
Accrued bonuses	3,137	3,184	38,196
Allowance for loss on disaster (Note 12)	—	1,930	—
Deposits received (Notes 7 and 18)	121,814	169,719	1,483,185
Other current liabilities (Note 18)	82,373	76,112	1,002,960
Total current liabilities	880,808	890,341	10,724,559
Long-term liabilities:			
Long-term debt due after one year (Notes 6, 7 and 9)	1,545,045	1,431,068	18,812,188
Long-term non-recourse debt due after one year (Notes 6, 7 and 9)	394,315	—	4,801,108
Guarantee and deposits received (Notes 7 and 18)	426,785	332,304	5,196,457
Allowance for employees' severance and retirement benefits (Note 10)	5,102	4,882	62,121
Other long-term liabilities (Note 18)	24,976	30,279	304,103
Total long-term liabilities	2,396,223	1,798,533	29,175,977
Contingent liabilities (Note 26)			
Net assets (Note 19):			
Shareholders' equity			
Common stock:			
Authorized—1,900,000 thousand shares			
Issued —476,086 thousand shares	122,805	122,805	1,495,251
Capital surplus	132,748	132,748	1,616,316
Retained earnings	313,041	290,260	3,811,531
Treasury stock	(3,704)	(3,645)	(45,100)
Total shareholders' equity	564,890	542,168	6,877,998
Accumulated other comprehensive loss			
Net unrealized holding losses on securities	(1,933)	(6,701)	(23,536)
Net deferred losses on hedges	(972)	(1,925)	(11,835)
Foreign currency translation adjustments	(8,141)	(7,315)	(99,123)
Total accumulated other comprehensive loss	(11,046)	(15,941)	(134,494)
Minority interests	28,823	19,102	350,944
Total net assets	582,667	545,329	7,094,448
Total liabilities and net assets	¥3,859,698	¥3,234,203	$46,994,984

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Revenue from operations	¥688,662	¥744,756	¥719,636	$8,385,024
Costs and expenses:				
Cost of revenue from operations (Note 15)	490,437	551,364	534,270	5,971,472
Selling, general and administrative expenses	50,760	54,929	51,387	618,045
	541,197	606,293	585,657	6,589,517
Operating income	147,465	138,463	133,979	1,795,507
Other income (expenses):				
Interest expense, net	(35,748)	(29,789)	(29,591)	(435,261)
Dividend income	3,684	3,344	2,339	44,856
Gain on sale of property and equipment	429	120	53	5,223
Loss on sale of property and equipment	(399)	(19)	—	(4,858)
Loss on impairment of fixed assets (Note 11)	(5,618)	(7,602)	(7,826)	(68,404)
Loss on disposal of property and equipment	(555)	(2,188)	(93)	(6,758)
Gain on sale of investments in securities	—	4	1	—
Loss on sale of investments in securities	—	(33)	(56)	—
Loss on devaluation of investments in securities	(3,740)	(6,710)	(1,837)	(45,538)
Dividend to partnership investors	(2,853)	(3,043)	(2,944)	(34,738)
Gain on prior periods adjustment (Note 14)	—	413	—	—
Gain on adjustment of accrued rent payable (Note 13)	—	—	645	—
Compensation income	—	78	147	—
Loss on devaluation of common stocks of affiliates	(854)	—	(10)	(10,398)
Provision for allowance for loss on disaster	—	(1,930)	—	—
Other, net	(4,644)	(3,350)	(3,599)	(56,543)
	(50,298)	(50,705)	(42,771)	(612,419)
Income before income taxes and minority interests	97,167	87,758	91,208	1,183,088
Income taxes (Note 17):				
Current	37,616	35,138	35,137	458,006
Deferred	4,224	(128)	1,805	51,430
Total	41,840	35,010	36,942	509,436
Income before minority interests	55,327	52,748	54,266	673,652
Minority interests	2,091	1,840	1,604	25,460
Net income	¥ 53,236	¥ 50,908	¥ 52,662	$ 648,192

	Yen			U.S. dollars (Note 1)
	2012	2011	2010	2012
Amounts per share of common stock:				
Net income:				
—Basic	¥112.28	¥107.35	¥111.04	$1.37
—Diluted	99.83	94.73	92.11	1.22
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, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Income before minority interests	¥55,327	¥52,748	¥54,266	$673,652
Other comprehensive income (loss) (Note 23)				
Net unrealized holding gains (losses) on securities	4,780	(3,308)	12,380	58,200
Net deferred gains (losses) on hedges	1,212	534	(167)	14,757
Foreign currency translation adjustments	(1,067)	(1,610)	(319)	(12,992)
Total other comprehensive income (loss)	4,925	(4,384)	11,894	59,965
Comprehensive income	¥60,252	¥48,364	¥66,160	$733,617
Comprehensive income attributable to:				
Owners of the parent	¥58,352	¥46,917	¥64,565	$710,483
Minority interests	1,900	1,447	1,595	23,134

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, 2012, 2011 and 2010

	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 April 1, 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 April 1, 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 April 1, 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
Net income	—	—	—	53,236	—	53,236	—	—	—	—	—	53,236
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(826)	(826)	—	(826)
Net unrealized holding gains on securities	—	—	—	—	—	—	4,768	—	—	4,768	—	4,768
Acquisition of treasury stock	—	—	—	—	(61)	(61)	—	—	—	—	—	(61)
Disposal of treasury stock	—	—	—	—	2	2	—	—	—	—	—	2
Change of scope of consolidation	—	—	—	(20,971)	—	(20,971)	—	—	—	—	—	(20,971)
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	—	—	—	—	—	—	—	—	—	—	9,721	9,721
Net deferred gains on hedges	—	—	—	—	—	—	—	953	—	953	—	953
Balance at March 31, 2012	476,086	¥122,805	¥132,748	¥313,041	¥(3,704)	¥564,890	¥ (1,933)	¥ (972)	¥(8,141)	¥(11,046)	¥28,823	¥582,667

	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 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 April 1, 2011	$1,495,251	$1,616,316	$3,534,154	$(44,381)	$6,601,340	$(81,590)	$(23,439)	$(89,066)	$(194,095)	$232,582	$6,639,827
Net income	—	—	648,192	—	648,192	—	—	—	—	—	648,192
Foreign currency translation adjustments	—	—	—	—	—	—	—	(10,057)	(10,057)	—	(10,057)
Net unrealized holding gains on securities	—	—	—	—	—	58,054	—	—	58,054	—	58,054
Acquisition of treasury stock	—	—	—	(743)	(743)	—	—	—	—	—	(743)
Disposal of treasury stock	—	—	—	24	24	—	—	—	—	—	24
Change of scope of consolidation	—	—	(255,339)	—	(255,339)	—	—	—	—	—	(255,339)
Cash dividends paid:											
Final for prior year ($0.12 per share)	—	—	(57,738)	—	(57,738)	—	—	—	—	—	(57,738)
Interim for current year ($0.12 per share)	—	—	(57,738)	—	(57,738)	—	—	—	—	—	(57,738)
Minority interests	—	—	—	—	—	—	—	—	—	118,362	118,362
Net deferred gains on hedges	—	—	—	—	—	—	11,604	—	11,604	—	11,604
Balance at March 31, 2012	$1,495,251	$1,616,316	$3,811,531	$(45,100)	$6,877,998	$(23,536)	$(11,835)	$(99,123)	$(134,494)	$350,944	$7,094,448

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 97,167	¥ 87,758	¥ 91,208	$ 1,183,088
Depreciation and amortization	36,049	23,705	18,065	438,926
Loss on impairment of fixed assets (Note 11)	5,618	7,602	7,826	68,404
Provision for allowance for loss on disaster	—	1,930	—	—
Provision for (Reversal of) allowance for doubtful accounts	(839)	776	325	(10,216)
Increase (Decrease) in allowance for employees' severance and retirement benefits	219	(87)	(17)	2,667
Loss on sale of property and equipment, net	(30)	(101)	(53)	(365)
Loss on disposal of property and equipment	555	2,188	93	6,758
Loss on sale of investments in securities, net	—	29	55	—
Loss on devaluation of investments in securities	3,740	6,710	1,837	45,538
Loss on devaluation of common stocks of affiliates	854	—	10	10,398
Interest and dividend income	(3,761)	(3,525)	(2,560)	(45,793)
Interest expense	35,825	29,969	29,812	436,199
Decrease (Increase) in notes and accounts receivable—trade	(2,867)	2,935	(5,671)	(34,908)
Increase in inventories	(14,347)	(30,830)	(5,190)	(174,686)
Increase (Decrease) in notes and accounts payable—trade	2,908	(22,407)	14,478	35,407
Increase (Decrease) in advances received	(2,145)	(2,936)	10,876	(26,117)
Other, net	5,798	(23,894)	(4,653)	70,594
Total	164,744	79,822	156,441	2,005,894
Proceeds from interest and dividend income	3,761	3,525	2,560	45,793
Payments for interest	(36,360)	(30,261)	(29,142)	(442,713)
Payments for income tax and other taxes	(30,742)	(38,644)	(36,057)	(374,309)
Net cash provided by operating activities	101,403	14,442	93,802	1,234,665
Cash flows from investing activities:				
Payments for purchases of property and equipment	(112,294)	(98,059)	(114,060)	(1,367,271)
Proceeds from sale of property and equipment	1,485	1,040	54	18,081
Payments for purchases of investments in securities	(8,316)	(7,301)	(15,243)	(101,254)
Proceeds from sale of investments in securities	52	7,074	2,713	633
Payments for guarantee and lease deposits paid to lessors	(2,291)	(2,241)	(1,445)	(27,895)
Proceeds from guarantee and lease deposits paid to lessors	10,713	21,642	4,125	130,440
Payments for guarantee and lease deposits received	(18,305)	(26,385)	(23,319)	(222,878)
Proceeds from guarantee and lease deposits received	19,115	20,156	15,382	232,741
Receipts of deposits from partnership investors	91,115	88,996	30,907	1,109,400
Restitution of deposits from partnership investors	(51,971)	(78,133)	(65,487)	(632,789)
Other, net	(1,403)	(2,301)	(1,220)	(17,084)
Net cash used in investing activities	(72,100)	(75,512)	(167,593)	(877,876)
Cash flows from financing activities:				
Decrease in short-term debt, net	(46,045)	(112,486)	(117,645)	(560,636)
Proceeds from issuance of bonds	30,000	60,000	90,000	365,275
Redemption of bonds	(90,000)	(80,000)	(40,000)	(1,095,824)
Proceeds from non-recourse bonds	4,900	—	—	59,662
Redemption of non-recourse bonds	(6,140)	—	—	(74,760)
Proceeds from long-term loans payable	390,895	413,300	279,000	4,759,467
Repayment of long-term loans payable	(284,087)	(194,381)	(123,816)	(3,458,992)
Proceeds from long-term non-recourse loans	42,340	—	—	515,524
Repayment of long-term non-recourse loans	(50,985)	—	—	(620,784)
Increase (Decrease) in assignment of receivables	(1,878)	(20,090)	6,711	(22,866)
Increase in treasury stocks, net	(60)	(102)	(52)	(731)
Cash dividends paid	(10,334)	(10,334)	(10,334)	(125,825)
Other, net	(8,672)	(24,072)	14,573	(105,588)
Net cash provided by (used in) financing activities	(30,066)	31,835	98,437	(366,078)
Effect of exchange rate changes on cash and cash equivalents	(464)	(331)	(230)	(5,650)
Net increase (decrease) in cash and cash equivalents	(1,227)	(29,566)	24,416	(14,939)
Cash and cash equivalents at beginning of year	119,749	149,315	124,897	1,458,042
Increase in cash and cash equivalents of newly consolidated subsidiaries	21,678	—	2	263,947
Cash and cash equivalents at end of year (Note 3)	¥ 140,200	¥ 119,749	¥ 149,315	$ 1,707,050

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, 2012, 2011 and 2010

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, 2012, which was ¥82.13 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) Consolidation

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

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

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

Effective from the year ended March 31, 2012, the Company early adopted the new accounting standard, revised "Accounting Standard for Consolidated Financial Statements" (Statement No. 22 revised by the Accounting Standards Board of Japan on March 25, 2011), "Guidance on Disclosures about Certain Special Purpose Entities" (Guidance No. 15 revised by the Accounting Standards Board of Japan on March 25, 2011), "Guidance on Determining a Subsidiary and an Affiliate" (Guidance No. 22 revised by the Accounting Standards Board of Japan on March 25, 2011) and "Practical Solution on Applications of the Control Criteria and Influence Criteria to Investment Associations" (PIFT No. 20 issued by the Accounting Standards Board of Japan on March 25, 2011).

Accordingly, 23 Special Purpose Entities, including Shiodome Hamarikyu Special Purpose Company, Ltd., and 1 limited partnership ("*Tokumei kumiai*") have been newly included within the scope of consolidation at April 1, 2011.

This early adoption of the new accounting standard is according to the rules under paragraph 44-4, item (3) of "Accounting Standard for Consolidated Financial Statements," and assets or liabilities belonging to newly consolidated subsidiaries are evaluated by their fair carrying amount at April 1, 2011.

As a result, retained earnings decreased by ¥19,386 million ($236,040 thousand) at April 1, 2011.

(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 office buildings, residences and other properties are recognized as rent accrues over the lease term.

(5) Inventories

Inventories are stated at cost, determined by the specific identification method principally. The carrying amount of inventories is written down due to a decline of their profitability.

(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 values are stated at fair 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.

Senior securities are stated at cost determined by the specific identification method and securities with no available fair value are stated at moving-average cost.

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

If the market value of held-to-maturity securities, investments in subsidiaries and affiliates and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as a loss in the period of the decline. If the fair 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 value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal 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

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 uses the 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 March 31, 2009.

(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 defined benefit corporate 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, 2012, 2011 and 2010 based on the estimated projected benefit obligation at those dates.

Prior service costs are recognized as expenses in the period in which they are incurred, and actuarial gains and losses are recognized as expenses in the following 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 year ended March 31, 2010 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 and after 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 projects are 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 gains or losses 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 carrying amount 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 2012 presentation.

"Investments in SPEs holding properties for sale" of the consolidated balance sheets and "Increase in investments in SPEs holding properties for sale" of the consolidated statements of cash flow for the prior years are deemed immaterial and thus reclassified to "Other current assets" of the consolidated balance sheets and "Other, net" of operating activities of the consolidated statements of cash flow, respectively.

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

(21) Accounting changes and error corrections

Effective from the year ended March 31, 2012, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Accounting Changes and Error Corrections" (Statement No. 24 issued by the Accounting Standards Board of Japan on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Guidance No. 24 issued by the Accounting Standards Board of Japan on December 4, 2009.)

3. Cash and cash equivalents

Cash and cash equivalents at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash, time and notice deposits	¥146,476	¥119,749	$1,783,465
Time deposits	(6,276)	—	(76,415)
Cash and cash equivalents	¥140,200	¥119,749	$1,707,050

4. Inventories

Inventories at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Real estate for sale	¥172,679	¥206,339	$2,102,508
Real estate for sale in process	407,955	345,165	4,967,186
Costs on uncompleted construction contracts	4,272	5,570	52,015
Other	1,264	1,017	15,391
Total	¥586,170	¥558,091	$7,137,100

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Inventories:			
Transferred from property and equipment	¥13,819	¥12,961	$168,258

5. Investments in and loans to unconsolidated subsidiaries and affiliates

Investments in and loans to unconsolidated subsidiaries and affiliates at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investments in	¥1,044	¥2,849	$12,712
Loans to	—	2,850	—
Total	¥1,044	¥5,699	$12,712

6. Pledged assets

Assets pledged as collateral at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Buildings and structures	¥168,789	¥12,238	$2,055,144
Land	353,848	27,727	4,308,389
Machinery and equipment	1,509	88	18,374
Total	¥524,146	¥40,053	$6,381,907

Secured liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Long-term debt due within one year	¥ 20,500	¥ 1,750	$ 249,604
Long-term non-recourse debt due within one year:			
Bonds	2,248	—	27,371
Loans	31,510	—	383,661
Long-term debt due after one year	—	20,500	—
Long-term non-recourse debt due after one year:			
Bonds	48,520	—	590,771
Loans	345,795	—	4,210,337
Total	¥448,573	¥22,250	$5,461,744

Specified assets for non-recourse debts at March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Cash, time and notice deposits	¥ 30,480	$ 371,119
Buildings and structures	176,627	2,150,578
Land	446,113	5,431,791
Construction in progress	17	207
Machinery and equipment	1,506	18,337
Total	¥654,743	$7,972,032

(Note) “Specified assets for non-recourse debts” includes a portion of the amount of “Assets pledged as collateral” for the year ended March 31, 2012.

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 instruments, 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.

Investments in 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.

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 21 "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, 2012 and 2011 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2).)

For 2012

	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	¥ 146,476	¥ 146,476	¥ —	$ 1,783,465	$ 1,783,465	$ —
(2) Notes and accounts receivable—trade	17,058	17,058	—	207,695	207,695	—
(3) Investments in securities						
Available-for-sale securities	135,458	135,458	—	1,649,312	1,649,312	—
(4) Guarantee and lease deposits						
Held-to-maturity securities	1,269	1,278	9	15,451	15,561	110
Available-for-sale securities	676	676	—	8,231	8,231	—
Total assets	¥ 300,937	¥ 300,946	¥ 9	$ 3,664,154	$ 3,664,264	$ 110
Liabilities:						
(1) Notes and accounts payable—trade	¥ 34,663	¥ 34,663	¥ —	$ 422,050	$ 422,050	$ —
(2) Short-term debt	169,694	169,694	—	2,066,163	2,066,163	—
(3) Long-term debt (including due within one year)	1,852,668	1,865,955	13,287	22,557,750	22,719,530	161,780
(4) Long-term non-recourse debt (including due within one year)	531,753	539,082	7,329	6,474,528	6,563,765	89,237
(5) Deposits received*2	9,000	9,000	—	109,583	109,583	—
(6) Guarantee and deposits received*2	66,000	66,000	—	803,604	803,604	—
Total liabilities	¥2,663,778	¥2,684,394	¥20,616	$32,433,678	$32,684,695	$251,017
Derivative transactions*3:						
Non-hedge accounting	¥ —	¥ —	¥ —	$ —	$ —	$ —
Hedge accounting	(1,569)	(1,569)	—	(19,104)	(19,104)	—
Total derivative transactions	¥ (1,569)	¥ (1,569)	¥ —	$ (19,104)	$ (19,104)	$ —

For 2011

	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	¥ 119,749	¥ 119,749	¥ —
(2) Notes and accounts receivable—trade	14,284		
Allowance for doubtful accounts*1	(119)		
Balance	14,165	14,165	—
(3) Investments in securities			
Available-for-sale securities	123,854	123,854	—
(4) Guarantee and lease deposits			
Held-to-maturity securities	1,270	1,281	11
Available-for-sale securities	510	510	—
Total assets	¥ 259,548	¥ 259,559	¥ 11
Liabilities:			
(1) Notes and accounts payable—trade	¥ 31,756	¥ 31,756	¥ —
(2) Short-term debt	215,739	215,739	—
(3) Long-term debt (including due within one year)	1,805,860	1,822,223	16,363
(5) Deposits received*2	67,500	67,500	—
Total liabilities	¥2,120,855	¥2,137,218	¥16,363
Derivative transactions*3:			
Non-hedge accounting	¥ —	¥ —	¥ —
Hedge accounting	(3,309)	(3,309)	—
Total derivative transactions	¥ (3,309)	¥ (3,309)	¥ —

*1 The carrying amount of notes and accounts receivable—trade is stated at net of allowance for doubtful accounts.
*2 The amounts only included in financial liabilities are disclosed.
*3 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

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) 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) Notes and accounts payable—trade, (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 and cross currency interest rate swaps are applicable to some long-term debts with floating interest rates (please see Note 21 "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 and cross currency interest rate swap have 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) Long-term non-recourse 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 the value of its non-exempt properties hasn't been changed.

The fixed-coupon debt is calculated by discounting the combined total of principal and interest at an interest rate assumed for similar new borrowings or bonds.

The specific matching criteria of interest rate swaps are applicable to some long-term non-recourse debts with floating interest rates (please see Note 21 "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 or bonds.

Derivative transactions:
Please see Note 21 "Derivative transactions."

(5) Deposits received and (6) Guarantee and 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.

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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investments in subsidiaries and affiliates*1	¥ 5,659	¥ 7,414	$ 68,903
Unlisted equity securities*1	18,953	18,953	230,768
Senior securities, etc.*1	550	99,098	6,697
Investments in limited partnerships, etc.*1	96	38,261	1,169
Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities)*2	132,122	143,927	1,608,694
Guarantee and deposits received*3	165,002	164,318	2,009,034

*1 These items are not included in "Assets (3) Investments in securities" since their market price is unavailable and the assessment of their fair value is deemed extremely difficult.
*2 Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities) are not included in "Assets (4) Guarantee and lease deposits" because the assessment of their fair value is deemed extremely difficult and their remaining terms cannot be determined.
*3 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 2012

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥146,476	¥ —	¥ —	¥—
Notes and accounts receivable—trade	16,620	438	—	—
Investments in securities				
Available-for-sale securities with maturities (Corporate bonds)	—	—	700	—
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	505	775	—	—
Available-for-sale securities with maturities (National government bonds)	—	—	651	—
Total	¥163,601	¥1,213	¥1,351	¥—

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	—
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	¥133,371	¥3,052	¥1,203	¥—

For 2012

	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	$1,783,465	$ —	$ —	$—
Notes and accounts receivable—trade	202,362	5,333	—	—
Investments in securities				
Available-for-sale securities with maturities (Corporate bonds)	—	—	8,524	—
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	6,149	9,436	—	—
Available-for-sale securities with maturities (National government bonds)	—	—	7,926	—
Total	$1,991,976	$14,769	$16,450	$—

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

For 2012

	Millions of yen					
	2013	2014	2015	2016	2017	2018 and thereafter
Short-term debt	¥169,694	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	307,623	278,092	284,785	372,485	305,962	303,721
Long-term non-recourse debt (including due within one year)	137,438	82,258	73,763	64,769	116,570	56,955
Deposits received	9,000	—	—	—	—	—
Guarantee and deposits received	—	—	—	—	66,000	—
Total	¥623,755	¥360,350	¥358,548	¥437,254	¥488,532	¥360,676

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 2012

	Thousands of U.S. dollars					
	2013	2014	2015	2016	2017	2018 and thereafter
Short-term debt	$2,066,163	$ —	$ —	$ —	$ —	$ —
Long-term debt (including due within one year)	3,745,562	3,385,998	3,467,491	4,535,310	3,725,338	3,698,051
Long-term non-recourse debt (including due within one year)	1,673,420	1,001,559	898,125	788,616	1,419,335	693,473
Deposits received	109,583	—	—	—	—	—
Guarantee and deposits received	—	—	—	—	803,604	—
Total	$7,594,728	$4,387,557	$4,365,616	$5,323,926	$5,948,277	$4,391,524

8. Securities

For 2012

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2012:

(a) Held-to-maturity securities:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Securities whose fair value exceeds carrying amount:						
National and local government bonds, etc.	¥1,269	¥1,277	¥8	$15,451	$15,549	$98
Securities whose fair value does not exceed carrying amount:						
National and local government bonds, etc.	—	—	—	—	—	—
Total	¥1,269	¥1,277	¥8	$15,451	$15,549	$98

(b) Available-for-sale securities:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:						
Equity securities	¥ 66,867	¥ 45,039	¥ 21,828	$ 814,160	$ 548,387	$ 265,773
Debt securities*1	583	556	27	7,099	6,770	329
Other	249	247	2	3,032	3,007	25
Subtotal	67,699	45,842	21,857	824,291	558,164	266,127
Securities whose carrying amount does not exceed acquisition cost:						
Equity securities	66,380	91,028	(24,648)	808,231	1,108,340	(300,109)
Debt securities*2	795	795	—	9,680	9,680	—
Other	1,261	1,436	(175)	15,354	17,485	(2,131)
Subtotal	68,436	93,259	(24,823)	833,265	1,135,505	(302,240)
Total	¥136,135	¥139,101	¥ (2,966)	$1,657,556	$1,693,669	$ (36,113)

*1 Debt securities in securities whose carrying amount exceeds acquisition cost are included in “Guarantee and lease deposits paid to lessors” on the consolidated balance sheets.

*2 ¥95 million ($1,157 thousand) of debt securities in securities whose carrying amount does not exceed acquisition cost is included in “Guarantee and lease deposits paid to lessors” on the consolidated balance sheets.

(Note) The Company recognized ¥3,740 million ($45,538 thousand) of impairment loss on investments in securities (¥3,740 million ($45,538 thousand) on equity securities in available-for-sale securities).

B. Total sales of available-for-sale securities sold in the year ended March 31, 2012 amounted to ¥8 million ($97 thousand).

C. 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 ¥89,061 million ($1,084,391 thousand) as of March 31, 2012.

For 2011

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2011:

(a) Held-to-maturity securities:

	Millions of yen		
	Carrying amount	Fair value	Difference
Securities whose fair value exceeds carrying amount:			
National and local government bonds, etc.	¥1,078	¥1,089	¥11
Securities whose fair value does not exceed carrying amount:			
National and local government bonds, etc.	192	192	—
Total	¥1,270	¥1,281	¥11

(b) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥ 49,095	¥ 31,559	¥ 17,536
Debt securities*1	1,539	1,508	31
Subtotal	50,634	33,067	17,567
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	71,339	99,958	(28,619)
Debt securities*2	92	95	(3)
Other	2,299	2,483	(184)
Subtotal	73,730	102,536	(28,806)
Total	¥124,364	¥135,603	¥(11,239)

*1 ¥418 million of debt securities in securities whose carrying amount exceeds acquisition cost is included in “Guarantee and lease deposits paid to lessors” on the consolidated balance sheets.

*2 ¥92 million of debt securities in securities whose carrying amount does not exceed acquisition cost is included in “Guarantee and lease deposits paid to lessors” on the consolidated balance sheets.

(Note) The Company recognized ¥6,710 million of impairment loss on investments in securities (¥5,422 million 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, and the related gains and losses amounted to ¥4 million and ¥33 million, respectively.

C. 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 as of March 31, 2011.

9. Short-term debt and long-term debt

Short-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2012	Average interest rate (%)	2011	Average interest rate (%)	**2012**
Loans, principally from banks	**¥149,700**	0.64	¥185,750	0.72	**$1,822,720**
Commercial paper	**19,994**	0.11	29,989	0.18	**243,443**
Total	**¥169,694**		¥215,739		**$2,066,163**

The interest rates represent weighted-average rates in effect at March 31, 2012 and 2011, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
1.29% domestic straight bonds, due 2012	¥ —	¥ 20,000	$ —
1.28% domestic straight bonds, due 2012	30,000	30,000	365,276
1.85% domestic straight bonds, due 2011	—	20,000	—
1.86% domestic straight bonds, due 2011	—	20,000	—
1.84% domestic straight bonds, due 2011	—	20,000	—
1.87% domestic straight bonds, due 2012	20,000	20,000	243,516
1.58% domestic straight bonds, due 2011	—	10,000	—
1.89% domestic straight bonds, due 2013	10,000	10,000	121,758
1.70% domestic straight bonds, due 2013	20,000	20,000	243,516
1.80% domestic straight bonds, due 2012	20,000	20,000	243,516
1.76% domestic straight bonds, due 2012	20,000	20,000	243,516
1.68% domestic straight bonds, due 2013	20,000	20,000	243,516
1.63% domestic straight bonds, due 2013	20,000	20,000	243,516
2.50% domestic straight bonds, due 2019	10,000	10,000	121,758
1.81% domestic straight bonds, due 2014	20,000	20,000	243,516
1.87% domestic straight bonds, due 2014	10,000	10,000	121,758
1.48% domestic straight bonds, due 2014	10,000	10,000	121,758
1.28% domestic straight bonds, due 2015	10,000	10,000	121,758
1.17% domestic straight bonds, due 2015	30,000	30,000	365,276
0.96% domestic straight bonds, due 2015	30,000	30,000	365,276
0.94% domestic straight bonds, due 2015	10,000	10,000	121,758
0.80% domestic straight bonds, due 2015	20,000	20,000	243,516
0.74% domestic straight bonds, due 2016	10,000	—	121,758
0.68% domestic straight bonds, due 2016	10,000	—	121,758
0.75% domestic straight bonds, due 2017	10,000	—	121,758
Loans, principally from banks and insurance companies, interest at weighted average rates of 0.91% in 2012, and 1.02% in 2011, respectively:			
Secured	20,500	22,250	249,604
Unsecured*	1,492,168	1,383,610	18,168,368
Subtotal	1,852,668	1,805,860	22,557,750
Amount due within one year	(307,623)	(374,792)	(3,745,562)
Total	¥1,545,045	¥1,431,068	$18,812,188

* Unsecured long-term debt as of March 31, 2012 and 2011 includes a perpetual subordinated loan of ¥120,000 million ($1,461,098 thousand) and ¥120,000 million, respectively.

Non-recourse debt at March 31, 2012 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Non-recourse bonds, with interest at weighted average rate of 0.87%		
Due within one year	¥ 89,828	$1,093,729
Due after one year	48,520	590,771
Subtotal	138,348	1,684,500
Non-recourse loans, with interest at weighted average rate of 1.12%		
Due within one year	47,610	579,691
Due after one year	345,795	4,210,337
Subtotal	393,405	4,790,028
Total	¥531,753	$6,474,528
Secured	¥428,073	$5,212,139
Unsecured	103,680	1,262,389
Total	¥531,753	$6,474,528

The aggregate annual maturities of long-term debt at March 31, 2012 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 307,623	$ 3,745,562
2014	278,092	3,385,998
2015	284,785	3,467,491
2016	372,485	4,535,310
2017	305,962	3,725,338
2018 and thereafter	303,721	3,698,051
Total	¥1,852,668	$22,557,750

The aggregate annual maturities of non-recourse debt at March 31, 2012 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥137,438	$1,673,420
2014	82,258	1,001,559
2015	73,763	898,125
2016	64,769	788,616
2017	116,570	1,419,335
2018 and thereafter	56,955	693,473
Total	¥531,753	$6,474,528

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

10. Employees' severance and retirement benefits

As explained in Note 2 (12), the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The allowance for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ 8,519	¥ 8,019	$103,726
Fair value of plan assets	(3,024)	(2,909)	(36,820)
Unrecognized actuarial differences	(393)	(228)	(4,785)
Allowance for employees' severance and retirement benefits	¥ 5,102	¥ 4,882	$ 62,121

Included in the consolidated statements of income for the years ended March 31, 2012, 2011 and 2010 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Service costs—benefits earned during the year	¥ 492	¥ 514	¥ 517	$ 5,991
Interest cost on projected benefit obligation	152	146	147	1,851
Expected return on plan assets	(58)	(57)	(51)	(706)
Amortization of actuarial differences	228	(163)	174	2,776
Other	311	309	320	3,786
Severance and retirement benefit expenses	¥1,125	¥ 749	¥1,107	$13,698

Other of ¥311 million ($3,786 thousand) for the year ended March 31, 2012, ¥309 million for the year ended March 31, 2011 and ¥320 million for the year ended March 31, 2010 is the amount paid for a 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, 2012, 2011 and 2010 used by the Company is primarily 2.0%, and the discount rate used by one of its consolidated subsidiaries is 1.0% for the year ended March 31, 2012. 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.

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, 2012, 2011 and 2010, respectively.

For 2012

Use	Location	Number of properties
Land for development	**Setagaya-ku, Tokyo, etc.**	**3**

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

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 ¥5,618 million ($68,404 thousand), ¥7,602 million and ¥7,826 million for the years ended March 31, 2012, 2011 and 2010, 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
	2012	2011	2010	**2012**
Land	**¥5,618**	¥7,602	¥7,304	**$68,404**
Intangible assets	**—**	—	489	**—**
Buildings, structures and others	**—**	—	33	**—**
Total	**¥5,618**	¥7,602	¥7,826	**$68,404**

The recoverable amounts 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 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 for the year ended March 31, 2011 is due to the adjustment of useful life of depreciable assets.

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.

16. Asset retirement obligations

Even though removing asbestos is required for 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 years ended March 31, 2012 and 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 years ended March 31, 2012 and 2011, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

17. Income taxes

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants' taxes was approximately 40.69% for the years ended March 31, 2012, 2011 and 2010.

Details of deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Depreciation and amortization of consolidated adjustment	¥11,967	¥ —	$145,708
Loss on impairment of fixed assets	5,242	5,679	63,826
Net operating loss carryforwards	4,002	3,237	48,728
Loss on devaluation of real estate for sale	2,934	4,108	35,724
Accrued enterprise tax and business office tax	2,140	1,803	26,056
Allowance for employees' severance and retirement benefits	1,823	1,984	22,197
Accrued bonuses	1,324	1,431	16,121
Elimination of unrealized profit	1,223	1,204	14,891
Allowance for doubtful accounts	1,171	1,083	14,258
Loss on devaluation of investments in securities	1,151	1,225	14,014
Net unrealized holding losses on securities	1,113	4,605	13,552
Net deferred losses on hedges	591	1,229	7,196
Other	5,569	8,394	67,806
Subtotal of deferred tax assets	40,250	35,982	490,077
Valuation allowance	(6,393)	(6,088)	(77,840)
Total deferred tax assets	33,857	29,894	412,237
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(4,343)	(4,959)	(52,880)
Other	(361)	(507)	(4,395)
Total deferred tax liabilities	(4,704)	(5,466)	(57,275)
Net deferred tax assets	¥29,153	¥24,428	$354,962

"Amendment to income tax law, etc. in response to the changing economic structure" and "Special measures to secure the financial resources to implement the restoration from the Great East Japan Earthquake" were enacted into law on December 2, 2011 and became effective from April 1, 2012, the Company and its consolidated subsidiaries will be subject to the new corporate tax rate based on these laws. As a result, net deferred tax assets decreased by ¥3,354 million ($40,838 thousand) and deferred income taxes increased by ¥3,161 million ($38,488 thousand) for the year ended March 31, 2012.

The differences between the statutory tax rate and the Company's effective tax rate for the year ended March 31, 2012 are as follows:

Year ending March 31	2012
Statutory tax rate	40.69 %
Adjustment:	
Dividends and other income not taxable permanently	(1.33)
Inhabitant tax on per capita basis	0.28
Elimination of dividend income	0.84
Adjustment of deferred income taxes	3.25
Other	(0.67)
Effective tax rate	43.06 %

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

18. Deposits received and accounts payable with interest rate

Guarantee and deposits received at March 31, 2012 and 2011 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2012	Average interest rate (%)	2011	Average interest rate (%)	2012
Short-term deposits and long-term deposits due within one year:					
Non-interest-bearing	¥112,814	—	¥102,219	—	$1,373,602
Interest-bearing	9,000	0.36	67,500	0.51	109,583
	121,814		169,719		1,483,185
Guarantee and lease deposits from tenants:					
Non-interest-bearing	165,002	—	164,318	—	2,009,034
Interest-bearing	—	—	—	—	—
Long-term deposits:					
Non-interest-bearing	195,783	—	167,986	—	2,383,819
Interest-bearing	66,000	—	—	—	803,604
	426,785		332,304		5,196,457
Total	¥548,599		¥502,023		$6,679,642

Accounts payable with interest rate at March 31, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	Average interest rate (%)	2012
Due within one year	¥ 3,277	1.53	$ 39,900
Due after one year	20,528	1.53	249,945
Total	¥23,805		$289,845

(Note) Accounts payable due within one year is included in "Other current liabilities," and accounts payable due after one year is included in "Other long-term liabilities" on the consolidated balance sheets.

The aggregate annual maturities of deposits received at March 31, 2012 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 9,000	$109,582
2014	—	—
2015	—	—
2016	—	—
2017	66,000	803,604
2018 and thereafter	—	—
Total	¥75,000	$913,186

The aggregate annual maturities of accounts payable at March 31, 2012 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 3,277	$ 39,900
2014	3,277	39,900
2015	3,277	39,900
2016	3,277	39,900
2017	3,277	39,900
2018 and thereafter	7,420	90,345
Total	¥23,805	$289,845

19. 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.

20. Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2012, 2011 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	**2012**
Operating leases				
Future lease payments:				
Due within one year	**¥ 2,056**	¥ 2,374	¥ 4,348	**$ 25,033**
Due after one year	**15,448**	13,870	21,609	**188,093**
Total	**¥ 17,504**	¥ 16,244	¥25,957	**$ 213,126**
Future lease receipts:				
Due within one year	**¥ 57,989**	¥ 48,884	¥28,331	**$ 706,064**
Due after one year	**94,602**	53,597	29,941	**1,151,856**
Total	**¥152,591**	¥102,481	¥58,272	**$1,857,920**

21. Derivative transactions

Hedge accounting was applied for all derivative transactions for the years ended March 31, 2012 and 2011.

The summary of these transactions is as follows:

For 2012

(1) Foreign currency-related derivatives

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen: Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts Receipts in U.S. dollars / Payments in yen	Foreign currency-denominated transactions	**¥1,620**	**¥—**	**¥ (5)**
	Cross currency swap contracts Receipts in U.S. dollars / Payments in yen		**7,794**	**—**	**(28)**
Total			**¥9,414**	**¥—**	**¥(33)**

Hedging accounting	Types of derivative transactions	Hedged items	Thousands of U.S. dollars: Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts Receipts in U.S. dollars / Payments in yen	Foreign currency-denominated transactions	**$ 19,725**	**$—**	**$ (61)**
	Cross currency swap contracts Receipts in U.S. dollars / Payments in yen		**94,898**	**—**	**(341)**
Total			**$114,623**	**$—**	**$(402)**

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

(2) Interest-related derivatives

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	**¥375,424**	**¥180,000**	**¥(1,537)**
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	**866,040**	**711,186**	**—(*)**
Exceptional accounting for interest rate and currency swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts Receipts in U.S. dollars / Payments in yen	Foreign currency-denominated loans	**4,000**	**4,000**	**—(*)**

Hedging accounting	Types of derivative transactions	Hedged items	Thousands of U.S. dollars		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	**$ 4,571,095**	**$2,191,647**	**$(18,714)**
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	**10,544,746**	**8,659,272**	**—(*)**
Exceptional accounting for interest rate and currency swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts Receipts in U.S. dollars / Payments in yen	Foreign currency-denominated loans	**48,703**	**48,703**	**—(*)**

(Note) Fair value is determined based on the quoted price obtained from relevant financial institutions.
(*) Interest rate swap contracts and cross currency 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 or the long-term non-recourse 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 2011

(1) Foreign currency-related derivatives

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Foreign exchange forward contracts Receipts in U.S. dollars / Payments in yen	Foreign currency-denominated transactions	¥1,219	¥—	¥ (38)
	Cross currency swap contracts Receipts in U.S. dollars / Payments in yen		8,310	—	(251)
Total			¥9,529	¥—	¥(289)

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

(2) Interest-related derivatives

Hedging accounting	Types of derivative transactions	Hedged items	Millions of yen		
			Contract amounts	Contract amounts due after one year	Fair value
Deferred hedge accounting	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and deposits	¥245,000	¥135,000	¥(3,020)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans	570,645	391,665	—(*)

(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.

22. Segment information

The Company and its consolidated subsidiaries mainly operate their business in five segments: (1) Leasing business consists of leasing of office buildings, residences 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, 2012, 2011 and 2010 is summarized as follows:

	Millions of yen							
	Reportable segments							Consolidated financial statements amounts
For 2012	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Adjustments	
Revenue from operations:								
Customers	**¥ 269,225**	**¥198,070**	**¥163,246**	**¥48,882**	**¥ 9,239**	**¥ 688,662**	**¥ —**	**¥ 688,662**
Intersegment	**2,587**	**84**	**2,749**	**515**	**4,932**	**10,867**	**(10,867)**	**—**
Total	**¥ 271,812**	**¥198,154**	**¥165,995**	**¥49,397**	**¥14,171**	**¥ 699,529**	**¥ (10,867)**	**¥ 688,662**
Segment profit	**¥ 89,636**	**¥ 37,892**	**¥ 16,476**	**¥14,540**	**¥ 1,757**	**¥ 160,301**	**¥ (12,836)**	**¥ 147,465**
Segment assets	**¥2,840,515**	**¥678,886**	**¥ 13,824**	**¥12,809**	**¥39,236**	**¥3,585,270**	**¥274,428**	**¥3,859,698**
Other:								
Depreciation and amortization	**¥ 33,990**	**¥ 227**	**¥ 448**	**¥ 215**	**¥ 104**	**¥ 34,984**	**¥ 1,065**	**¥ 36,049**
Loss on impairment of fixed assets	**—**	**5,618**	**—**	**—**	**—**	**5,618**	**—**	**5,618**
Increase in property and equipment, and intangible assets	**113,185**	**1,499**	**641**	**125**	**215**	**115,665**	**299**	**115,964**

	Millions of yen							
	Reportable segments							Consolidated financial statements amounts
For 2011	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Adjustments	
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

	Millions of yen							
For 2010	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Elimination and/or corporate	Consolidated
I Revenue form 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 2012	Thousands of U.S. dollars: Reportable segments: Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	$ 3,278,035	$2,411,664	$1,987,654	$595,178	$112,493	$ 8,385,024	$ —	$ 8,385,024
Intersegment	31,499	1,023	33,471	6,271	60,051	132,315	(132,315)	—
Total	$ 3,309,534	$2,412,687	$2,021,125	$601,449	$172,544	$ 8,517,339	$ (132,315)	$ 8,385,024
Segment profit	$ 1,091,392	$ 461,366	$ 200,609	$177,036	$ 21,393	$ 1,951,796	$ (156,289)	$ 1,795,507
Segment assets	$34,585,596	$8,265,993	$ 168,319	$155,960	$477,730	$43,653,598	$3,341,386	$46,994,984
Other:								
Depreciation and amortization	$ 413,856	$ 2,764	$ 5,455	$ 2,618	$ 1,266	$ 425,959	$ 12,967	$ 438,926
Loss on impairment of fixed assets	—	68,404	—	—	—	68,404	—	68,404
Increase in property and equipment, and intangible assets	1,378,120	18,252	7,805	1,522	2,617	1,408,316	3,641	1,411,957

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 the general administrative division in the Company and certain of its consolidated subsidiaries to corporate expenses for the years ended March 31, 2012 and 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 years ended March 31, 2012 and 2011.

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

23. Comprehensive Income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous period and tax effects for each component of other comprehensive income (loss) are as follows:

	Millions of yen 2012	Thousands of U.S. dollars 2012
Unrealized holding gains on securities:		
Increase during the fiscal year	¥ 4,479	$ 54,535
Reclassification adjustments	3,814	46,439
Amounts before tax effect	8,293	100,974
Tax (expense) or benefit	(3,513)	(42,774)
Net unrealized holding gains on securities	4,780	58,200
Deferred gains on hedges:		
Decrease during the fiscal year	(293)	(3,568)
Reclassification adjustments	2,379	28,967
Amounts before tax effect	2,086	25,399
Tax (expense) or benefit	(874)	(10,642)
Net deferred gains on hedges	1,212	14,757
Foreign currency transaction adjustments:		
Decrease during the fiscal year	(1,067)	(12,992)
Tax (expense) or benefit	—	—
Foreign currency transaction adjustments	(1,067)	(12,992)
Total other comprehensive income	¥ 4,925	$ 59,965

24. Investment and rental properties

The Company and 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, 2012 and 2011 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2012	2011	**2012**
Investment and rental properties	Balance at beginning of fiscal year	**¥1,903,295**	¥1,833,481	**$23,174,175**
	Changes during the fiscal year	**540,721**	69,814	**6,583,721**
	Balance at end of fiscal year	**2,444,016**	1,903,295	**29,757,896**
	Fair value at end of fiscal year	**3,387,741**	2,426,030	**41,248,521**
A portion used as investment and rental properties	Balance at beginning of fiscal year	**¥ 69,068**	¥ 65,066	**$ 840,959**
	Changes during the fiscal year	**152,670**	4,002	**1,858,882**
	Balance at end of fiscal year	**221,738**	69,068	**2,699,842**
	Fair value at end of fiscal year	**253,995**	92,139	**3,092,597**

(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, 2012 and 2011 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, 2012 and 2011 shown above are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Increase:			
Newly consolidated subsidiaries	**¥633,985**	¥ —	**$7,719,286**
Acquired real estate	**113,548**	120,899	**1,382,540**
Decrease:			
Depreciation and amortization	**¥ (32,456)**	¥ (20,595)	**$ (395,178)**
Transferred to real estate for sale in process	**(13,819)**	(12,961)	**(168,258)**
Loss on impairment of fixed assets	**(5,618)**	(7,602)	**(68,404)**

Income and expenses for investment and rental properties for the years ended March 31, 2012 and 2011 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2012	2011	**2012**
Investment and rental properties	Income	**¥166,201**	¥138,048	**$2,023,633**
	Expenses	**86,501**	77,600	**1,053,220**
	Balance	**79,700**	60,448	**970,413**
	Other income (expenses)	**(6,040)**	(9,294)	**(73,542)**
A portion used as investment and rental properties	Income	**¥ 18,113**	¥ 8,024	**$ 220,541**
	Expenses	**14,704**	5,935	**179,034**
	Balance	**3,409**	2,089	**41,507**
	Other income (expenses)	**(88)**	(17)	**(1,071)**

(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 bonds). 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.

Effective from the year ended March 31, 2012, the Company early adopted the new accounting standard, revised "Accounting Standard for Consolidated Financial Statements" (Statement No. 22 revised by the Accounting Standards Board of Japan on March 25, 2011), "Guidance on Disclosures about Certain Special Purpose Entities" (Guidance No. 15 revised by the Accounting Standards Board of Japan on March 25, 2011), "Guidance on Determining a Subsidiary and an Affiliate" (Guidance No. 22 revised by the Accounting Standards Board of Japan on March 25, 2011) and "Practical Solution on Applications of the Control Criteria and Influence Criteria to Investment Associations" (PIFT No. 20 issued by the Accounting Standards Board of Japan on March 25, 2011).

Accordingly, 23 Special Purpose Entities, including Shiodome Hamarikyu Special Purpose Company, Ltd., and 1 limited partnership ("*Tokumei Kumiai*") have been newly included within the scope of consolidation. As a result of this consolidation, there were no more unconsolidated SPEs as of March 31, 2012 and no transactions with SPEs during the year ended March 31, 2012.

At March 31, 2011, the Company had outstanding investments in 25 SPEs. Their assets, liabilities and net assets (simple sum) at their settlement date during the year ended March 31, 2011 are shown below.

	Millions of yen
	2011
Assets:	
Real property	¥687,896
Other	44,185
Total	¥732,081
Liabilities and net assets:	
Borrowings*1	¥577,815
Preferred capital, etc.*2	112,027
Other	42,239
Total	¥732,081

*1 Includes specified bonds 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, 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 are as follows:

For 2011

	Millions of yen	
	Carrying amount	Fair value
Investment and rental properties held by SPEs	¥658,967	¥1,114,133

(2) Transactions with the SPEs

	Millions of yen
	2011
Investments, etc.*3:	
Investments:	
Marketable securities	¥ —
Investments in securities	72,679
Investments in SPEs holding properties for sale	64,735
Total	137,414
Revenue from operations	26,677
Other income	35
Real estate leasing*4:	
Cost of revenue from operations	44,396
Management services*5:	
Revenue from operations	37
Real estate transactions*6:	
Transaction payments	18,700

*3 Includes investments in preferred stocks and specified bonds 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 bonds 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, 2012, the Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by customers in an amount aggregating to ¥39 million ($475 thousand).

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.

27. Subsequent events

The Company issued ¥10,000 million ($121,758 thousand) in 0.55% unsecured bonds due 2017 on June 25, 2012, and ¥10,000 ($121,758 thousand) in 0.50% unsecured bonds due 2017 on August 1, 2012.

On June 28, 2012, 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 ($57,738 thousand) to shareholders of record at March 31, 2012. Such appropriations are recognized in the period in which they are approved by the shareholders.

Independent Auditor's Report

KPMG

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

We have audited the accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the years in the three-year period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2012, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. From the year ended March 31, 2012, the Company early adopted the new accounting standard, revised "Accounting Standard for Consolidated Financial Statements" (Statement No. 22 revised by the Accounting Standard Board of Japan on March 25, 2011), etc.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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

August 30, 2012
Tokyo, Japan

Corporate Data/Investor Information

As of March 31, 2012

Corporate Data

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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
9,954 (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

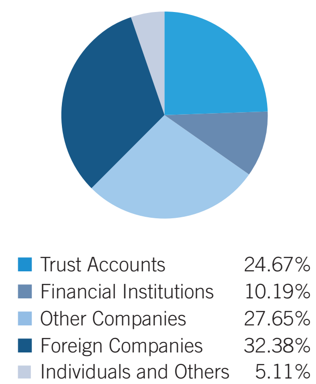
Paid-in Capital
¥122,805 million

Number of Common Stock
Authorized: 1,900,000,000 shares
Issued: 476,085,978 shares

Number of Shareholders
14,710

Stock Exchange Listings
Tokyo Stock Exchange
Osaka Securities Exchange

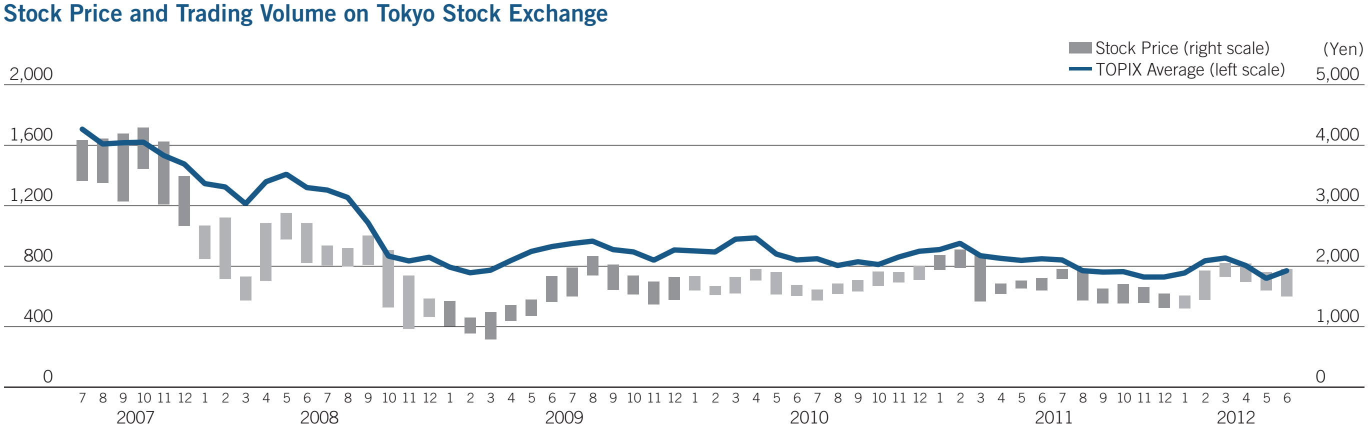
Breakdown of Shareholders

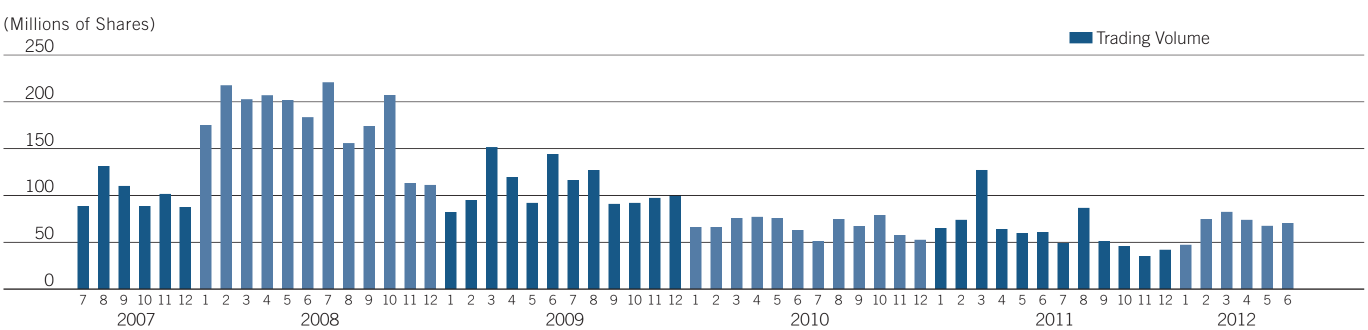


Major Shareholders

Name	Number of shares held (Thousands)	Percentage of shares held
Japan Trustee Services Bank, Ltd. (Trust account)	32,360	6.80%
The Master Trust Bank of Japan, Ltd. (Trust account)	22,382	4.70%
Sumitomo Mitsui Banking Corporation	11,990	2.52%
SSBT OD05 Omnibus Account – Treaty Clients	11,368	2.39%
Japan Trustee Services Bank, Ltd. (Trust account 4)	10,548	2.22%
Cbldn Stichting PGGM Depositary	8,263	1.74%
Kajima Corporation	7,912	1.66%
Shimizu Corporation	7,500	1.58%
Mitsui Sumitomo Insurance Co., Ltd.	6,740	1.42%
State Street Bank and Trust Company	6,738	1.42%

Stock Price and Trading Volume on Tokyo Stock Exchange





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