Sumitomo Realty & Development Co., Ltd.

Leveraging Potential to Generate Profit

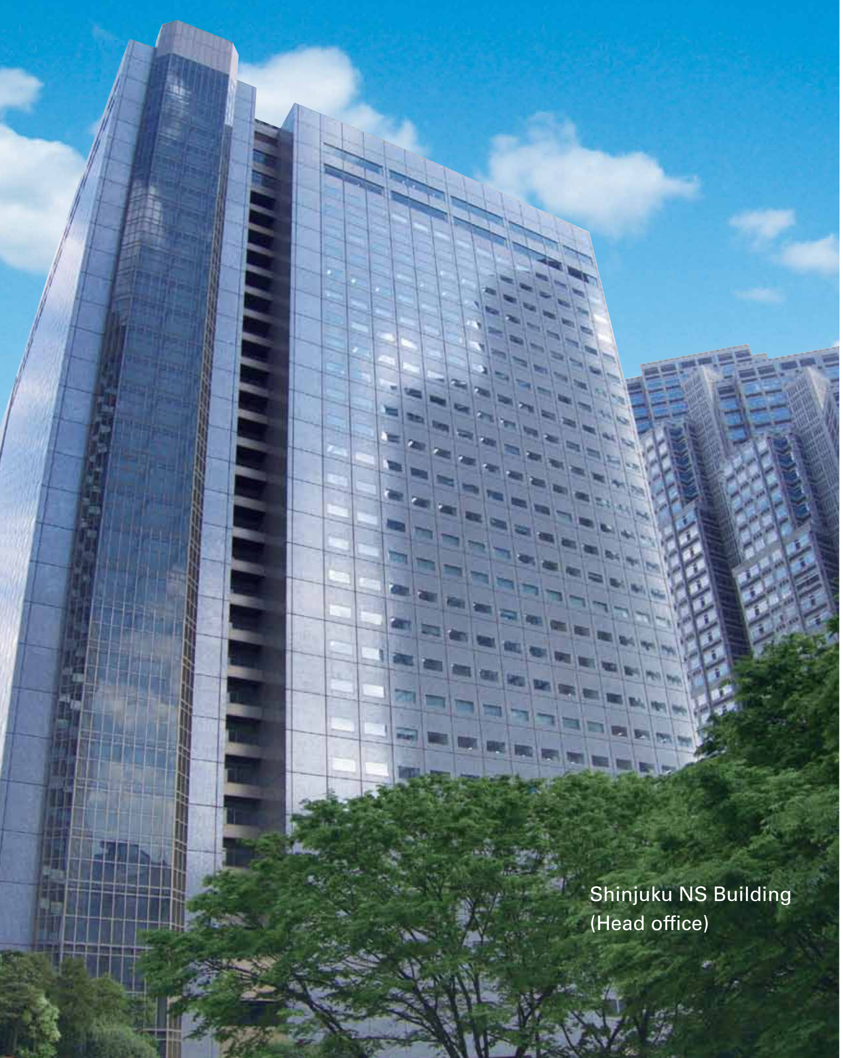
Annual Report 2013

Who We Are...

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 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.

1949 1960

Global Events

1964 • Tokyo Olympic Games
1973 • First oil crisis
1978 • Second oil crisis

1982 Completed construction of 30-story Shinjuku NS Building in Shinjuku, Tokyo; moved Company headquarters there from Shinjuku Sumitomo Building.

1995 Commenced American Comfort custom home construction business.

1996 Commenced Shinchiku Sokkurisan remodeling business.

1997 Entered high-quality business hotel market. Opened Villa Fontaine Nihonbashi and hotels at two other locations.

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

1999 Commenced real estate joint investment trust fund. Launched sales of Sumitomo Realty & Development Fund (SURF) series.

Implemented the Sumquest bond issue, which was the first public issue of real estate securities in Japan.

2000 Commenced luxury condominium leasing business. Completed construction of La Tour Shibakoen.

2001 The number of managed STEP brokerage offices exceeded 200.

2002 Completed construction of Izumi Garden Tower (Roppongi 1-Chome Redevelopment Project).

2003 Commenced sales of J·URBAN fixed-price urban-style housing series.

2004 Commenced sales of World City Towers in Minato Ward, Tokyo.

2006 Established Sumitomo Fudosan Reform Co., Ltd., a consolidated subsidiary.

2008 Established Sumitomo Fudosan Bellesalle Co., Ltd., a consolidated subsidiary.

Commenced sales at City Towers Toyosu (Koto Ward, Tokyo).

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

World City Towers

2011 Opened Grand Mansion Gallery.

Completed Sumitomo Fudosan Shinjuku Grand Tower (Shinjuku Ward, Tokyo).

2012 Completed construction of Sumitomo Fudosan Shibuya Garden Tower (Shibuya Ward, Tokyo).

Launched a Custom-order Condominium service.

Please refer to page **11**.

Commenced sales of J·RESIDENCE.

Please refer to page **22**.

2013 Commenced construction of Nihonbashi 2-Chome Project (Chuo Ward, Tokyo).

Please refer to page **8**.

Cumulative units contracted topped 80,000 in Shinchiku Sokkurisan remodeling operations.

Sumitomo Fudosan Shinjuku Grand Tower

1970 **1980** **1990** **2000** **2010**

1985 • The Plaza Accord
1987 • Black Monday
1989 • Collapse of Berlin Wall
• Nikkei Stock Average all-time high
1999 • Introduction of euro

2001 • 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

Key Figures

Revenue from Operations during Sixth Management Plan

2,500 billion yen

Please refer to page **6**.

Ordinary Profit during Sixth Management Plan

400 billion yen

Please refer to page **6**.

ROE

10.1%

Please refer to page **33**.

Condominium Units, Detached Houses and Land Lots Delivered

4,688 units

Please refer to page **18**.

Office Buildings for Leasing

Over 200 buildings

Please refer to page **14**.

Contents Annual Report 2013

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 2013 Fiscal Year

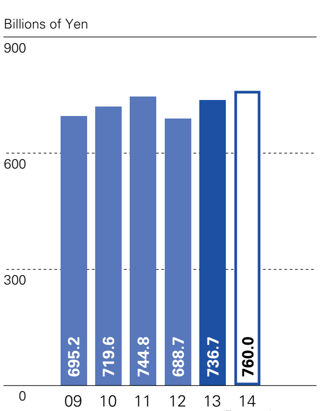
We recorded revenue and profit growth, with increases from the previous year in revenue from operations, operating income, ordinary profit and net income. This was also the third consecutive year in which we recorded increases in both operating income and ordinary profit.

	Millions of yen			Thousands of U.S. dollars*1
	2013	**2012**	**2011**	**2013**
For the Year				
Revenue from operations	**¥ 736,652**	¥ 688,662	¥ 744,756	**$ 7,835,890**
Operating income	**151,345**	147,465	138,463	**1,609,882**
Ordinary profit*2	**114,916**	107,912	106,296	**1,222,381**
Net income	**59,825**	53,236	50,908	**636,368**
At Year-end				
Total assets	**¥4,105,500**	¥3,859,698	¥3,234,203	**$43,670,886**
Shareholders' equity*3	**627,012**	553,844	526,227	**6,669,631**
Interest-bearing debt	**2,650,707**	2,554,115	2,021,599	**28,196,012**
Per Share Data (Yen and U.S. dollars)				
Net income	**¥ 126.18**	¥ 112.28	¥ 107.35	**$ 1.34**
Shareholders' equity	**1,322.52**	1,168.11	1,109.78	**14.07**
Cash dividend applicable to the year	**20.00**	20.00	20.00	**0.21**

*1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥94.01 = U.S.$1, the prevailing exchange rate at March 31, 2013.
*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

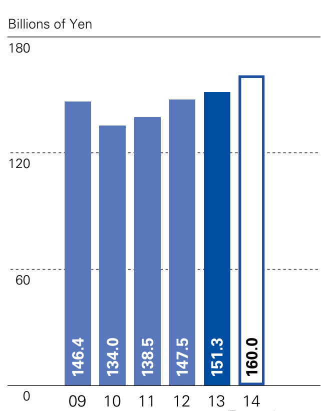
Revenue from Operations

¥736.7 billion
in the March 2013 fiscal year



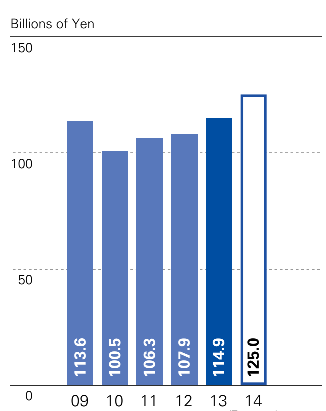
Operating Income

¥151.3 billion
in the March 2013 fiscal year



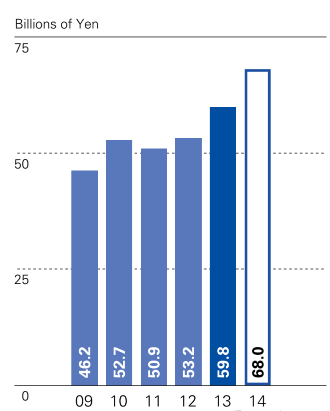
Ordinary Profit*2

¥114.9 billion
in the March 2013 fiscal year



Net Income

¥59.8 billion
in the March 2013 fiscal year



We will redouble our efforts to achieve the targets of the Sixth Management Plan in the pursuit of continued growth.

Junji Takashima
Chairman

Kojun Nishima
President

Introducing our New President

First, we would like to report that Kojun Nishima has officially succeeded Kenichi Onodera as President of the Company. With the conclusion of the Fifth Management Plan at the end of the March 2013 fiscal year, we have embarked on a new Sixth Management Plan from April 2013, and to implement this new management plan, we have decided to install a new president to strengthen the management structure and rejuvenate the executive structure.

After serving as president for three 2-year terms, Mr. Onodera has taken the position of Vice Chairman, and together with Chairman Junji Takashima he will add strong support to the new executive team.

With this new executive team led by the President and Vice Presidents, we are dedicated to continuing and accelerating growth that has come to be expected as the Company's strength.

Overview of Results for the March 2013 Fiscal Year

In the March 2013 fiscal year, the final year under the Fifth Management Plan, we were able to achieve revenue and profit growth, with revenue and profit both surpassing our initial forecasts. Driven by an increasing sense of the office building market having bottomed out in leasing operations, and growth in condominium units delivered in sales operations, revenue from operations grew to ¥736.7 billion, operating income rose to ¥151.3 billion and ordinary profit increased to ¥114.9 billion, for the third consecutive year of profit growth.

In line with our emphasis on the continued payment of stable dividends, we maintained annual dividends at ¥20 per share, including an interim dividend of ¥10 per share. Further, in the March 2014 fiscal year we intend to maintain annual dividends of ¥20 per share, including an interim dividend of ¥10 per share.

Achievements under the Fifth Management Plan

The Fifth Management Plan, launched in April 2010, was based on the twin aims of "Getting back on track toward increased revenue and profit" and "Targeting record-setting business results in the March 2013 fiscal year." A challenging

Initial Targets and Results of 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	Targets of 5th Plan*	2011	2012	2013	Results of 5th Plan	Results vs. Targets
Revenue from operations	2,300	745	689	737	**2,170**	(130)
Operating income	430	138	147	151	**437**	+7
Ordinary profit	320	106	108	115	**329**	+9

* Announced on May 12, 2010

operating environment continued during the period covered by the plan, however, with the occurrence of the Great East Japan Earthquake during the first year, followed by problems at nuclear power plants, the European debt crisis and the yen's strong appreciation.

Against this backdrop, as shown in the table on page 4, although we fell short of our revenue from operations target, we were able to surpass our targets for operating income and ordinary profit.

Although we did not quite reach our goal of "record-setting business results," we achieved increases in operating income and ordinary profit in each of the three years under the plan, and have been able to get "back on track toward increased profit." We did surpass our cumulative profit target for the 3-year period and reached our initial targets under the Fifth Management Plan, and we therefore consider our achievements under the Fifth Management Plan to have been rather successful.

Using land that had been acquired by the end of the Fifth Management Plan, our leasing operations plan to complete development of projects with a gross floor area of 140,000 tsubo during the period of the Sixth Management Plan. Construction began on the main Nihonbashi 2-Chome Project* in the March 2013 fiscal year. The Roppongi 3-Chome Project* is also proceeding on track, and we expect to commence construction in the March 2014 fiscal year. We also have several large projects planned from the Seventh Management Plan. For condominiums in sales operations, we have acquired sites equivalent to 30,000 units to deliver during or after the Sixth Management Plan.

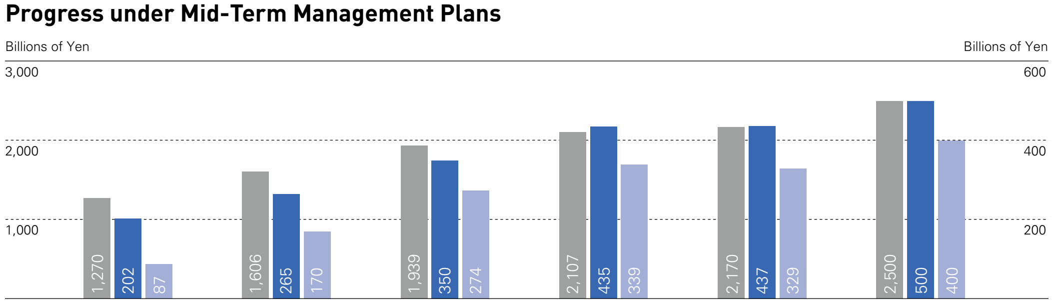
* Please refer to "Sixth Management Plan—Key Initiatives" starting on page 7.

Start of the Sixth Management Plan

Under the Sixth Management Plan, which begins with the March 2014 fiscal year, we aim to quickly surpass the record single-year results recorded in the March 2008 fiscal year, and have also set targets for cumulative record revenue and profit, raising the goal for cumulative ordinary profit for the 3-year period to ¥400 billion.

Looking at the economy, hopes for the new government's policies known as "Abenomics" have led to a turnaround to a weaker yen and higher stock prices, creating higher expectations for an end to deflation and an economic recovery. At the same time, however, faced with scheduled increases in consumption tax, we still cannot be optimistic regarding the future direction of the economy. Our outlook is that even if

Progress under Mid-Term Management Plans



(Years ended March 31)	1st Plan* 1999–2001	2nd Plan 2002–2004	3rd Plan 2005–2007	4th Plan 2008–2010	5th Plan 2011–2013	6th Plan 2014–2016 (Forecast)
Revenue from operations	1,270	1,606	1,939	2,107	2,170	**2,500**
Operating income (right scale)	202	265	350	435	437	**500**
Ordinary profit (right scale)	87	170	274	339	329	**400**

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.

Sixth Medium-Term Management Plan (April 2013 to March 2016)

1 Surpass single-year record and achieve 3-year cumulative ordinary profit of ¥400 billion

For single-year business results, we will work to surpass, at an early date, our record high for ordinary profit, which was set in the March 2008 fiscal year (ordinary profit of ¥125.2 billion). In addition, we will aim for a further increase in the level of cumulative ordinary profit under the new plan, compared with what we achieved under the previous management plans, to ¥400 billion.

Three-Year Cumulative Targets

Billions of Yen		vs. 5th Plan
Revenue from operations	2,500	+ 15.2%
Operating income	500	+ 14.3%
Ordinary profit	400	+ 21.5%

2 Strengthen financial position

We will strengthen our financial position by bolstering internal reserves and extending repayment periods. We have not set specific numerical targets, but aim to maintain continuously higher credit ratings.

3 Diversify our businesses

We will look for new directions and develop new businesses (including overseas development) in our four existing areas of operations (leasing, sales, construction and brokerage). We will also pursue completely new areas of operations.

the Japanese economy emerges from deflation and moves toward gradual inflation, bringing about higher office rents and prices for condominiums and other housing, the full effect will not be reflected in our business results until the period covered by the Seventh Management Plan. Therefore, under the Sixth Management Plan we will first aim for profit growth by reviewing, expanding and strengthening the bases for our existing operations.

With regard to our financial position, our policy of building up shareholders' equity by achieving annual profit targets and steadily enhancing our financial position is unchanged. At the same time, we will prepare for investment for further growth during and after the Seventh Management Plan.

Furthermore, to lay the foundation for continued, accelerated growth from the period under the Seventh Management Plan, we will look for new directions and develop new businesses in existing operations, while also pursuing completely new areas of operations.

Outlook for the March 2014 Fiscal Year

For the first year under the new management plan, we are aiming for revenue and profit growth in all four main areas of operations, and are forecasting revenue from operations of ¥760 billion, with operating income of ¥160 billion, ordinary profit of ¥125 billion and net income of ¥68 billion. The entire group will make a comprehensive effort to achieve these targets and meet our goal of "surpassing our single-year record" in the first year under the new plan.

In this way, we will redouble our efforts to achieve the targets of the Sixth Management Plan in the pursuit of continued growth. We ask for the continued support of shareholders as we work toward these goals going forward.

June 2013

J. Takashima K. Nishima

Junji Takashima
Chairman

Kojun Nishima
President

Sixth Management Plan—Key Initiatives

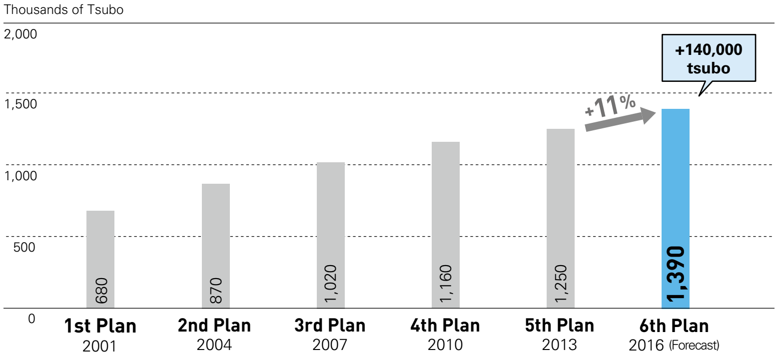
LEASING

Principal Projects (2014–2016*1)

Name	Location (Tokyo CBD*2)	Gross floor area (Tsubo*3)	Expected completion
Sumitomo Fudosan Motoakasaka Building	Minato Ward	1,800	Jan. 2014
Sumitomo Fudosan Chiyoda First Wing	Chiyoda Ward	2,700	Jan. 2014
Sumitomo Fudosan Onarimon-eki Mae Building	Minato Ward	2,700	Jan. 2014
Total: 2014*1		7,200	
Hanzomon Rebuilding Project	Chiyoda Ward	3,700	Dec. 2014
Mita Rebuilding Project	Minato Ward	7,400	Feb. 2015
Nihonbashi 2-Chome Project	Chuo Ward	42,000	Feb. 2015
Total: 2015*1		53,100	
Nibancho Project	Chiyoda Ward	6,000	Sept. 2015
Roppongi 3-Chome Project	Minato Ward	61,000	Mar. 2016
3 Other Buildings		13,000	
Total: 2016*1		80,000	
Total: 6th Management Plan		140,300	

*1. Fiscal year ending March 31
*2. Tokyo CBD (Central Business District): 7 wards, comprising Chiyoda, Minato, Chuo, Shinjuku, Shibuya, Shinagawa and Bunkyo
*3. 1 tsubo = 3.3 m²

Gross Floor Area (Years ended March 31)



Projects Scheduled for Completion in March 2014 Fiscal Year

Sumitomo Fudosan Motoakasaka Building

Location
Minato Ward

Gross floor area
1,800 tsubo

Expected completion
Jan. 2014

No. of floors
9 above ground
1 below ground

Sumitomo Fudosan Chiyoda First Wing

Location
Chiyoda Ward

Gross floor area
2,700 tsubo

Expected completion
Jan. 2014

No. of floors
7 above ground
1 below ground

Sumitomo Fudosan Onarimon-eki Mae Building

Location
Minato Ward

Gross floor area
2,700 tsubo

Expected completion
Jan. 2014

No. of floors
11 above ground

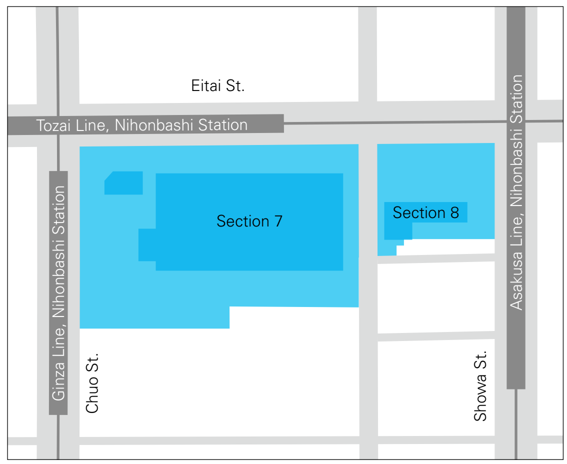
Outlook for Leasing Operations

Under the Sixth Management Plan, we are aiming for cumulative revenue and profit growth for the 3-year period, with record profit as well as record-setting business results on a single-year basis. Including redevelopment projects in Nihonbashi and Roppongi scheduled for completion during the period of the Sixth Management Plan, we expect to make a solid contribution to business results with the addition of 140,000 tsubo of gross floor area. Going forward, we will continue to work for profit growth by expanding the earnings base and enhancing the quality of our buildings.

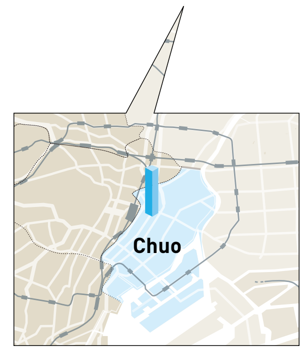
Nihonbashi 2-Chome Project

Contributing to redevelopment in the Nihonbashi area

Located at Nihonbashi intersection, one of Japan's leading business districts, this site is about 8,800 square meters. This large-scale project will have a gross floor area of approximately 138,000 square meters, or 42,000 tsubo, and include office space, commercial space and multipurpose halls.



Project site



Location
Chuo Ward

Gross floor area
42,000 tsubo

Expected completion
Feb. 2015

No. of floors
35 above ground / 4 below ground

Project Features

1 Enhanced functionality as a transportation hub

To make it easier to transfer and relieve congestion at Nihonbashi Station, where three different subway lines intersect, the project will feature an underground open space that connects the building and the station, as well as an open space of approximately 1,500m² facing Nihonbashi intersection.

2 Abundant space for pedestrians

The building will be set back to preserve an open space in front of the station, and with barrier-free access between the station and street level, the area will become safer and easier for pedestrians to navigate.

3 Enhanced community disaster preparedness

In addition to fireproofing and earthquake resistance, the building will have an emergency generator that can provide power for 72 hours, as well as a storage facility for emergency provisions. In the event of a disaster, the open space in front of the station can be used as a first aid station and supply center, and has room for portable toilets.

4 Place for meeting and exchange

A facility displaying tourist information will be installed near Nihonbashi Station, which offers easy access to and from Narita and Haneda airports. The project will also include the area's largest multipurpose hall (more than 1,000m²), which will have an exhibition area and reception desk, and can be used for seminars and symposiums.

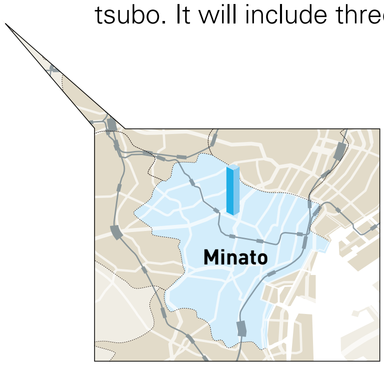
5 State-of-the-art office specifications

The facility will incorporate business continuity planning (BCP) with an earthquake-resistant structure and a 72-hour supply of backup power, using a range of the latest equipment to prepare for an earthquake or power outage. The office floors will have approximately 820 tsubo of leasable floor space on standard floors, and the rooms are designed without internal pillars, creating an open feeling and highly efficient layout.

Roppongi 3-Chome Project

Offering diverse functions at our largest redevelopment project

On a large site of about 2.7 hectares adjacent to both Roppongi 1-chome Station and our flagship property Izumi Garden Tower, this large-scale project will have a gross floor area of approximately 200,000 square meters, or 61,000 tsubo. It will include three types of facilities—office, residential and commercial—in north and south sections.

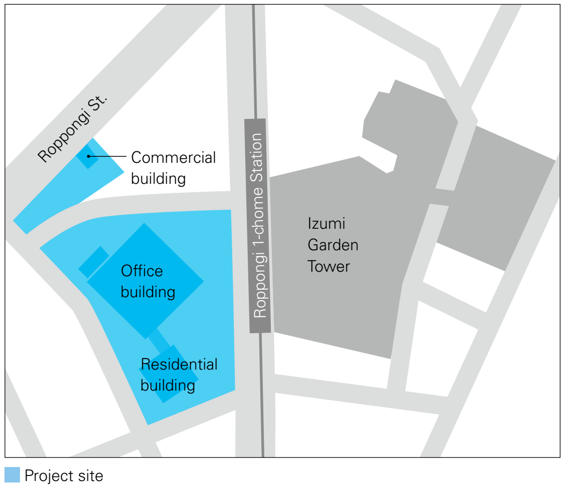


Location
Minato Ward

Gross floor area
61,000 tsubo

Expected completion
Mar. 2016

No. of floors
40 above ground / 5 below ground



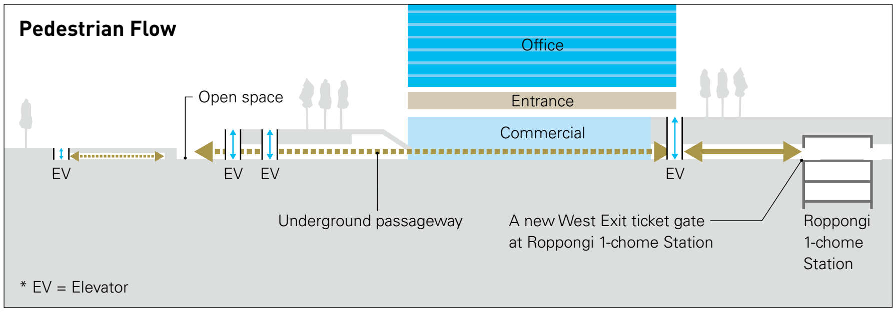
Project Features

1 Location next to subway station

Encircled by a broad (4-meter) walkway and with two large, green, open spaces (1,400m² and 1,000m²), the project will feature an attractive, composite urban topography.

2 Greater convenience for pedestrians

An underground passageway connecting to Roppongi Street and Roppongi 1-chome Station will make it easier for pedestrians to go from the west side of the complex to the station, and design features, such as elevators, will provide a barrier-free environment.



3 Enhanced community disaster preparedness

The underground open space in front of the station (750m²) can be used as a temporary evacuation area, enhancing the community's disaster preparedness.

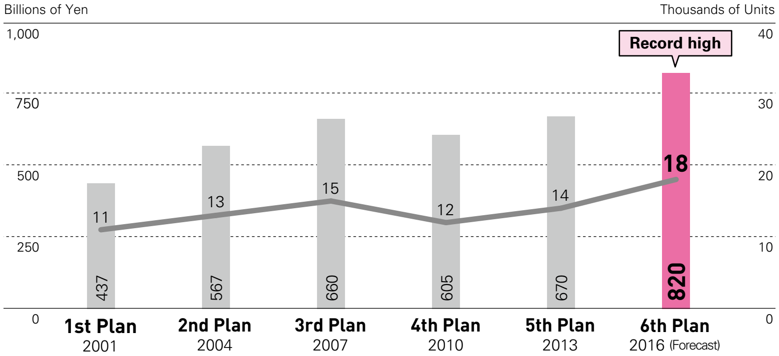
SALES

Principal Projects (2014–2016)

Name	Location	No. of units for sale	Scheduled delivery*
City Terrace Kaga	Itabashi Ward, Tokyo	385	2014
City Terrace Yoyogi-koen	Shibuya Ward, Tokyo	114	2014
City Tower Ageo-eki Mae	Ageo	291	2014
City Tower Kobe Sannomiya	Kobe	594	2014
City Terrace Imafuku Tsurumi	Osaka	294	2014
City Towers Maruyama	Sapporo	101	2014
The Grand Millennia Tower & Suite	Toshima Ward, Tokyo	412	2015
Tokyo Bay City Tower	Minato Ward, Tokyo	171	2015
Oedo Tower Residence	Taito Ward, Tokyo	124	2015
Chofu-eki Mae Project	Chofu, Tokyo	161	2015
City Terrace Toda-koen	Toda	497	2015
Central Residence Otakanomori	Nagareyama	168	2015
Deux Tours Canal & Spa	Chuo Ward, Tokyo	1,666	2016
City Tower Musashi Kosugi	Kawasaki	800	2016
Tennoji Project	Osaka	413	2016
City Tower Sendai Ichibancho Residence	Sendai	144	2016

* Fiscal years ending March 31

Revenue from Operations and Units Delivered (Years ended March 31)



* Cumulative totals for the period covered by each plan.

City Tower Kobe Sannomiya

Location
Kobe

No. of units for sale
594

No. of floors
54 above ground
1 below ground

Scheduled delivery
Apr. 2013

City Terrace Kaga

Location
Itabashi Ward, Tokyo

No. of units for sale
385

No. of floors
15 above ground
1 below ground

Scheduled delivery
Jan. 2014

Tokyo Bay City Tower

Location
Minato Ward, Tokyo

No. of units for sale
171

No. of floors
30 above ground
1 below ground

Scheduled delivery
Dec. 2014

Outlook for Sales Operations

Under the Sixth Management Plan, we aim to increase sales volume to achieve growth in cumulative revenue and profit for the 3-year period. We are targeting cumulative sales of 18,000 condominium units under the Sixth Management Plan, a roughly 30% increase from 14,000 units sold during the period of the Fifth Management Plan. This target is equivalent to sales of roughly 6,000 units annually, which would be a record level for the Company.

During the period covered by the Fifth Management Plan, we launched the Grand Mansion Gallery and Custom-order Service as new initiatives to strengthen our product planning and sales structure. We aim to achieve our new targets by making maximum use of the results of these initiatives.

New Initiatives in the Condominium Business
Custom-order Service Announced January 2012

We have launched initiatives aiming to raise customer satisfaction by providing a detailed response to their needs. A new Custom-order Service is one of these initiatives.

Generally in Japan, condominiums are provided to customers with limited floor plans and customers cannot choose or change the floor plan to better fit their lifestyle.

Our Custom-order Service, however, enables 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.

With such initiatives, we are aiming to expand cumulative sales to 18,000 condominium units under the Sixth Management Plan.

Details of Custom-order Service

	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**

Principal Condominiums that Offer Custom-order Service

City House Urawa Takasago

Location
Saitama

No. of units for sale
95

No. of floors
18 above ground / 1 below ground

Scheduled delivery*
2013

The Grand Millennia Tower & Suite

Location
Toshima Ward, Tokyo

No. of units for sale
412

No. of floors
31 above ground / 1 below ground

Scheduled delivery*
2015

* Fiscal year ending March 31

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

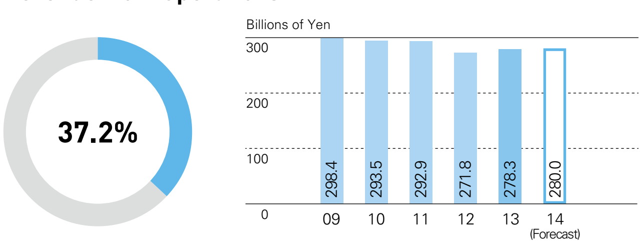
Leasing and sales are our traditional main fields of business. These are capital-intensive fields; returns and risk are both high and substantial upfront investment is required, but the level of human resources is relatively low. In leasing, the period from the initial investment to the generation of 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.

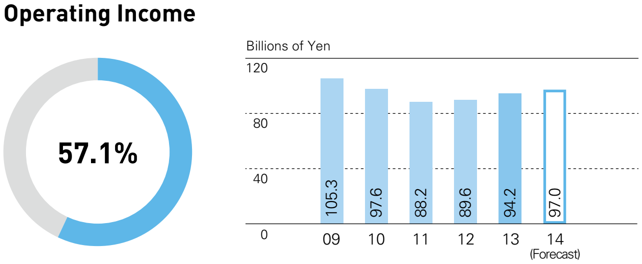
LEASING

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

Revenue from Operations



Operating Income



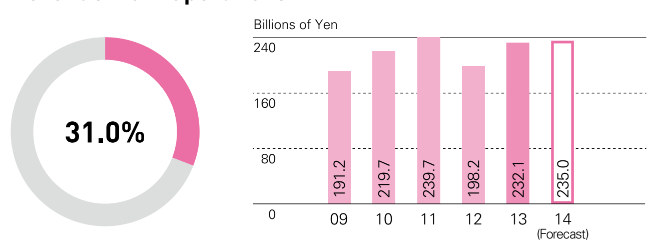
Major Consolidated Subsidiaries

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

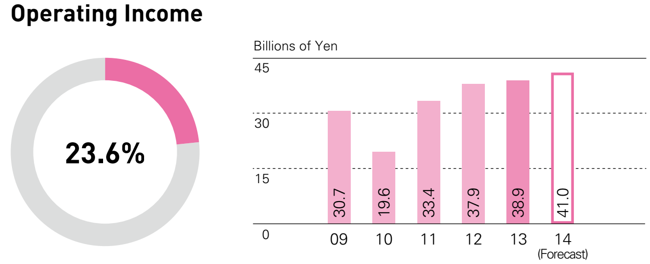
SALES

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

Revenue from Operations



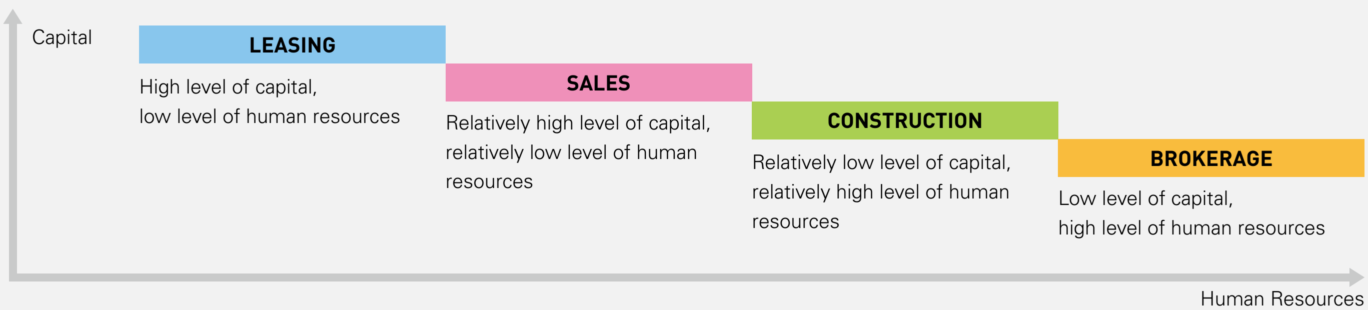
Operating Income



Taking Steps to Maintain Well-balanced Operations

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

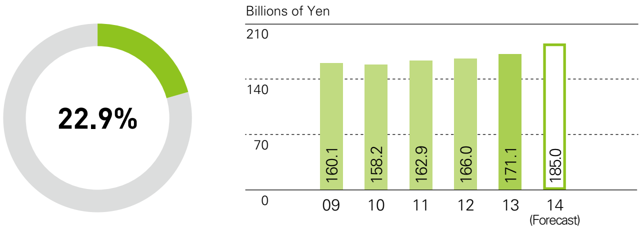
Sumitomo Realty's Balanced Portfolio



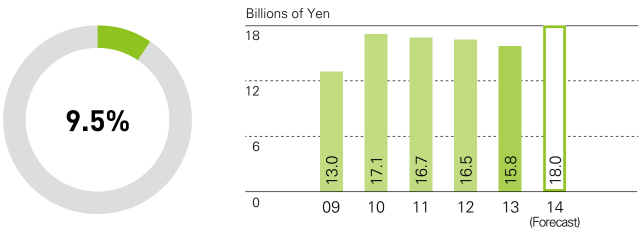
CONSTRUCTION

Custom home construction and remodeling and related activities

Revenue from Operations



Operating Income



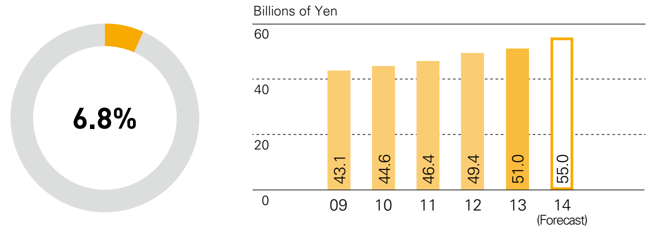
Major Consolidated Subsidiaries

Sumitomo Fudosan Syscon Co., Ltd.
Sumitomo Fudosan Reform Co., Ltd.

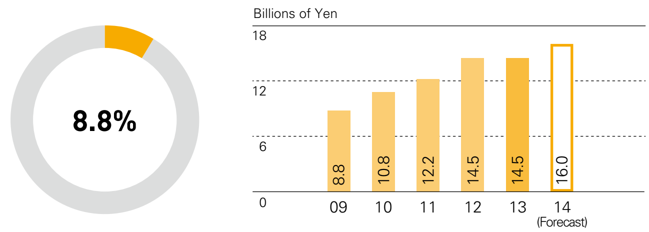
BROKERAGE

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

Revenue from Operations



Operating Income



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

We currently operate over 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 a strong market presence.

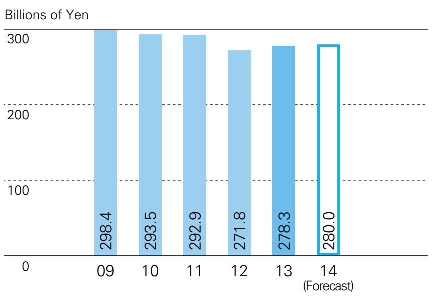
Office Buildings Opened in the March 2013 Fiscal Year

Name	Location (Tokyo CBD)	No. of floors (Above ground/ Below ground)	Completion	Gross floor area (m^2)
Sumitomo Fudosan Tamachi First Building	Minato Ward	11/1	Apr. 12	21,802
Sumitomo Fudosan Shibuya Garden Tower	Shibuya Ward	24/3	Jun. 12	59,417

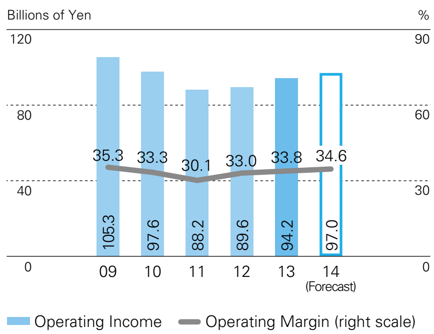
Sumitomo Fudosan Tamachi First Building

Sumitomo Fudosan Shibuya Garden Tower

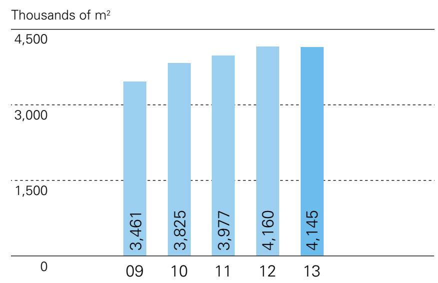
Revenue from Operations



Operating Income and Operating Margin



Gross Floor Area



Overview of the Fiscal Year

In the Tokyo office building market, which represents more than 90% of our portfolio, we saw an improvement in the balance of supply and demand through the second half of the fiscal year under review, after most of the large-scale buildings that were expected to be completed during the fiscal year came on to the market. Demand from tenants seeking to move to buildings with superior business continuity planning (BCP) functionality remained robust, and the asking rent levels for some prime properties began to increase. With new demand for additional floor space gradually increasing, there was an increasing sense of a market recovery.

Against this backdrop, revenue from operations rose 2.4% from the previous year, to ¥278.3 billion, and operating income grew 5.1%, to ¥94.2 billion. In addition to the bottoming out of earnings from existing buildings, this revenue and profit growth reflected full-year contributions from buildings completed during the previous year, including Sumitomo Fudosan Shinjuku Grand Tower and Sumitomo Fudosan Chiyoda Fujimi Building.

The vacancy rate for existing buildings continually improved from 7.8% at the end of the previous fiscal year to 7.1% at the end of the year under review. Tenant solicitations for new buildings completed during the year under review were also solid, with Sumitomo Fudosan Shibuya Garden Tower, fully occupied on a contract basis prior to the completion of construction.

Outlook

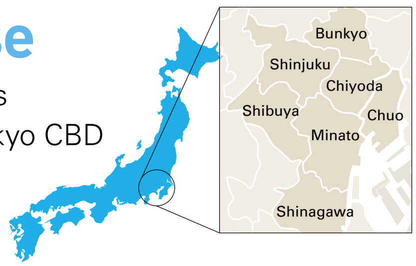
In the March 2014 fiscal year, contributions to our performance will be made by the full-year results of such buildings as Sumitomo Fudosan Shibuya Garden Tower and Sumitomo Fudosan Tamachi First Building. In addition, new buildings, such as Sumitomo Fudosan Motoakasaka Building, Sumitomo Fudosan Chiyoda First Wing and Sumitomo Fudosan Onarimon-eki Mae Building, are scheduled to be opened during the year. (For further information about major future projects, please see page 7.)

Accordingly, we expect revenue from operations to increase 0.6%, to ¥280.0 billion, and operating income to rise 3.0%, to ¥97.0 billion.

Feature of Portfolio / Total Gross Floor Area: 4.15 million m² (as of March 31, 2013)

1 Close

Locations
in the Tokyo CBD



Tokyo CBD*

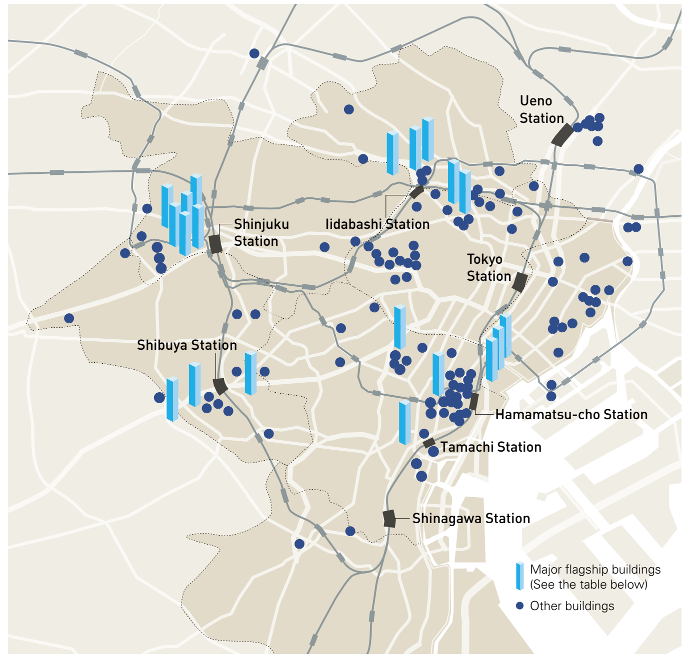
87%

23 Wards

94%

To be a prime property, a building must be in the central business district and near a major train 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.

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



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.

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	168,295
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 Shibuya Garden Tower	Shibuya Ward	24/3	June 12	59,417
14. Sumitomo Fudosan Aobadai Tower	Meguro Ward	33/3	Aug. 09	55,773
15. Sumitomo Fudosan Iidabashi Building No.3	Shinjuku Ward	24/2	Oct. 02	53,047
16. Sumitomo Fudosan Shibuya First Tower	Shibuya Ward	25/3	Aug. 10	52,942
17. Sumitomo Fudosan Iidabashi First Building	Bunkyo Ward	14/2	Mar. 00	52,747
18. Sumitomo Fudosan Shiodome Hamarikyu Building	Chuo Ward	21/2	Aug. 09	47,951
19. Chiyoda First Building East	Chiyoda Ward	17/2	Oct. 98	37,542
20. Sumitomo Fudosan Nishi Shinjuku Building	Shinjuku Ward	33/2	Apr. 09	37,317

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

2 New

Brand-new and Recently Constructed Buildings

Completed since 2000

56%

New quake-resistance*

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

* New standards that took effect in 1981

3 Large

Large-scale Buildings

Over 10,000m² (gross floor area)

85%

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.

Strengths of Sumitomo Realty's Portfolio

Our portfolio includes many competitive prime properties located in central Tokyo. As of the end of March 2013, our leasing portfolio had a gross floor area of 4.15 million square meters and an average age of 14 years, the lowest among Japan's major real estate companies. About 56% of the buildings in our portfolio have been completed since 2000. Also, 94% of the buildings in our portfolio were located in the 23 wards of Tokyo, with 87% in the Tokyo CBD. Furthermore, 85% 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, about 60% 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 Sixth Management Plan (2014–2016)*, 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

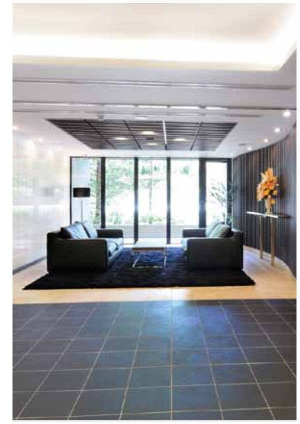
State-of-the-art Facilities

	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

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.

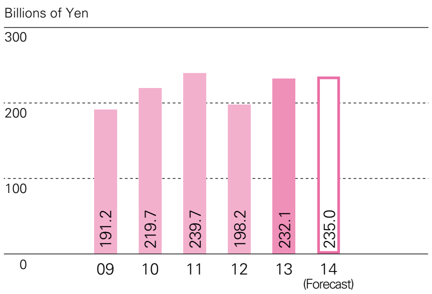
Over the past decade, we have been one of the leading suppliers of condominium units nationwide. This strong position is the result of our central urban strategy, which we implemented ahead of competitors, and our aggressive approach to large-scale and high-rise condominiums. Our landmark exterior designs,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

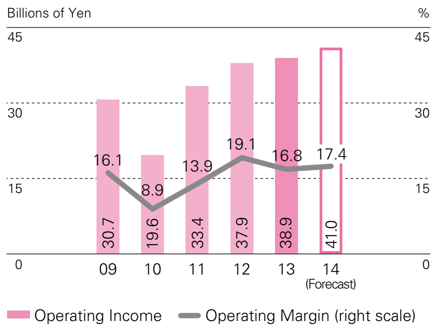
City Terrace Shimomeguro

City Terrace Yokohama Nakamachidai Ichibankan

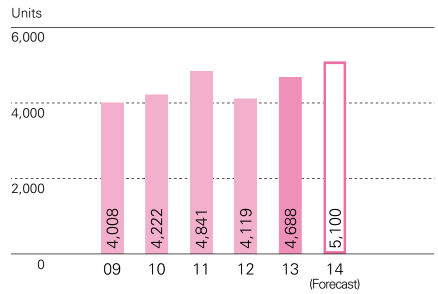
Revenue from Operations



Operating Income and Operating Margin



Units Delivered



Overview of the Fiscal Year

In the condominium market, which represents more than 90% of our portfolio, the favorable sales environment continued against a backdrop of low mortgage interest rates. The fourth quarter of the fiscal year under review saw a large improvement in economic sentiment from a rise in stock prices, which led to a large year-on-year increase in the number of visitors to our showrooms as consumers showed increased purchasing appetite.

In this environment, the number of condominium units, detached houses and land lots delivered, including City Tower Saitama Shintoshin, City Terrace Yokohama Nakamachidai Ichibankan and City Tower Tennoji Sanadayama, increased 569 from the previous year, to 4,688 units.

The number of condominium units sold increased 1,117, to 5,151 units, surpassing our initial plan for a 14.5% increase, to 4,500 units.

As a result, revenue from operations grew 17.2%, to ¥232.1 billion, with a 2.7% increase in operating income, to ¥38.9 billion. Although the operating income margin of 16.8% was slightly lower than in the previous year, revenue and profit growth were maintained with an increase in the number of units delivered.

Outlook

In the March 2014 fiscal year, we are aiming for revenue and profit growth, and are planning to deliver a total of 5,100 condominium units, detached houses and land lots, an increase of 412 units year on year.

Of the 5,000 condominium units and detached houses that we expect to deliver in the March 2014 fiscal year, contracts had already been concluded for approximately 40% as of April 1, 2013, which was 10 percentage points higher year on year.

We are therefore forecasting revenue from operations of ¥235.0 billion, up 1.2%, and operating income of ¥41.0 billion, up 5.3%.

Principal Condominium Development Projects (2013–2014)

Name	Location	No. of units for sale	Scheduled delivery*
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
City Terrace Kaga	Itabashi Ward, Tokyo	385	2014
City Terrace Yoyogi-koen	Shibuya Ward, Tokyo	114	2014
City Tower Ageo-eki Mae	Ageo	291	2014
City Tower Kobe Sannomiya	Kobe	594	2014
City Terrace Imafuku Tsurumi	Osaka	294	2014
City Towers Maruyama	Sapporo	101	2014

* Fiscal years ending March 31

CONSTRUCTION

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

Sumitomo Realty's Strengths

Remodeling—Shinchiku Sokkurisan

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 80,000 units, and we anticipate continued growth in Shinchiku Sokkurisan sales in the years ahead.

Please refer to page **22**.

Before

After

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.

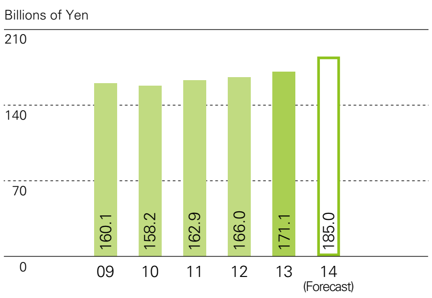
In June 2012, we commenced sales of a new product called J·RESIDENCE.

Please refer to page **22**.

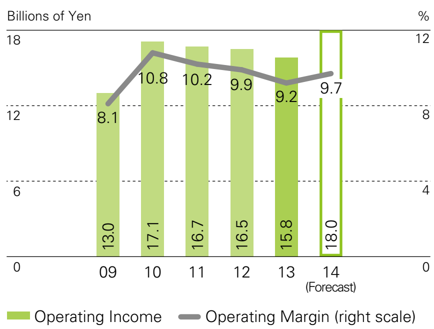
J·URBAN

J·SKY

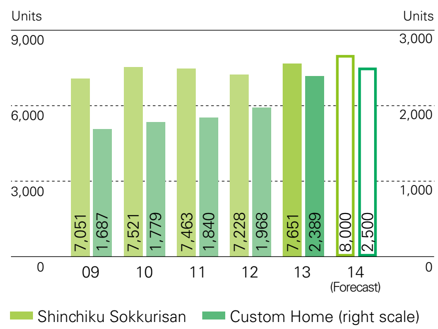
Revenue from Operations



Operating Income and Operating Margin



Shinchiku Sokkurisan and Custom Home Units Contracted



Overview of the Fiscal Year

Contracts at the Shinchiku Sokkurisan remodeling business for the fiscal year under review rose 5.9% from the previous year, to 7,651 units, for a turnaround to the first increase in three years. The number of units delivered and revenue from operations both surpassed the initial plan and grew to record levels.

In custom homes operations, accompanying the launch of the new J·RESIDENCE product in the year under review, we opened 10 new model houses in locations throughout Japan, and we rebuilt existing model houses in 7 locations. In this way, we took steps to strengthen our marketing system. Accordingly, custom home operations recorded a solid 21.4% increase, to 2,389 units, in the number of units contracted. However the number of units delivered and revenue from operations were roughly flat with the previous fiscal year.

In the construction segment overall, including Sumitomo Fudosan Reform Co., Ltd., revenue from operations rose 3.1%, to ¥171.1 billion, but operating income declined 4.4%, to ¥15.8 billion, as the segment was unable to absorb an increase in costs associated with the strengthening of the marketing structure for the custom home business.

Outlook

In the March 2014 fiscal year, we will strive to continuously enhance our product lineups and strengthen our marketing structures for both Shinchiku Sokkurisan remodeling operations and custom home operations. In this way, we will aim to increase orders and return to profit growth. In the March 2013 fiscal year, the total number of contracts for these two operations surpassed 10,000 units for the first time, and we will aim for further growth in the March 2014 fiscal year, with 8,000 contracts in Shinchiku Sokkurisan remodeling operations and 2,500 in custom home operations.

For the March 2014 fiscal year, we are projecting revenue from operations of ¥185.0 billion, up 8.1%, and operating income of ¥18.0 billion, up 14.2%.

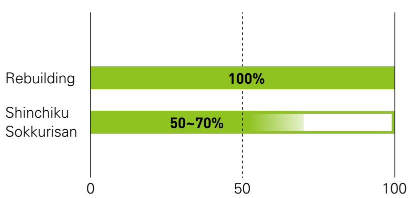
Custom Homes

Shinchiku Sokkurisan

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.

Cost Comparison



Before

After

Custom Homes

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.

J·RESIDENCE

New Model

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 technology New Power Cube is incorporated as a standard specification

New Power Cube

We have developed proprietary earthquake-resistant technologies, such as New Power Cube. With this construction method, 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. This is a standard specification for J·RESIDENCE products.

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 249 by the end of March 2013. 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, the number of contracts tended to increase during the fiscal year under review, and the decline in average transaction prices showed signs of bottoming out during the fourth quarter.

In this environment, the segment, which is handled by Sumitomo Real Estate Sales Co., Ltd., experienced a 5.5% increase in the number of transactions in our mainstay brokerage operations, primarily for retail transactions for existing homes, to 33,180 units, for a fourth consecutive record result. On the other hand, transaction value declined 3.8% in the absence of the previous year's large corporate transactions.

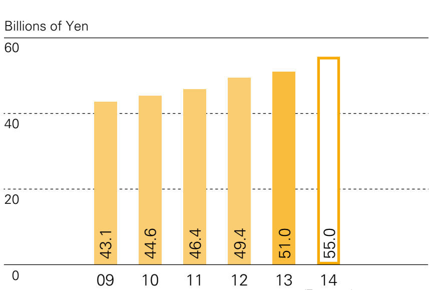
Although revenue from operations rose 3.2%, to ¥51.0 billion, the decrease in corporate transactions resulted in operating income coming in roughly flat with the previous fiscal year, down 0.3%, to ¥14.5 billion.

Outlook

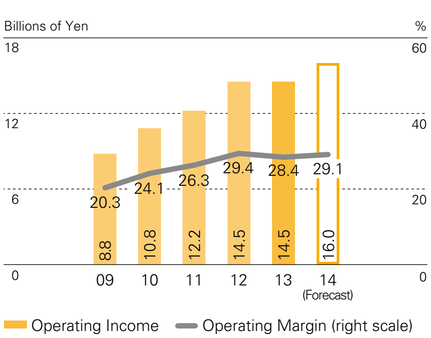
In brokerage operations, we will continue to open new offices and upgrade existing offices, while at the same time striving to raise marketing efficiency, with the aim of achieving revenue and profit growth on a record number of brokerage transactions.

Accordingly, for the March 2014 fiscal year we are forecasting revenue from operations of ¥55.0 billion, up 7.9%, and operating income of ¥16.0 billion, up 10.4%.

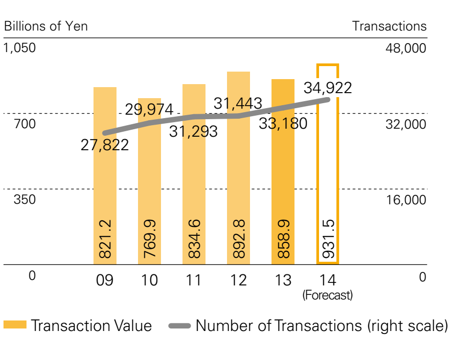
Revenue from Operations



Operating Income and Operating Margin



Number of Transactions and Transaction Value



Basic Approach to CSR

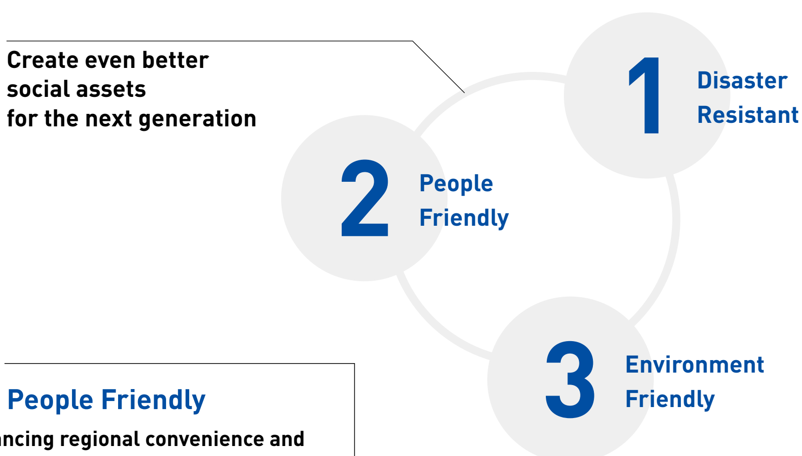
Sumitomo's Business Philosophy

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.

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.



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 multipurpose urban area combining offices, residences, an event hall and shops with a gross floor area of 168,295 m^2.

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.

Disaster Preparedness

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, multipurpose Belle Salle hall to provide shelter for people who cannot return home in a disaster.

To further enhance our disaster preparedness, in March 2012 we installed an electric power supply system that uses the battery that drives the Nissan LEAF electric car. This will be used as an auxiliary power source in the event of a disaster, and the battery for one Nissan LEAF vehicle will be able to supply power to the multipurpose hall for approximately 42 hours, or emergency-use well pumps and water purification equipment for roughly eight hours.

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

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 demand.

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.

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 ten 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.

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. 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 seven 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.

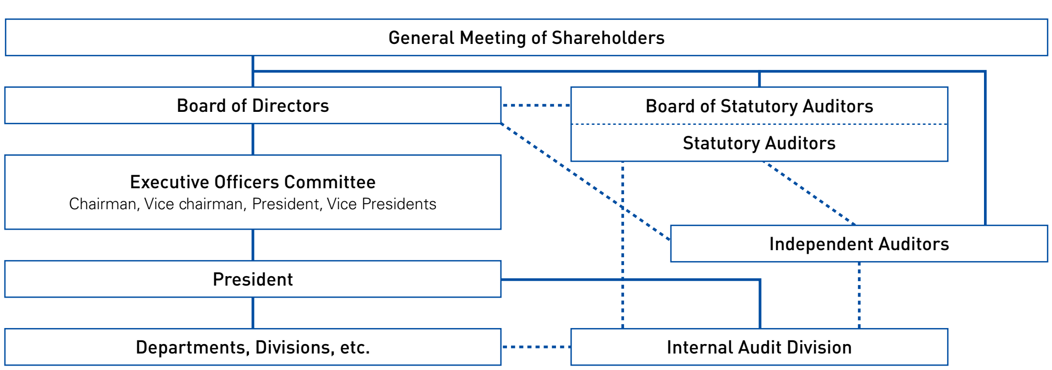
There are no conflicts of interest between Sumitomo Realty and the independent auditing company or its employees.

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 ¥1,075 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 a large number of market participants who are capable of making huge investments, we are cautious about the risk of abnormal investment activity in the 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. With the approval of shareholders at the 77th General Meeting of Shareholders held in 2010, and again at the 80th General Meeting of Shareholders held in 2013, the policy has been extended to the conclusion of the 83rd General Meeting of Shareholders, scheduled to be held in June 2016.

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 purchases 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 damage to the Company or if the large-scale purchase significantly damages the corporate value and common interests of shareholders.

Board of Directors and Statutory Auditors

As of June 27, 2013

Chairman
Junji Takashima*

Vice Chairman
Kenichi Onodera*

President
Kojun Nishima*

Vice President
Nobuaki Takemura*

Vice President
Masato Kobayashi*

Director
Yoshinobu Sakamoto

Director
Yoshiyuki Odai

* Representative Director

Director
Hiroshi Kato

Director
Koji Ito

Director
Toshikazu Tanaka

Statutory Auditors

Shoichi Abbe

Naoto Enda

Hiroshi Tomoyasu

Tadashi Kitamura

Yoshifumi Nakamura

Financial Section

Eleven-year Financial Summary

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

	Millions of yen				
	2013	**2012**	**2011**	**2010**	**2009**
For the Year					
Revenue from operations	**¥ 736,652**	¥ 688,662	¥ 744,756	¥ 719,636	¥ 695,240
Leasing	**278,317**	271,812	292,875	293,533	298,359
Sales	**232,149**	198,154	239,709	219,662	191,224
Construction	**171,082**	165,995	162,924	158,214	160,134
Brokerage	**50,957**	49,397	46,430	44,621	43,105
Cost of revenue from operations	**529,913**	490,437	551,364	534,270	496,547
SG&A expenses	**55,394**	50,760	54,929	51,387	52,327
% of revenue from operations	**7.5%**	7.4%	7.4%	7.1%	7.5%
Operating income	**151,345**	147,465	138,463	133,979	146,366
% of revenue from operations	**20.5%**	21.4%	18.6%	18.6%	21.1%
Ordinary profit*2	**114,916**	107,912	106,296	100,464	113,582
% of revenue from operations	**15.6%**	15.7%	14.3%	14.0%	16.3%
Net income	**59,825**	53,236	50,908	52,662	46,205
Depreciation and amortization	**37,761**	36,049	23,705	18,065	17,886
At Year-end					
Current assets	**¥ 965,786**	¥ 801,142	¥ 805,958	¥ 802,693	¥ 759,816
Inventories	**679,496**	586,170	558,091	521,871	518,885
Total assets	**4,105,500**	3,859,698	3,234,203	3,168,098	3,006,412
Shareholders' equity*3	**627,012**	553,844	526,227	488,896	436,667
Net interest-bearing debt	**2,424,932**	2,407,639	1,901,850	1,785,854	1,722,733
Per Share Amounts (Yen)					
Net income	**¥ 126.18**	¥ 112.28	¥ 107.35	¥ 111.04	¥ 97.39
Shareholders' equity	**1,322.52**	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	20.00
Key Ratios					
Equity ratio (%)	**15.3**	14.3	16.3	15.4	14.5
ND/E ratio*4 (Times)	**3.9**	4.3	3.6	3.7	3.9
ROE (%)	**10.1**	9.9	10.0	11.4	10.7
ROA (%)	**3.9**	4.3	4.4	4.4	5.1
Long-term debt ratio (%)	**93**	93	89	83	76
Fixed-interest rate debt ratio (%)	**80**	80	79	81	77
Interest coverage ratio*5 (Times)	**4.9**	4.2	4.7	4.6	4.9

*1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥94.01 = U.S.$1, the prevailing exchange rate at March 31, 2013.
*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
*4. ND/E ratio = Net interest-bearing debt (Interest-bearing debt – Cash, time and notice deposits) / Shareholders' equity
*5. Interest coverage ratio = (Operating income + Interest and dividend income) / Interest expense

2008	2007	2006	2005	2004	2003	Thousands of U.S. dollars*1 2013
¥ 691,928	¥ 676,834	¥ 646,525	¥ 616,115	¥ 573,862	¥ 533,915	$ 7,835,890
279,568	262,620	234,280	221,234	202,776	192,979	2,690,504
193,575	211,035	224,735	224,191	213,303	183,745	2,469,408
156,606	142,564	135,158	127,388	125,086	124,464	1,819,828
58,542	56,532	49,217	43,445	39,809	37,577	542,038
488,202	490,491	487,805	470,636	435,078	403,777	5,636,773
49,118	49,167	46,697	45,188	42,807	41,626	589,235
7.1%	7.3%	7.2%	7.3%	7.5%	7.8%	—
154,608	137,176	112,023	100,291	95,977	88,512	1,609,882
22.3%	20.3%	17.3%	16.3%	16.7%	16.6%	—
125,176	112,406	87,038	74,393	65,976	56,760	1,222,381
18.1%	16.6%	13.5%	12.1%	11.5%	10.6%	—
63,133	50,300	32,506	15,548	6,320	4,974	636,368
17,150	15,677	16,330	14,019	12,211	11,973	401,670
¥ 784,195	¥ 756,488	¥ 619,219	¥ 481,341	¥ 503,911	¥ 423,446	$10,273,226
511,868	489,093	330,700	211,180	189,547	161,156	7,227,912
2,894,004	2,747,900	2,460,080	2,136,329	2,090,970	2,015,667	43,670,886
427,423	409,197	375,656	320,098	303,875	211,821	6,669,631
1,548,509	1,343,824	1,150,880	935,155	916,156	1,036,419	25,794,415
¥ 133.00	¥ 105.92	¥ 68.33	¥ 32.64	¥ 15.34	¥ 12.22	$ 1.34
900.57	861.93	790.74	673.40	639.01	520.84	14.07
18.00	14.00	10.00	9.00	9.00	6.00	0.21
14.8	14.9	15.3	15.0	14.5	10.5	—
3.6	3.3	3.1	2.9	3.0	4.9	—
15.1	12.8	9.3	5.0	2.5	2.3	—
5.6	5.4	5.0	4.8	4.7	4.5	—
83	79	80	83	80	74	—
85	83	77	87	82	78	—
6.2	6.8	6.5	5.2	4.1	3.4	—

Management's Discussion and Analysis

Review of the Fifth Management Plan and Start of the Sixth Management Plan

In the March 2013 fiscal year, we achieved increases from the previous year in revenue from operations, operating income, ordinary profit and net income, with operating income and ordinary profit growing for the third consecutive year.

The year also marked the conclusion of the period covered by the Fifth Management Plan, which was launched from the March 2011 fiscal year. Prior to the March 2011 fiscal year, as a result of the global recession following the Lehman Shock, we were unable to avoid two consecutive years of profit decline, and the Fifth Management Plan was therefore launched based on two goals: "Getting back on track toward increased revenue and profit" and "Targeting record-setting business results in the March 2013 fiscal year." Faced with an adverse operating environment that included the Great East Japan Earthquake, the yen's strong appreciation and the European debt crisis, we were unable to achieve our initial target for revenue from operations set in 2010, but we surpassed our initial targets for operating income and ordinary profit. Although we fell short of our target of record-setting business results and have carried this over as a goal under the new plan, with three consecutive years of operating income and ordinary profit growth, we have succeeded in returning to a profit growth track.

From April 2013, we began operating under the new Sixth Management Plan. Along with the early achievement of surpassing our record business results recorded in the March 2008 fiscal year, we will aim for a further increase in the level of cumulative ordinary profit under the new plan, compared with what we achieved under the previous management plans, to ¥400 billion. Please refer to "A Message from the Management" for more information regarding the Sixth Management Plan.

Results of Operations

Revenue from Operations and Operating Income

Both revenue and profit grew during the fiscal year under review, driven by an increasing sense of the office building market having bottomed out in leasing operations, and growth in condominium units delivered in sales operations. As a result, revenue from operations grew 7.0%, to ¥736.7 billion, and operating income rose 2.6%, to ¥151.3 billion. Please refer to "Review of Operations" on pages 14 to 23 for detailed segment information.

Other Income and Expenses

Net other expenses increased ¥5.0 billion, to ¥55.3 billion.

Although interest expenses, net declined 11.0%, to ¥31.8 billion, the major factor behind the increase was the recording of ¥17.0 billion of loss on impairment of fixed assets transferring to real estate for sale.

Net Income

Income before income taxes and minority interests declined 1.1%, to ¥96.1 billion. However, due to a decrease of ¥7.9 billion in income taxes, mainly because of a reduction in the applicable corporate income tax rate, net income rose ¥6.6 billion, to ¥59.8 billion, and the net profit margin increased to 8.1% from 7.7%.

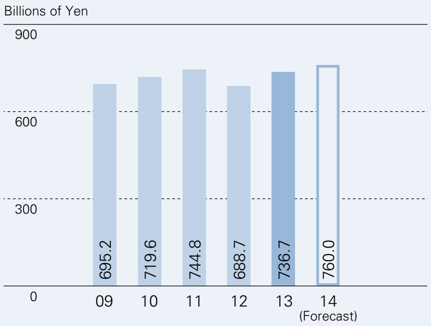
Cash Flows

Cash and cash equivalents at the end of year totaled ¥224.7 billion, an increase of ¥84.5 billion from the end of the previous fiscal year. Cash flows were as follows.

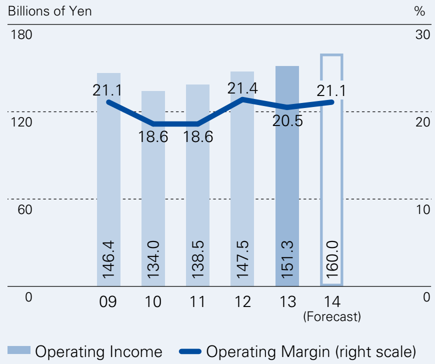
Cash Flows from Operating Activities

Net cash provided by operating activities was ¥33.6 billion, which was ¥67.8 billion less than in the previous year. Despite the recording of ¥96.1 billion in income before income taxes and minority interests, this reflected increased investment in condominium units and the payment of income tax and other taxes.

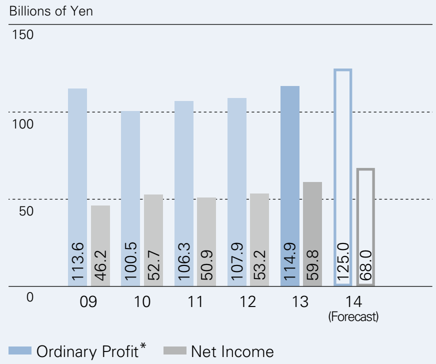
Revenue from Operations



Operating Income and Operating Margin



Ordinary Profit* and Net Income



* Please see the note on page 3.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥52.5 billion. In addition to ¥57.6 billion of payments for purchases of property and equipment to strengthen leasing operations, payments for purchases of investments in securities, which included the establishment of a joint-venture company in Dalian, China, totaled ¥52.3 billion. On the other hand, net receipts of deposits from partnership investors were ¥42.2 billion.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥102.8 billion. To enhance long-term fund-raising stability, proceeds from the issuance of bonds and from long-term loans payable totaled ¥521.4 billion, while outlays for redemption of bonds and repayment of long-term loans payable totaled ¥424.8 billion. In addition, the difference between redemption of non-recourse bonds and repayment of long-term non-recourse loans by SPEs was a net ¥27.8 billion.

Capital Resources and Liquidity

Assets

Total assets as of March 31, 2013, were ¥4,105.5 billion, an increase of ¥245.8 billion from the previous fiscal year-end. Current assets grew ¥164.6 billion, to ¥965.8 billion, mainly from increases in cash, time and notice deposits and real estate for sale. Property and equipment increased ¥11.7 billion, to ¥2,684.2 billion.

Liabilities

Total liabilities as of March 31, 2013, were ¥3,456.6 billion, an increase of ¥179.6 billion from the previous fiscal year-end. Consolidated interest-bearing debt increased ¥96.6 billion, to ¥2,650.7 billion. A perpetual subordinated loan in the amount of ¥120.0 billion that the Company took out on February 22, 2008, was repaid via a lump-sum payment on February 22, 2013, and on the same day a new ¥60.0 billion subordinated loan with a repayment option was raised.

Millions of yen

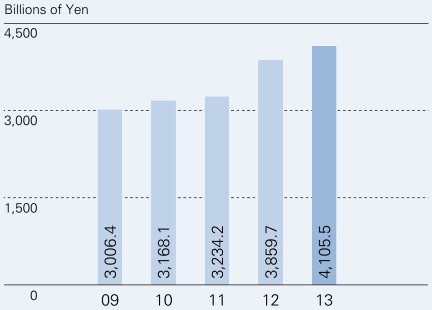
	2013	2012	Amount change	% change
Short-term debt:				
Principally from banks	¥ 137,500	¥ 149,700	¥ –12,200	–8.1%
Commercial paper	59,977	19,994	39,983	200.0%
Subtotal	197,477	169,694	27,783	16.4%
Long-term debt:				
Bonds	340,000	340,000	0	0.0%
Non-recourse bonds	50,520	138,348	–87,828	–63.5%
Loans principally from banks	1,549,295	1,392,668	156,627	11.2%
Non-recourse loans	453,415	393,405	60,010	15.3%
Subordinated loan	60,000	120,000	–60,000	–50.0%
Subtotal	2,453,230	2,384,421	68,809	2.9%
Interest-bearing debt	¥ 2,650,707	¥ 2,554,115	¥ 96,592	3.8%

Shareholders' Equity*

Shareholders' equity as of March 31, 2013, was ¥627.0 billion, a ¥73.2 billion increase from the previous fiscal year-end. This included net income of ¥59.8 billion, as well as a ¥20.0 billion net unrealized holding gains on securities (a ¥21.9 billion increase from the previous fiscal year-end). As a result, the equity ratio improved to 15.3%, from the previous year's 14.3%. ROE also improved to 10.1%, from 9.9%. ROA was 3.9%, compared with 4.3% for the March 2012 fiscal year.

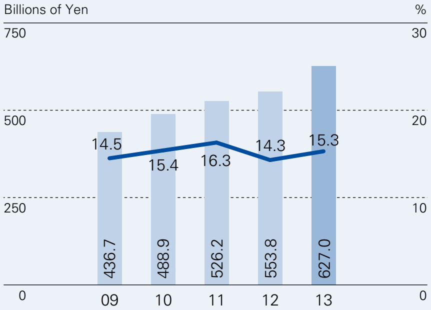
* Shareholders' equity = Net assets – Minority interests

Total Assets



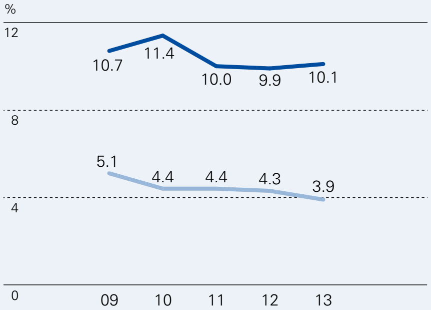
* SPEs have been included in the scope of consolidation since the March 2012 fiscal year.

Shareholders' Equity and Equity Ratio



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 2013, the balance of investment received in SURF investment partnerships was ¥130 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.

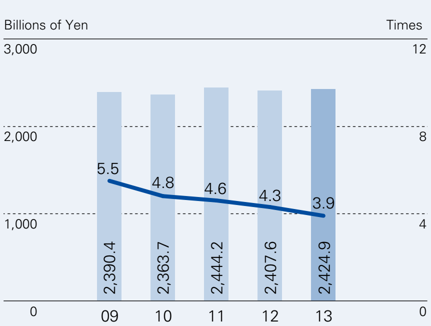
Investing in Line with Changes in the Market Environment and Strengthening Financial Position

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. As a result, we brought gross floor area of 140,000 tsubo for leasing to market during the Fifth Management Plan, which ended with the March 2013 fiscal year. We plan to bring an additional 140,000 tsubo to market during the Sixth Management Plan, and we are making preparations for the Seventh Management Plan and beyond, focusing on large-scale urban redevelopment projects. 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. After raising this subordinated loan, an international financial crisis symbolized by the Lehman Shock triggered a global recession. The subordinated loan can therefore be seen as having played an important role in maintaining the stability of our financial position.

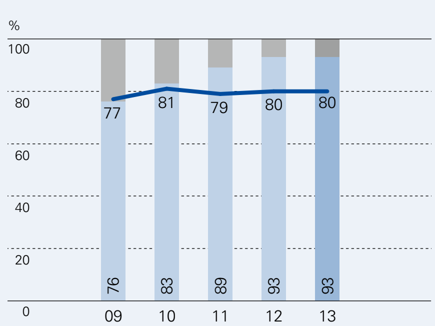
We repaid this subordinated loan with a lump-sum payment in February 2013, and at the same time, we raised a new subordinated loan with a repayment option in the amount of ¥60.0 billion (the "new subordinated loan"). The new subordinated loan received an equity credit designation of 25% from a rating agency, which is less than that of the previous subordinated loan. However, in light of the fact that we had been able to increase shareholders' equity by ¥217.8 billion from March 31, 2007, to March 31, 2013, and that the government's monetary easing is reducing fund-raising risk, we decided to refinance with the new subordinated loan. The new subordinated loan has a term of 60 years, but early repayment is possible after three years. In addition, the new stock subscription rights that had been allotted to ensure a collection method for the financial institutions that had extended the previous subordinated loan were canceled.

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



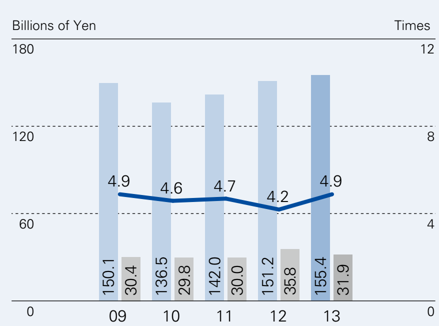
ND (Net Interest-bearing Debt)
ND/E Ratio (right scale)

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



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

The Fifth Management Plan set a target of an improvement in the net debt-equity (ND/E) ratio, including the debt of SPEs, to approximately 4 times by the conclusion of the plan on March 31, 2013, compared wit h a ratio of 4.8 times as of March 31, 2010. Through the steady accumulation of shareholders' equity, we surpassed this target with a ND/E ratio of 3.9 times as of March 31, 2013.

In addition, the cash flow generated by our core leasing business is more than ¥100.0 billion, reaching ¥129.7 billion in the year under review. This represents increased operational stability. As a result, net debt (ND) is at roughly the same level as four years ago, but with an increase in leasing cash flow, the ND / leasing cash flow ratio is improving. 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 were included within the scope of consolidation from the March 2012 fiscal year. However, there was no change in evaluations from ratings agencies and financial institutions, and there was no effect on fund-raising.

To protect ourselves from the risk of future rate increases on interest payments, we endeavor to raise funds at fixed rates and to increase the portion of loans with longer terms. During 2013, we have issued bonds with maturities of seven years in March and June, and with a maturity of 10 years in July.

As of March 31, 2013, long-term debt accounted for 93% of consolidated interest-bearing debt, and fixed-rate debt accounted for 80%.

Site acquisition is essential to the achievement of ongoing growth. In the Sixth Management Plan, 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.

Dividend Policy

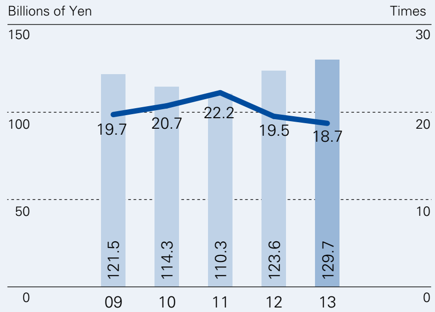
Our fundamental policy for the distribution of profit is to maintain a stable base level of dividends and, while retaining a sufficient level of earnings for stable, long-term operational growth, to increase dividends in line with growth in profit.

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 profit growth to the extent that we raised the dividend for the March 2009 fiscal year, the year after we recorded record high profit, to ¥20.00 per share.

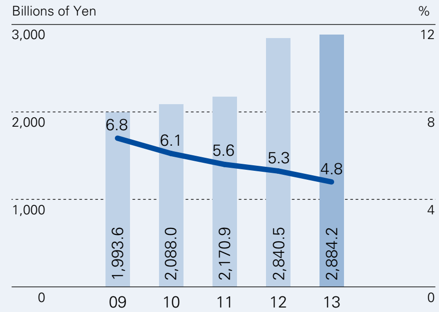
However, profit subsequently declined due to the Lehman Shock. Nevertheless, we focused on the continuation of stable dividends and maintained the dividend per share at ¥20.00. Although revenue and profit grew, based on this dividend policy we will pay a full-year dividend of ¥20.00 per share for the March 2013 fiscal year. In addition, we expect to pay a ¥20.00 per-share dividend for the March 2014 fiscal year. Moving forward, in accordance with our judgment that we need to further bolster equity, we will continue to follow a policy of implementing dividend increases in accordance with growth in profit.

Leasing Cash Flows



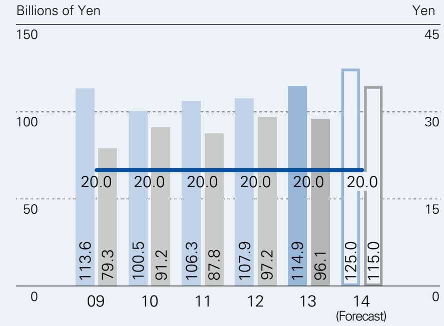
Leasing Cash Flows
ND* / Leasing Cash Flows Ratio (right scale)
* Including debt of non-consolidated SPEs

Leasing Assets and Return on Leasing Assets



Leasing Assets
Return on Leasing Assets (right scale)

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



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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2013**	**2012**	**2013**
Current assets:			
Cash, time and notice deposits (Notes 3, 5 and 6)	**¥ 225,774**	¥ 146,476	**$ 2,401,596**
Notes and accounts receivable—trade (Note 6)	**17,886**	17,058	**190,256**
Allowance for doubtful accounts (Note 6)	**(112)**	(511)	**(1,191)**
Inventories (Note 4)	**679,496**	586,170	**7,227,912**
Deferred income taxes (Note 14)	**10,796**	10,588	**114,839**
Other current assets	**31,946**	41,361	**339,814**
Total current assets	**965,786**	801,142	**10,273,226**
Investments:			
Investments in unconsolidated subsidiaries and affiliates (Notes 6)	**39,373**	1,044	**418,817**
Investments in securities and other (Notes 6 and 7)	**222,970**	178,394	**2,371,769**
Allowance for doubtful accounts	**(15,506)**	(15,068)	**(164,940)**
Total investments	**246,837**	164,370	**2,625,646**
Property and equipment:			
Land (Notes 4, 5 and 21)	**2,042,669**	2,005,364	**21,728,210**
Buildings and structures (Notes 4, 5 and 21)	**918,316**	899,281	**9,768,280**
Machinery and equipment (Notes 5 and 21)	**25,331**	24,854	**269,450**
Leased assets	**3,005**	2,656	**31,965**
Construction in progress (Notes 4, 5 and 21)	**43,581**	59,818	**463,578**
	3,032,902	2,991,973	**32,261,483**
Accumulated depreciation	**(348,702)**	(319,451)	**(3,709,201)**
Net property and equipment	**2,684,200**	2,672,522	**28,552,282**
Other assets:			
Guarantee and lease deposits paid to lessors (Note 6)	**125,855**	134,067	**1,338,741**
Leasehold rights and other intangible assets	**51,538**	51,587	**548,218**
Deferred income taxes (Note 14)	**14,978**	18,565	**159,323**
Other	**16,306**	17,445	**173,450**
Total other assets	**208,677**	221,664	**2,219,732**
Total assets	**¥4,105,500**	¥3,859,698	**$43,670,886**

See accompanying notes.

Liabilities and Net Assets	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Short-term debt (Notes 6 and 8)	**¥ 197,477**	¥ 169,694	**$ 2,100,596**
Long-term debt due within one year (Notes 5, 6 and 8)	**278,392**	307,623	**2,961,302**
Long-term non-recourse debt due within one year (Notes 5, 6 and 8)	**84,538**	137,438	**899,245**
Notes and accounts payable—trade (Note 6)	**38,811**	34,663	**412,839**
Accrued income taxes	**22,156**	24,066	**235,677**
Accrued bonuses	**3,351**	3,137	**35,645**
Deposits received (Notes 6 and 15)	**206,865**	121,814	**2,200,457**
Other current liabilities (Note 15)	**98,795**	82,373	**1,050,899**
Total current liabilities	**930,385**	880,808	**9,896,660**
Long-term liabilities:			
Long-term debt due after one year (Notes 6 and 8)	**1,670,903**	1,545,045	**17,773,673**
Long-term non-recourse debt due after one year (Notes 5 ,6 and 8)	**419,397**	394,315	**4,461,196**
Guarantee and deposits received (Notes 6 and 15)	**404,411**	426,785	**4,301,787**
Allowance for employees' severance and retirement benefits (Note 9)	**5,518**	5,102	**58,696**
Other long-term liabilities (Notes 14 and 15)	**26,021**	24,976	**276,789**
Total long-term liabilities	**2,526,250**	2,396,223	**26,872,141**
Contingent liabilities (Note 22)			
Net assets (Note 16):			
Shareholders' equity			
Common stock:			
Authorized—1,900,000 thousand shares			
Issued —476,086 thousand shares	**122,805**	122,805	**1,306,297**
Capital surplus	**132,749**	132,748	**1,412,073**
Retained earnings	**363,384**	313,041	**3,865,376**
Treasury stock	**(3,779)**	(3,704)	**(40,198)**
Total shareholders' equity	**615,159**	564,890	**6,543,548**
Accumulated other comprehensive income (loss)			
Net unrealized holding gains (losses) on securities	**19,981**	(1,933)	**212,541**
Net deferred losses on hedges	**(1,393)**	(972)	**(14,818)**
Foreign currency translation adjustments	**(6,736)**	(8,141)	**(71,651)**
Total accumulated other comprehensive income (loss)	**11,852**	(11,046)	**126,072**
Minority interests	**21,854**	28,823	**232,465**
Total net assets	**648,865**	582,667	**6,902,085**
Total liabilities and net assets	**¥4,105,500**	¥3,859,698	**$43,670,886**

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Revenue from operations	**¥736,652**	¥688,662	¥744,756	**$7,835,890**
Costs and expenses:				
Cost of revenue from operations	**529,913**	490,437	551,364	**5,636,773**
Selling, general and administrative expenses	**55,394**	50,760	54,929	**589,235**
	585,307	541,197	606,293	**6,226,008**
Operating income	**151,345**	147,465	138,463	**1,609,882**
Other income (expenses):				
Interest expense, net	**(31,820)**	(35,748)	(29,789)	**(338,475)**
Dividend income	**4,021**	3,684	3,344	**42,772**
Gain on sale of property and equipment	**21**	429	120	**223**
Loss on sale of property and equipment	**(10)**	(399)	(19)	**(106)**
Loss on impairment of fixed assets (Note 10)	**(16,967)**	(5,618)	(7,602)	**(180,481)**
Loss on disposal of property and equipment	**(1,405)**	(555)	(2,188)	**(14,945)**
Gain on sale of investments in securities	**1,769**	—	4	**18,817**
Loss on sale of investments in securities	**(187)**	—	(33)	**(1,989)**
Loss on devaluation of investments in securities	**(2,087)**	(3,740)	(6,710)	**(22,200)**
Dividend to partnership investors	**(2,566)**	(2,853)	(3,043)	**(27,295)**
Gain on prior periods adjustment (Note 12)	**—**	—	413	**—**
Compensation income	**—**	—	78	**—**
Loss on devaluation of common stocks of affiliates	**—**	(854)	—	**—**
Provision for allowance for loss on disaster (Note 11)	**—**	—	(1,930)	**—**
Other, net	**(6,052)**	(4,644)	(3,350)	**(64,376)**
	(55,283)	(50,298)	(50,705)	**(588,055)**
Income before income taxes and minority interests	**96,062**	97,167	87,758	**1,021,827**
Income taxes (Note 14):				
Current	**37,432**	37,616	35,138	**398,170**
Deferred	**(3,508)**	4,224	(128)	**(37,315)**
Total	**33,924**	41,840	35,010	**360,855**
Income before minority interests	**62,138**	55,327	52,748	**660,972**
Minority interests	**2,313**	2,091	1,840	**24,604**
Net income	**¥ 59,825**	¥ 53,236	¥ 50,908	**$ 636,368**

	Yen			U.S. dollars (Note 1)
	2013	2012	2011	2013
Amounts per share of common stock:				
Net income:				
—Basic	**¥126.18**	¥112.28	¥107.35	**$1.34**
—Diluted	**—**	99.83	94.73	**—**
Cash dividend applicable to the year	**20.00**	20.00	20.00	**0.21**

Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Income before minority interests	**¥62,138**	¥55,327	¥52,748	**$660,972**
Other comprehensive income (loss) (Note 20)				
Net unrealized holding gains (losses) on securities	**21,919**	4,780	(3,308)	**233,157**
Net deferred gains (losses) on hedges	**(387)**	1,212	534	**(4,117)**
Foreign currency translation adjustments	**1,741**	(1,067)	(1,610)	**18,519**
Total other comprehensive income (loss)	**23,273**	4,925	(4,384)	**247,559**
Comprehensive income	**¥85,411**	¥60,252	¥48,364	**$908,531**
Comprehensive income attributable to:				
Owners of the parent	**¥82,724**	¥58,352	¥46,917	**$879,949**
Minority interests	**2,687**	1,900	1,447	**28,582**

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, 2013, 2012 and 2011

	Thousands	Millions of yen										
		Shareholders' equity					Accumulated Other Comprehensive Income (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, 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 April 1, 2012	476,086	¥122,805	¥132,748	¥313,041	¥(3,704)	¥564,890	¥ (1,933)	¥ (972)	¥(8,141)	¥(11,046)	¥28,823	¥582,667
Net income	—	—	—	**59,825**	—	**59,825**	—	—	—	—	—	**59,825**
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	**1,405**	**1,405**	—	**1,405**
Net unrealized holding gains on securities	—	—	—	—	—	—	**21,914**	—	—	**21,914**	—	**21,914**
Acquisition of treasury stock	—	—	—	—	**(77)**	**(77)**	—	—	—	—	—	**(77)**
Disposal of treasury stock	—	—	**1**	—	**2**	**3**	—	—	—	—	—	**3**
Cash dividends paid:												
Final for prior year (¥10 per share)	—	—	—	**(4,741)**	—	**(4,741)**	—	—	—	—	—	**(4,741)**
Interim for current year (¥10 per share)	—	—	—	**(4,741)**	—	**(4,741)**	—	—	—	—	—	**(4,741)**
Minority interests	—	—	—	—	—	—	—	—	—	—	**(6,969)**	**(6,969)**
Net deferred losses on hedges	—	—	—	—	—	—	—	**(421)**	—	**(421)**	—	**(421)**
Balance at March 31, 2013	**476,086**	**¥122,805**	**¥132,749**	**¥363,384**	**¥(3,779)**	**¥615,159**	**¥19,981**	**¥(1,393)**	**¥(6,736)**	**¥ 11,852**	**¥21,854**	**¥648,865**

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Accumulated Other Comprehensive Income (Loss)					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balance at April 1, 2012	$1,306,297	$1,412,063	$3,329,870	$(39,400)	$6,008,830	$(20,562)	$(10,340)	$(86,596)	$(117,498)	$306,595	$6,197,927
Net income	—	—	**636,368**	—	**636,368**	—	—	—	—	—	**636,368**
Foreign currency translation adjustments	—	—	—	—	—	—	—	**14,945**	**14,945**	—	**14,945**
Net unrealized holding gains on securities	—	—	—	—	—	**233,103**	—	—	**233,103**	—	**233,103**
Acquisition of treasury stock	—	—	—	**(819)**	**(819)**	—	—	—	—	—	**(819)**
Disposal of treasury stock	—	**10**	—	**21**	**31**	—	—	—	—	—	**31**
Cash dividends paid:											
Final for prior year ($0.11 per share)	—	—	**(50,431)**	—	**(50,431)**	—	—	—	—	—	**(50,431)**
Interim for current year ($0.11 per share)	—	—	**(50,431)**	—	**(50,431)**	—	—	—	—	—	**(50,431)**
Minority interests	—	—	—	—	—	—	—	—	—	**(74,130)**	**(74,130)**
Net deferred losses on hedges	—	—	—	—	—	—	**(4,478)**	—	**(4,478)**	—	**(4,478)**
Balance at March 31, 2013	**$1,306,297**	**$1,412,073**	**$3,865,376**	**$(40,198)**	**$6,543,548**	**$212,541**	**$(14,818)**	**$(71,651)**	**$ 126,072**	**$232,465**	**$6,902,085**

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 96,062	¥ 97,167	¥ 87,758	$ 1,021,827
Depreciation and amortization	37,761	36,049	23,705	401,670
Loss on impairment of fixed assets (Note 10)	16,967	5,618	7,602	180,481
Provision for allowance for loss on disaster (Note 11)	—	—	1,930	—
Provision for (Reversal of) allowance for doubtful accounts	39	(839)	776	415
Increase (Decrease) in allowance for employees' severance and retirement benefits	417	219	(87)	4,436
Loss on sale of property and equipment, net	(11)	(30)	(101)	(117)
Loss on disposal of property and equipment	1,405	555	2,188	14,945
Loss (Gain) on sale of investments in securities, net	(1,582)	—	29	(16,828)
Loss on devaluation of investments in securities	2,087	3,740	6,710	22,200
Loss on devaluation of common stocks of affiliates	—	854	—	—
Interest and dividend income	(4,090)	(3,761)	(3,525)	(43,506)
Interest expense	31,889	35,825	29,969	339,209
Decrease (Increase) in notes and accounts receivable—trade	(1,243)	(2,867)	2,935	(13,222)
Increase in inventories	(104,737)	(14,347)	(30,830)	(1,114,105)
Increase (Decrease) in notes and accounts payable—trade	4,160	2,908	(22,407)	44,251
Increase (Decrease) in advances received	15,963	(2,145)	(2,936)	169,801
Other, net	6,264	5,798	(23,894)	66,630
Total	101,351	164,744	79,822	1,078,087
Proceeds from interest and dividend income	4,090	3,761	3,525	43,506
Payments for interest	(32,507)	(36,360)	(30,261)	(345,782)
Payments for income tax and other taxes	(39,339)	(30,742)	(38,644)	(418,455)
Net cash provided by operating activities	33,595	101,403	14,442	357,356
Cash flows from investing activities:				
Payments for purchases of property and equipment	(57,623)	(112,294)	(98,059)	(612,945)
Proceeds from sale of property and equipment	678	1,485	1,040	7,212
Payments for purchases of investments in securities	(52,334)	(8,316)	(7,301)	(556,685)
Proceeds from sale of investments in securities	6,194	52	7,074	65,887
Payments for guarantee and lease deposits paid to lessors	(1,343)	(2,291)	(2,241)	(14,286)
Proceeds from guarantee and lease deposits paid to lessors	9,171	10,713	21,642	97,553
Payments for guarantee and lease deposits received	(16,747)	(18,305)	(26,385)	(178,141)
Proceeds from guarantee and lease deposits received	12,781	19,115	20,156	135,954
Receipts of deposits from partnership investors	86,327	91,115	88,996	918,275
Restitution of deposits from partnership investors	(44,085)	(51,971)	(78,133)	(468,939)
Other, net	4,449	(1,403)	(2,301)	47,323
Net cash used in investing activities	(52,532)	(72,100)	(75,512)	(558,792)
Cash flows from financing activities:				
Increase (Decrease) in short-term debt, net	27,783	(46,045)	(112,486)	295,532
Proceeds from issuance of bonds	90,000	30,000	60,000	957,345
Redemption of bonds	(90,000)	(90,000)	(80,000)	(957,345)
Proceeds from non-recourse bonds	2,000	4,900	—	21,274
Redemption of non-recourse bonds	(89,828)	(6,140)	—	(955,515)
Proceeds from long-term loans payable	431,400	390,895	413,300	4,588,874
Repayment of long-term loans payable	(334,773)	(284,087)	(194,381)	(3,561,036)
Proceeds from long-term non-recourse loans	109,000	42,340	—	1,159,451
Repayment of long-term non-recourse loans	(48,990)	(50,985)	—	(521,115)
Increase (Decrease) in assignment of receivables	7,102	(1,878)	(20,090)	75,545
Increase in treasury stocks, net	(73)	(60)	(102)	(777)
Cash dividends paid	(10,639)	(10,334)	(10,334)	(113,169)
Other, net	9,776	(8,672)	(24,072)	103,990
Net cash provided by (used in) financing activities	102,758	(30,066)	31,835	1,093,054
Effect of exchange rate changes on cash and cash equivalents	711	(464)	(331)	7,563
Net increase (decrease) in cash and cash equivalents	84,532	(1,227)	(29,566)	899,181
Cash and cash equivalents at beginning of year	140,200	119,749	149,315	1,491,331
Increase in cash and cash equivalents of newly consolidated subsidiaries	—	21,678	—	—
Cash and cash equivalents at end of year (Note 3)	¥ 224,732	¥ 140,200	¥ 119,749	$ 2,390,512

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, 2013, 2012 and 2011

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, 2013, which was ¥94.01 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" (PITF No. 20 revised 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 at April 1, 2011.

(2) Foreign currency translation

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

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 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 when the profitability declines.

(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

Effective from the year ended March 31, 2013, in accordance with the revision of the Corporation Tax Act (Law) of Japan, the Company and its consolidated domestic subsidiaries have computed depreciation by the method based on the revised Corporation Tax Act (Law) for the property and equipment acquired on or after April 1, 2012.

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

(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 the straight-line method over the lease periods as their useful lives with no residual value.

The Company and its consolidated subsidiaries use 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, 2013, 2012 and 2011 based on the estimated retirement benefit obligations 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.

(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).

(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 construction projects for which the outcome of the portion completed by the end of the fiscal year under review can be reliably estimated are accounted for by the percentage-of-completion method (the degree of completion of each construction project is estimated using the cost-comparison method), while other construction projects are accounted for by the completed-contract method.

(16) 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.

(17) Amounts per share of common stock

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

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

Diluted net income per share for the year ended March 31, 2013 is not listed since dilutive shares of the Company had been extinguished by repayment of perpetual subordinated loans.

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

(18) New accounting pronouncements (Accounting standards issued not yet effective)

"Accounting Standard for Retirement Benefits" (Statement No. 26 issued by the Accounting Standards Board of Japan on May 17, 2012)
"Guidance on Accounting Standard for Retirement Benefits" (Guidance No. 25 issued by the Accounting Standards Board of Japan on May 17, 2012)

1. Outline
   In consideration of improvement of financial reporting and international trends, "Accounting Standard for Retirement Benefits" and "Guidance on Accounting Standard for Retirement Benefits" were revised mainly with a focus on the accounting method of unrecognized actuarial differences and unrecognized prior service costs, the calculation method of retirement benefit obligations and service costs, and the expansion of disclosure.
2. Effective date
   The accounting standard and the guidance are scheduled to be effective at the end of the year ending March 31, 2014. However, the revisions of calculation method of retirement benefit obligations and service costs are scheduled to be effective from the beginning of the year ending March 31, 2015.
3. Impact of the adoption of the accounting standard and the guidance
   The impact of the adoption of the accounting standard and the guidance was under evaluation at the time of the preparation of consolidated financial statements.

(19) Reclassifications and restatement

Certain prior year amounts have been reclassified to conform to the 2013 presentation.

"Increase in investments in SPEs holding properties for sale" of the consolidated statements of cash flow for the year ended March 31, 2011 is deemed immaterial and thus reclassified to "Other, net" of operating activities of the consolidated statements of cash flow.

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

(20) 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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash, time and notice deposits	**¥225,774**	¥146,476	**$2,401,596**
Time deposits	**(1,042)**	(6,276)	**(11,084)**
Cash and cash equivalents	**¥224,732**	¥140,200	**$2,390,512**

4. Inventories

Inventories at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Real estate for sale	¥203,452	¥172,679	$2,164,153
Real estate for sale in process	469,550	407,955	4,994,681
Costs on uncompleted construction contracts	5,142	4,272	54,696
Other	1,352	1,264	14,382
Total	¥679,496	¥586,170	$7,227,912

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Inventories:			
Transferred to property and equipment	¥(34,504)	¥ —	$(367,025)
Transferred from property and equipment	22,328	13,819	237,507
Net increase (decrease)	(12,176)	13,819	(129,518)

5. Pledged assets

Assets pledged as collateral at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash, time and notice deposits	¥ 2,031	¥ —	$ 21,604
Buildings and structures	167,145	168,789	1,777,949
Land	446,113	353,848	4,745,378
Construction in progress	17	—	181
Machinery and equipment	1,128	1,509	11,999
Total	¥616,434	¥524,146	$6,557,111

Secured liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Long-term debt due within one year	¥ —	¥ 20,500	$ —
Long-term non-recourse debt due within one year:			
Bonds	8,848	2,248	94,118
Loans	75,690	31,510	805,127
Long-term non-recourse debt due after one year:			
Bonds	41,672	48,520	443,272
Loans	377,725	345,795	4,017,923
Total	¥503,935	¥448,573	$5,360,440

Specified assets for non-recourse debts at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash, time and notice deposits	¥ 17,450	¥ 30,480	$ 185,619
Buildings and structures	167,145	176,627	1,777,949
Land	446,113	446,113	4,745,378
Construction in progress	17	17	181
Machinery and equipment	1,128	1,506	11,998
Total	¥631,853	¥654,743	$6,721,125

(Note) "Specified assets for non-recourse debts" includes a portion of the amount of "Assets pledged as collateral" for the years ended March 31, 2013 and 2012.

6. 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 Group's 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 18 "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, 2013 and 2012 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2).)

For 2013

	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	¥ 225,774	¥ 225,774	¥ —	$ 2,401,596	$ 2,401,596	$ —
(2) Notes and accounts receivable—trade	17,886			190,256		
Allowance for doubtful accounts*1	(1)			(10)		
Balance	17,885	17,885	—	190,246	190,246	—
(3) Investments in securities						
Available-for-sale securities	176,131	176,131	—	1,873,535	1,873,535	—
(4) Guarantee and lease deposits						
Held-to-maturity securities	1,294	1,297	3	13,764	13,796	32
Available-for-sale securities	820	820	—	8,722	8,722	—
Total assets	¥ 421,904	¥ 421,907	¥ 3	$ 4,487,863	$ 4,487,895	$ 32
Liabilities:						
(1) Notes and accounts payable—trade	¥ 38,811	¥ 38,811	¥ —	$ 412,839	$ 412,839	$ —
(2) Short-term debt	197,477	197,477	—	2,100,596	2,100,596	—
(3) Long-term debt (including due within one year)	1,949,295	1,963,978	14,683	20,734,976	20,891,161	156,185
(4) Long-term non-recourse debt (including due within one year)	503,935	511,766	7,831	5,360,440	5,443,740	83,300
(5) Deposits received*2	39,000	39,000	—	414,849	414,849	—
(6) Guarantee and deposits received*2	66,000	66,000	—	702,053	702,053	—
Total liabilities	¥2,794,518	¥2,817,032	¥22,514	$29,725,753	$29,965,238	$239,485
Derivative transactions*3:						
Non-hedge accounting	¥ —	¥ —	¥ —	$ —	$ —	$ —
Hedge accounting	(2,127)	(2,127)	—	(22,625)	(22,625)	—
Total derivative transactions	¥ (2,127)	¥ (2,127)	¥ —	$ (22,625)	$ (22,625)	$ —

For 2012

	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	¥ 146,476	¥ 146,476	¥ —
(2) Notes and accounts receivable—trade	17,058	17,058	—
(3) Investments in securities			
Available-for-sale securities	135,458	135,458	—
(4) Guarantee and lease deposits			
Held-to-maturity securities	1,269	1,278	9
Available-for-sale securities	676	676	—
Total assets	¥ 300,937	¥ 300,946	¥ 9
Liabilities:			
(1) Notes and accounts payable—trade	¥ 34,663	¥ 34,663	¥ —
(2) Short-term debt	169,694	169,694	—
(3) Long-term debt (including due within one year)	1,852,668	1,865,955	13,287
(4) Long-term non-recourse debt (including due within one year)	531,753	539,082	7,329
(5) Deposits received*2	9,000	9,000	—
(6) Guarantee and deposits received*2	66,000	66,000	—
Total liabilities	¥2,663,778	¥2,684,394	¥20,616
Derivative transactions*3:			
Non-hedge accounting	¥ —	¥ —	¥ —
Hedge accounting	(1,569)	(1,569)	—
Total derivative transactions	¥ (1,569)	¥ (1,569)	¥ —

*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 7 "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 7 "Securities."

Liabilities:

(1) Notes and accounts payable—trade and (2) Short-term debt
The fair value of these items approximates their carrying amounts because of their short-term maturities.

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

The specific matching criteria of interest rate swaps and cross currency interest rate swaps are applicable to some long-term debts with floating interest rates (please see Note 18 "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 18 "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.

(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.

Derivative transactions:

Please see Note 18 "Derivative transactions."

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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investments in subsidiaries and affiliates*1	¥ 17,735	¥ 5,659	$ 188,650
Unlisted equity securities*1	18,981	18,953	201,904
Senior securities, etc.*1	22,288	550	237,081
Investments in limited partnerships, etc.*1	496	96	5,276
Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities)*2	123,743	132,122	1,316,275
Guarantee and deposits received*3	160,470	165,002	1,706,946

*1 The fair value of these items are not disclosed 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 (mainly consisting of lease deposits) 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 2013

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥225,774	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	17,718	168	—	—
Investments in securities				
Available-for-sale securities with maturities (Corporate bonds)	—	—	700	—
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	324	976	—	—
Available-for-sale securities with maturities (National government bonds)	—	—	770	—
Total	¥243,816	¥1,144	¥1,470	¥ —

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 2013

	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	**$2,401,596**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable—trade	**188,469**	**1,787**	**—**	**—**
Investments in securities				
Available-for-sale securities with maturities (Corporate bonds)	**—**	**—**	**7,446**	**—**
Guarantee and lease deposits				
Held-to-maturity securities (National government bonds)	**3,446**	**10,382**	**—**	**—**
Available-for-sale securities with maturities (National government bonds)	**—**	**—**	**8,191**	**—**
Total	**$2,593,511**	**$12,169**	**$15,637**	**$ —**

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

For 2013

	Millions of yen					
Year ending March 31	2014	2015	2016	2017	2018	2019 and thereafter
Short-term debt	**¥197,477**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Long-term debt (including due within one year)	**278,392**	**285,085**	**380,863**	**316,612**	**289,372**	**398,971**
Long-term non-recourse debt (including due within one year)	**84,538**	**76,043**	**67,049**	**118,850**	**17,620**	**139,835**
Deposits received	**39,000**	**—**	**—**	**—**	**—**	**—**
Guarantee and deposits received	**—**	**—**	**—**	**66,000**	**—**	**—**
Total	**¥599,407**	**¥361,128**	**¥447,912**	**¥501,462**	**¥306,992**	**¥538,806**

For 2012

	Millions of yen					
Year ending March 31	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 2013

	Thousands of U.S. dollars					
Year ending March 31	2014	2015	2016	2017	2018	2019 and thereafter
Short-term debt	**$2,100,596**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Long-term debt (including due within one year)	**2,961,302**	**3,032,497**	**4,051,303**	**3,367,854**	**3,078,098**	**4,243,922**
Long-term non-recourse debt (including due within one year)	**899,245**	**808,882**	**713,211**	**1,264,227**	**187,427**	**1,487,448**
Deposits received	**414,849**	**—**	**—**	**—**	**—**	**—**
Guarantee and deposits received	**—**	**—**	**—**	**702,053**	**—**	**—**
Total	**$6,375,992**	**$3,841,379**	**$4,764,514**	**$5,334,134**	**$3,265,525**	**$5,731,370**

7. Securities

For 2013

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2013:

(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.	¥ 771	¥ 775	¥ 4	$ 8,201	$ 8,244	$ 43
Securities whose fair value does not exceed carrying amount:						
National and local government bonds, etc.	523	522	(1)	5,563	5,552	(11)
Total	¥1,294	¥1,297	¥ 3	$13,764	$13,796	$ 32

(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	¥124,162	¥ 81,426	¥ 42,736	$1,320,732	$ 866,142	$ 454,590
Debt securities*	819	770	49	8,712	8,191	521
Other	435	433	2	4,627	4,606	21
Subtotal	125,416	82,629	42,787	1,334,071	878,939	455,132
Securities whose carrying amount does not exceed acquisition cost:						
Equity securities	49,716	61,271	(11,555)	528,837	651,750	(122,913)
Debt securities	700	700	—	7,446	7,446	—
Other	1,118	1,294	(176)	11,893	13,764	(1,871)
Subtotal	51,534	63,265	(11,731)	548,176	672,960	(124,784)
Total	¥176,950	¥145,894	¥ 31,056	$1,882,247	$1,551,899	$ 330,348

* 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.

(Note) The Company recognized ¥2,087 million ($22,200 thousand) of impairment loss on investments in securities (¥1,861 million ($19,796 thousand) on equity securities in available-for-sale securities).

B. Total sales of available-for-sale securities sold in the year ended March 31, 2013 amounted to ¥6,121 million ($65,110 thousand) and the related gains and losses amounted to ¥1,769 million ($18,817 thousand) and ¥187 million ($1,989 thousand), respectively.

C. The Company lent the equity securities temporarily to financial institutions under securities lending agreements. Lent securities, included in investments in securities and other, were ¥129,719 million ($1,379,843 thousand) as of March 31, 2013.

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		
	Carrying amount	Fair value	Difference
Securities whose fair value exceeds carrying amount:			
National and local government bonds, etc.	¥1,269	¥1,277	¥ 8
Securities whose fair value does not exceed carrying amount:			
National and local government bonds, etc.	—	—	—
Total	¥1,269	¥1,277	¥ 8

(b) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥ 66,867	¥ 45,039	¥ 21,828
Debt securities*1	583	556	27
Other	249	247	2
Subtotal	67,699	45,842	21,857
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	66,380	91,028	(24,648)
Debt securities*2	795	795	—
Other	1,261	1,436	(175)
Subtotal	68,436	93,259	(24,823)
Total	¥136,135	¥139,101	¥ (2,966)

*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 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 of impairment loss on investments in securities (¥3,740 million 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.

C. The Company lent the equity securities temporarily to financial institutions under securities lending agreements. Lent securities, included in investments in securities and other, were ¥89,061 million as of March 31, 2012.

8. Short-term debt and long-term debt

Short-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2013	Average interest rate (%)	2012	Average interest rate (%)	2013
Loans, principally from banks	¥137,500	0.52	¥149,700	0.64	$1,462,610
Commercial paper	59,977	0.11	19,994	0.11	637,986
Total	¥197,477		¥169,694		$2,100,596

The interest rates represent weighted average rates in effect at March 31, 2013 and 2012, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
1.28% domestic straight bonds, due 2012	¥ —	¥ 30,000	$ —
1.87% domestic straight bonds, due 2012	—	20,000	—
1.89% domestic straight bonds, due 2013	10,000	10,000	106,372
1.70% domestic straight bonds, due 2013	20,000	20,000	212,743
1.80% domestic straight bonds, due 2012	—	20,000	—
1.76% domestic straight bonds, due 2012	—	20,000	—
1.68% domestic straight bonds, due 2013	20,000	20,000	212,743
1.63% domestic straight bonds, due 2013	20,000	20,000	212,743
2.50% domestic straight bonds, due 2019	10,000	10,000	106,372
1.81% domestic straight bonds, due 2014	20,000	20,000	212,743
1.87% domestic straight bonds, due 2014	10,000	10,000	106,372
1.48% domestic straight bonds, due 2014	10,000	10,000	106,372
1.28% domestic straight bonds, due 2015	10,000	10,000	106,372
1.17% domestic straight bonds, due 2015	30,000	30,000	319,114
0.96% domestic straight bonds, due 2015	30,000	30,000	319,114
0.94% domestic straight bonds, due 2015	10,000	10,000	106,372
0.80% domestic straight bonds, due 2015	20,000	20,000	212,743
0.74% domestic straight bonds, due 2016	10,000	10,000	106,372
0.68% domestic straight bonds, due 2016	10,000	10,000	106,372
0.75% domestic straight bonds, due 2017	10,000	10,000	106,372
0.55% domestic straight bonds, due 2017	10,000	—	106,372
0.50% domestic straight bonds, due 2017	10,000	—	106,372
0.50% domestic straight bonds, due 2017	10,000	—	106,372
0.486% domestic straight bonds, due 2017	10,000	—	106,372
0.444% domestic straight bonds, due 2017	10,000	—	106,372
0.388% domestic straight bonds, due 2018	20,000	—	212,743
0.329% domestic straight bonds, due 2018	10,000	—	106,372
0.563% domestic straight bonds, due 2020	10,000	—	106,372
Loans, principally from banks and insurance companies, with interest at weighted average rates of 0.73% in 2013, and 0.91% in 2012, respectively:			
Secured	—	20,500	—
Unsecured*	1,609,295	1,492,168	17,118,338
Subtotal	1,949,295	1,852,668	20,734,976
Amount due within one year	(278,392)	(307,623)	(2,961,302)
Total	¥1,670,903	¥1,545,045	$17,773,674

* Unsecured long-term debt as of March 31, 2013 and 2012 includes a subordinated loan of ¥60,000 million ($638,230 thousand) and a perpetual subordinated loan of ¥120,000 million, respectively.

Non-recourse debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Non-recourse bonds, with interest at weighted average rate of 1.09% in 2013, and 0.87% in 2012, respectively:			
Due within one year	¥ 8,848	¥ 89,828	$ 94,118
Due after one year	41,672	48,520	443,272
Subtotal	50,520	138,348	537,390
Non-recourse loans, with interest at weighted average rate of 0.95% in 2013, and 1.12% in 2012, respectively:			
Due within one year	75,690	47,610	805,127
Due after one year	377,725	345,795	4,017,923
Subtotal	453,415	393,405	4,823,050
Total	¥503,935	¥531,753	$5,360,440
Secured	¥503,935	¥428,073	$5,360,440
Unsecured	—	103,680	—
Total	¥503,935	¥531,753	$5,360,440

The aggregate annual maturities of long-term debt at March 31, 2013 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 278,392	$ 2,961,302
2015	285,085	3,032,497
2016	380,863	4,051,303
2017	316,612	3,367,854
2018	289,372	3,078,098
2019 and thereafter	398,971	4,243,922
Total	¥1,949,295	$20,734,976

The aggregate annual maturities of non-recourse debt at March 31, 2013 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 84,538	$ 899,245
2015	76,043	808,882
2016	67,049	713,211
2017	118,850	1,264,227
2018	17,620	187,427
2019 and thereafter	139,835	1,487,448
Total	¥503,935	$5,360,440

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 and its consolidated subsidiaries have never received such a request.

9. 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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Retirement benefit obligations	¥ 8,861	¥ 8,519	$ 94,256
Fair value of plan assets	(3,471)	(3,024)	(36,922)
Unrecognized actuarial differences	128	(393)	1,362
Allowance for employees' severance and retirement benefits	¥ 5,518	¥ 5,102	$ 58,696

Included in the consolidated statements of income for the years ended March 31, 2013, 2012 and 2011 are severance and retirement benefit expenses comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2013	**2012**	**2011**	**2013**
Service costs – benefits earned during the year	**¥ 557**	¥ 492	¥ 514	**$ 5,925**
Interest cost on retirement benefit obligations	**130**	152	146	**1,383**
Expected return on plan assets	**(60)**	(58)	(57)	**(638)**
Amortization of actuarial differences	**392**	228	(163)	**4,170**
Other	**318**	311	309	**3,382**
Severance and retirement benefit expenses	**¥1,337**	¥1,125	¥ 749	**$14,222**

Other of ¥318 million ($3,382 thousand) for the year ended March 31, 2013, ¥311 million for the year ended March 31, 2012 and ¥309 million for the year ended March 31, 2011 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, 2013, 2012 and 2011 used by the Company is primarily 2.0%, and the discount rate used by some of its consolidated subsidiaries is 1.0% for the years ended March 31, 2013 and 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.

10. Loss on impairment of fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following assets for the years ended March 31, 2013, 2012 and 2011, respectively.

For 2013

Use	Location	Number of properties
Land for development	**Tokyo**	**1**

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

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 ¥16,967 million ($180,481 thousand), ¥5,618 million and ¥7,602 million for the years ended March 31, 2013, 2012 and 2011, 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
	2013	**2012**	**2011**	**2013**
Land	**¥16,967**	¥5,618	¥7,602	**$180,481**

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.

11. Provision for allowance for loss on disaster

Provision for 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.

12. 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.

13. 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, 2013 and 2012, 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 they 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, 2013 and 2012, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

14. Income taxes

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants' taxes was approximately 38.01% for the year ended March 31, 2013 and 40.69% for the years ended March 31, 2012 and 2011.

Details of deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Depreciation and amortization of consolidated adjustment	¥ 12,129	¥ 11,967	$ 129,018
Loss on impairment of fixed assets	6,156	5,242	65,482
Net operating loss carryforwards	3,383	4,002	35,986
Loss on devaluation of real estate for sale	2,394	2,934	25,465
Accrued enterprise tax and business office tax	2,197	2,140	23,370
Allowance for employees' severance and retirement benefits	1,972	1,823	20,976
Loss on devaluation of investments in SPEs holding properties for sale	1,645	—	17,498
Allowance for doubtful accounts	1,503	1,171	15,988
Accrued bonuses	1,414	1,324	15,041
Elimination of unrealized profit	1,054	1,223	11,212
Loss on devaluation of investments in securities	1,031	1,151	10,967
Net deferred losses on hedges	809	591	8,605
Net unrealized holding losses on securities	3	1,113	32
Other	6,648	5,569	70,716
Subtotal of deferred tax assets	42,338	40,250	450,356
Valuation allowance	(5,526)	(6,393)	(58,781)
Total deferred tax assets	¥ 36,812	¥ 33,857	$ 391,575
Deferred tax liabilities:			
Net unrealized holding gains on securities	(11,079)	—	(117,849)
Retained earnings appropriated for tax allowable reserves	(4,343)	(4,343)	(46,197)
Other	(655)	(361)	(6,967)
Total deferred tax liabilities	(16,077)	(4,704)	(171,013)
Net deferred tax assets	¥ 20,735	¥ 29,153	$ 220,562

"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 and deferred income taxes increased by ¥3,161 million for the year ended March 31, 2012.

The differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
Statutory tax rate	**38.01%**	40.69%
Adjustment:		
Dividends and other income not taxable permanently	**(3.35)**	(1.33)
Inhabitant tax on per capita basis	**0.30**	0.28
Elimination of dividend income	**0.95**	0.84
Adjustment of deferred income taxes	**—**	3.25
Other	**(0.60)**	(0.67)
Effective tax rate	**35.31%**	43.06%

The differences between the statutory tax rate and the effective tax rate for the year ended March 31, 2011 were insignificant and not presented.

15. Deposits received and accounts payable with interest rate

Guarantee and deposits received at March 31, 2013 and 2012 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2013	Average interest rate (%)	2012	Average interest rate (%)	2013
Short-term deposits and long-term deposits due within one year:					
Non-interest-bearing	**¥167,865**	**—**	¥112,814	—	**$1,785,608**
Interest-bearing	**39,000**	**0.27**	9,000	0.36	**414,849**
	206,865		121,814		**2,200,457**
Guarantee and lease deposits from tenants:					
Non-interest-bearing	**160,470**	**—**	165,002	—	**1,706,946**
Interest-bearing	**—**	**—**	—	—	**—**
Long-term deposits:					
Non-interest-bearing	**177,941**	**—**	195,783	—	**1,892,788**
Interest-bearing	**66,000**	**0.34**	66,000	0.40	**702,053**
	404,411		426,785		**4,301,787**
Total	**¥611,276**		¥548,599		**$6,502,244**

Accounts payable with interest rate at March 31, 2013 and 2012 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2013	Average interest rate (%)	2012	Average interest rate (%)	2013
Due within one year	**¥ 3,277**	**1.53**	¥ 3,277	1.53	**$ 34,858**
Due after one year	**17,251**	**1.53**	20,528	1.53	**183,502**
Total	**¥20,528**		¥23,805		**$218,360**

(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, 2013 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 39,000	$ 414,849
2015	—	—
2016	—	—
2017	66,000	702,053
2018	—	—
2019 and thereafter	—	—
Total	¥105,000	$1,116,902

The aggregate annual maturities of accounts payable at March 31, 2013 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 3,277	$ 34,858
2015	3,277	34,858
2016	3,277	34,858
2017	3,277	34,858
2018	3,277	34,858
2019 and thereafter	4,143	44,070
Total	¥20,528	$218,360

16. 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.

17. Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2013, 2012 and 2011 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Operating leases				
Future lease payments:				
Due within one year	¥ 2,036	¥ 2,056	¥ 2,374	$ 21,657
Due after one year	14,129	15,448	13,870	150,293
Total	¥ 16,165	¥ 17,504	¥ 16,244	$ 171,950
Future lease receipts:				
Due within one year	¥ 59,375	¥ 57,989	¥ 48,884	$ 631,582
Due after one year	76,303	94,602	53,597	811,647
Total	¥135,678	¥152,591	¥102,481	$1,443,229

18. Derivative transactions

Hedge accounting was applied for all derivative transactions for the years ended March 31, 2013 and 2012.
The summary of these transactions is as follows:

For 2013

(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	Foreign currency-denominated transactions			
	Receipts in U.S. dollars / Payments in yen		¥ 286	¥ —	¥ 5
	Cross currency swap contracts				
	Receipts in U.S. dollars / Payments in yen		9,184	—	134
Total			¥9,470	¥ —	¥139

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	Foreign currency-denominated transactions			
	Receipts in U.S. dollars / Payments in yen		$ 3,042	$ —	$ 53
	Cross currency swap contracts				
	Receipts in U.S. dollars / Payments in yen		97,692	—	1,426
Total			$100,734	$ —	$1,479

(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	¥432,000	¥422,000	¥(2,266)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	847,706	676,822	—(*)
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	$4,595,256	$4,488,884	$(24,104)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	9,017,190	7,199,468	—(*)
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	42,549	42,549	—(*)

(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 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)

(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	—(*)

(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.

19. 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 and restaurant 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, 2013, 2012 and 2011 is summarized as follows:

	Millions of yen							
	Reportable segments							
For 2013	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total	Adjustments	Consolidated financial statements amounts
Revenue from operations:								
Customers	**¥ 275,379**	**¥231,928**	**¥168,608**	**¥50,397**	**¥10,340**	**¥ 736,652**	**¥ —**	**¥ 736,652**
Intersegment	**2,938**	**221**	**2,474**	**560**	**¥5,451**	**11,644**	**(11,644)**	**—**
Total	**278,317**	**232,149**	**171,082**	**50,957**	**15,791**	**748,296**	**(11,644)**	**736,652**
Segment profit	**¥ 94,187**	**¥ 38,924**	**¥ 15,758**	**¥14,494**	**¥ 1,667**	**¥ 165,030**	**¥ (13,685)**	**¥ 151,345**
Segment assets	**¥2,884,179**	**¥732,713**	**¥ 15,358**	**¥12,490**	**¥24,874**	**¥3,669,614**	**¥435,886**	**¥4,105,500**
Other:								
Depreciation and amortization	**¥ 35,558**	**¥ 275**	**¥ 552**	**¥ 195**	**¥ 123**	**¥ 36,703**	**¥ 1,058**	**¥ 37,761**
Loss on impairment of fixed assets	**—**	**16,967**	**—**	**—**	**—**	**16,967**	**—**	**16,967**
Increase in property and equipment, and intangible assets	**55,346**	**3,394**	**1,367**	**134**	**251**	**60,492**	**159**	**60,651**

For 2012	Millions of yen							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total		
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

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

For 2013	Thousands of U.S. dollars							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other business	Total		
Revenue from operations:								
Customers	**$ 2,929,252**	**$2,467,057**	**$1,793,512**	**$536,081**	**$109,988**	**$ 7,835,890**	**$ —**	**$ 7,835,890**
Intersegment	**31,252**	**2,351**	**26,316**	**5,957**	**57,983**	**123,859**	**(123,859)**	**—**
Total	**2,960,504**	**2,469,408**	**1,819,828**	**542,038**	**167,971**	**7,959,749**	**(123,859)**	**7,835,890**
Segment profit	**$ 1,001,883**	**$ 414,041**	**$ 167,620**	**$154,175**	**$ 17,733**	**$ 1,755,452**	**$ (145,570)**	**$ 1,609,882**
Segment assets	**$30,679,492**	**$7,793,990**	**$ 163,366**	**$132,858**	**$264,588**	**$39,034,294**	**$4,636,592**	**$43,670,886**
Other:								
Depreciation and amortization	**$ 378,236**	**$ 2,925**	**$ 5,872**	**$ 2,074**	**$ 1,309**	**$ 390,416**	**$ 11,254**	**$ 401,670**
Loss on impairment of fixed assets	**—**	**180,481**	**—**	**—**	**—**	**180,481**	**—**	**180,481**
Increase in property and equipment, and intangible assets	**588,725**	**36,103**	**14,541**	**1,425**	**2,670**	**643,464**	**1,691**	**645,155**

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, 2013, 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, 2013, 2012 and 2011.

20. 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) for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized holding gains on securities:			
Increase during the fiscal year	¥ 33,694	¥ 4,479	$ 358,409
Reclassification adjustments	329	3,814	3,500
Amounts before tax effect	34,023	8,293	361,909
Tax (expense) or benefit	(12,104)	(3,513)	(128,752)
Net unrealized holding gains on securities	21,919	4,780	233,157
Deferred gains (losses) on hedges:			
Decrease during the fiscal year	(2,501)	(293)	(26,604)
Reclassification adjustments	1,943	2,379	20,668
Amounts before tax effect	(558)	2,086	(5,936)
Tax (expense) or benefit	171	(874)	1,819
Net deferred gains (losses) on hedges	(387)	1,212	(4,117)
Foreign currency transaction adjustments:			
Decrease during the fiscal year	1,741	(1,067)	18,519
Tax (expense) or benefit	—	—	—
Foreign currency transaction adjustments	1,741	(1,067)	18,519
Total other comprehensive income	¥ 23,273	¥ 4,925	$ 247,559

21. 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 fiscal year and their fair values at March 31, 2013 and 2012 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Investment and rental properties	Balance at beginning of fiscal year	¥2,444,016	¥1,903,295	$25,997,405
	Changes during the fiscal year	(60,510)	540,721	(643,655)
	Balance at end of fiscal year	2,383,506	2,444,016	25,353,750
	Fair value at end of fiscal year	3,293,202	3,387,741	35,030,337
A portion used as investment and rental properties	Balance at beginning of fiscal year	¥ 221,738	¥ 69,068	$ 2,358,664
	Changes during the fiscal year	71,243	152,670	757,824
	Balance at end of fiscal year	292,981	221,738	3,116,488
	Fair value at end of fiscal year	384,834	253,995	4,093,543

(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, 2013 and 2012 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, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Increase:			
Acquired real estate	¥ 56,302	¥113,548	$ 598,894
Transferred from real estate for sale in process	32,762	—	348,495
Newly consolidated subsidiaries	—	633,985	—
Decrease:			
Depreciation and amortization	¥(33,996)	¥ (32,456)	$(361,621)
Transferred to real estate for sale in process	(22,328)	(13,819)	(237,507)
Loss on impairment of fixed assets	(16,967)	(5,618)	(180,481)

Income and expenses for investment and rental properties for the years ended March 31, 2013 and 2012 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Investment and rental properties	Income	¥165,264	¥166,201	$1,757,941
	Expenses	85,742	86,501	912,052
	Balance	79,522	79,700	845,889
	Other income (expenses)	(17,753)	(6,040)	(188,842)
A portion used as investment and rental properties	Income	¥ 24,227	¥ 18,113	$ 257,707
	Expenses	15,410	14,704	163,919
	Balance	8,817	3,409	93,788
	Other income (expenses)	(72)	(88)	(766)

(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.

22. Contingent liabilities

The Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥351 million ($3,734 thousand) at March 31, 2013 and as guarantors of borrowings by customers in an amount aggregating to ¥39 million at March 31, 2012.

23. Subsequent events

On June 27, 2013, the shareholders of the Company approved payments of a year-end cash dividend of ¥10 ($0.11) per share or a total of ¥4,741 million ($50,431 thousand) to shareholders of record at March 31, 2013. Such appropriations are recognized in the period in which they are approved by the shareholders.

Independent Auditor's Report

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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2013, in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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 27, 2013
Tokyo, Japan

Corporate Data / Investor Information

As of March 31, 2013

Corporate Data

Head Office

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4-1, Nishi-Shinjuku 2-chome
Shinjuku-ku, Tokyo 163-0820, Japan
Phone: +81-3-3346-2342
Facsimile: +81-3-3346-1918

Corporate Website

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

Date of Establishment

December 1, 1949

Number of Employees

10,741 (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

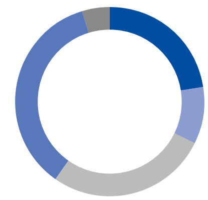
Number of Shareholders

13,728

Stock Exchange Listings

Tokyo Stock Exchange
Osaka Securities Exchange

Breakdown of Shareholders

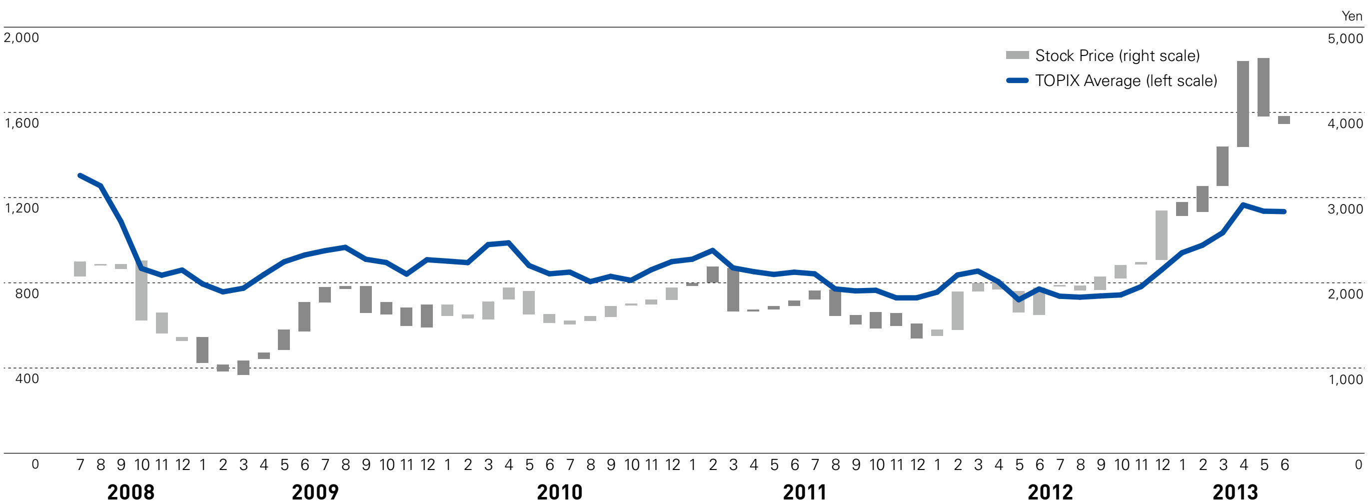


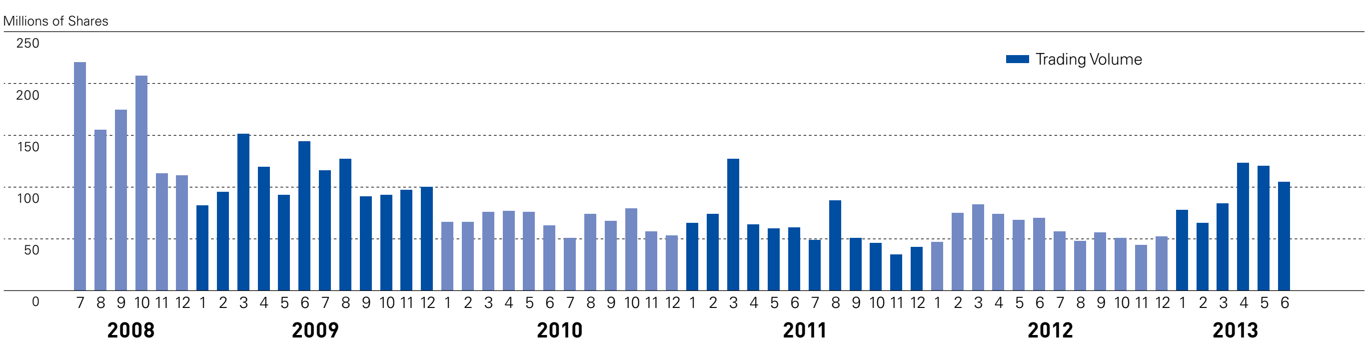
Trust Accounts	22.65%
Financial Institutions	9.83%
Other Companies	27.26%
Foreign Companies	35.56%
Individuals and Others	4.70%

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of shares held
Japan Trustee Services Bank, Ltd. (Trust account)	26,255	5.51%
The Master Trust Bank of Japan, Ltd. (Trust account)	23,124	4.86%
Sumitomo Mitsui Banking Corporation	11,990	2.52%
SSBT OD05 Omnibus Account – Treaty Clients	11,078	2.33%
Japan Trustee Services Bank, Ltd. (Trust account 4)	9,397	1.97%
Cbldn-Stichting PGGM Depositary-Listed Real Estate PF Fund	8,665	1.82%
Obayashi Corporation	7,527	1.58%
Shimizu Corporation	7,500	1.58%
Kajima Corporation	6,923	1.45%
Mitsui Sumitomo Insurance Co., Ltd.	6,740	1.42%

Stock Price and Trading Volume on Tokyo Stock Exchange





Sumitomo Realty & Development Co., Ltd.

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