



Integrity and Innovation



Monjuin Shiigaki (Founder's Precepts) owned by Sumitomo Historical Archives

Business Philosophy

Inheriting Sumitomo's Business Philosophy with a history of 430 years

"Under no circumstances, shall it pursue easy gains or act imprudently," "Placing prime importance on integrity and sound management in the conduct of its business" and "Benefit self and benefit others, private and public interests are one and the same."

The Sumitomo Realty Group is a comprehensive real estate enterprise of the Sumitomo Group with a history of over 400 years. Inheriting Sumitomo's business philosophy, with its origins in the *Monjuin Shiigaki* (Founder's Precepts), a document written by the founder of the House of Sumitomo, Masatomo (Monjuin), and given to its family members to offer guidance on how a merchant should conduct business, we have developed our business by placing top priority on integrity and pursuing creation of new value with innovative and challenging spirit. Our corporate slogan "Integrity and Innovation" and our fundamental mission "Create even better social assets for the next generation" reflect this business philosophy.

Slogan

Integrity and Innovation

Placing top priority on "integrity," we go beyond simple development with innovative and challenging spirit, relentlessly pursuing value creation without pursuing easy gains. This corporate stance as a developer is expressed in our slogan, "Integrity and Innovation."

Fundamental Mission

Create even better social assets for the next generation

Through our businesses closely associated with people's daily lives, such as office building leasing, condominium sales, custom home construction, remodeling, etc. it is our mission to create assets that live on to the next generation and we strive for sustainable urban development that is "Disaster Resistant," "Environmentally Friendly," "Together with the Community" and "People Friendly."

Contents

03	Business Structure
05	A Message from the Management
09	Sumitomo Realty's Corporate Value Creation
	Our Value Creation Model 09
	Examples of Our Value Creation Model 11 [1] Urban Redevelopment
	15 [2] Housing Remodeling
	17 [3] Building Renovation
	History of Value Creation and Our Strengths 19 The Earning Base that Underpins Sustainable Growth, the Core of Our Corporate Value
	Investment Strategies for Growth 21 Investment Strategies for Sustainable Growth
24	Business Review
	Financial Results for the Fiscal 2020 and Progress of the Management Plan 24 Overview of Consolidated Results, Outlook for the Next Fiscal Year (Fiscal 2021) and Progress of the Eighth Management Plan
	Overview of Each Segment 25 Overview of the Fiscal 2020
	27 Leasing
	33 Sales
	35 Construction
	37 Brokerage
	38 Group Companies
39	ESG Management
	Promotion of ESG and Contributions to SDGs 39
	ESG Topics 41
	Environment 43
	Society 47
	Governance 57
67	Financial Section
	Eleven-year Financial Summary 67
	Management's Discussion and Analysis 69
	Consolidated Financial Statements 71 Balance Sheets, Statements of Income, Statements of Comprehensive Income, Statements of Changes in Net Assets, Statements of Cash Flows
	Notes to Consolidated Financial Statements 76
	Independent Auditor's Report 96
101	Company Information
	Corporate Data / Investor Information 101
	History 102

Editorial Policy
This report was compiled based on the disclosure framework of the International Integrated Reporting Council (IIRC). This report has been compiled to deepen the understanding among our stakeholders on the ESG management of the Sumitomo Realty Group, which has developed its business inheriting the Sumitomo's business philosophy with a history of 430 years. For details of the initiatives for ESG and the SDGs, please see the Sustainability/ESG page on the Company's website.
▶ <https://www.sumitomo-rd.co.jp/english/sustainability/>

Caution Concerning Forward-looking Statements
Forward-looking statements including business forecasts contained in this integrated report represent management's assumptions and beliefs based on the information currently available to the Company and contain risks and uncertainties. Furthermore, they do not represent the Company's guarantee of future performance. Therefore, stakeholders are warned not to solely rely on these statements in making investment decisions. Important factors that could affect actual results include, but are not limited to, the environment surrounding the Group's business areas, such as macroeconomic conditions, the real estate market, and interest rate trends.

Period Covered: April 2020 to March 2021 (Some descriptions on activities and outlook in this report refer to those prior to or after this period.)
Definition of Term: "FY2020," "FY '20," "fiscal 2020" or "fiscal year under review" refer to the fiscal year ended March 31, 2021, and other fiscal years are referred to in a corresponding manner unless otherwise indicated.

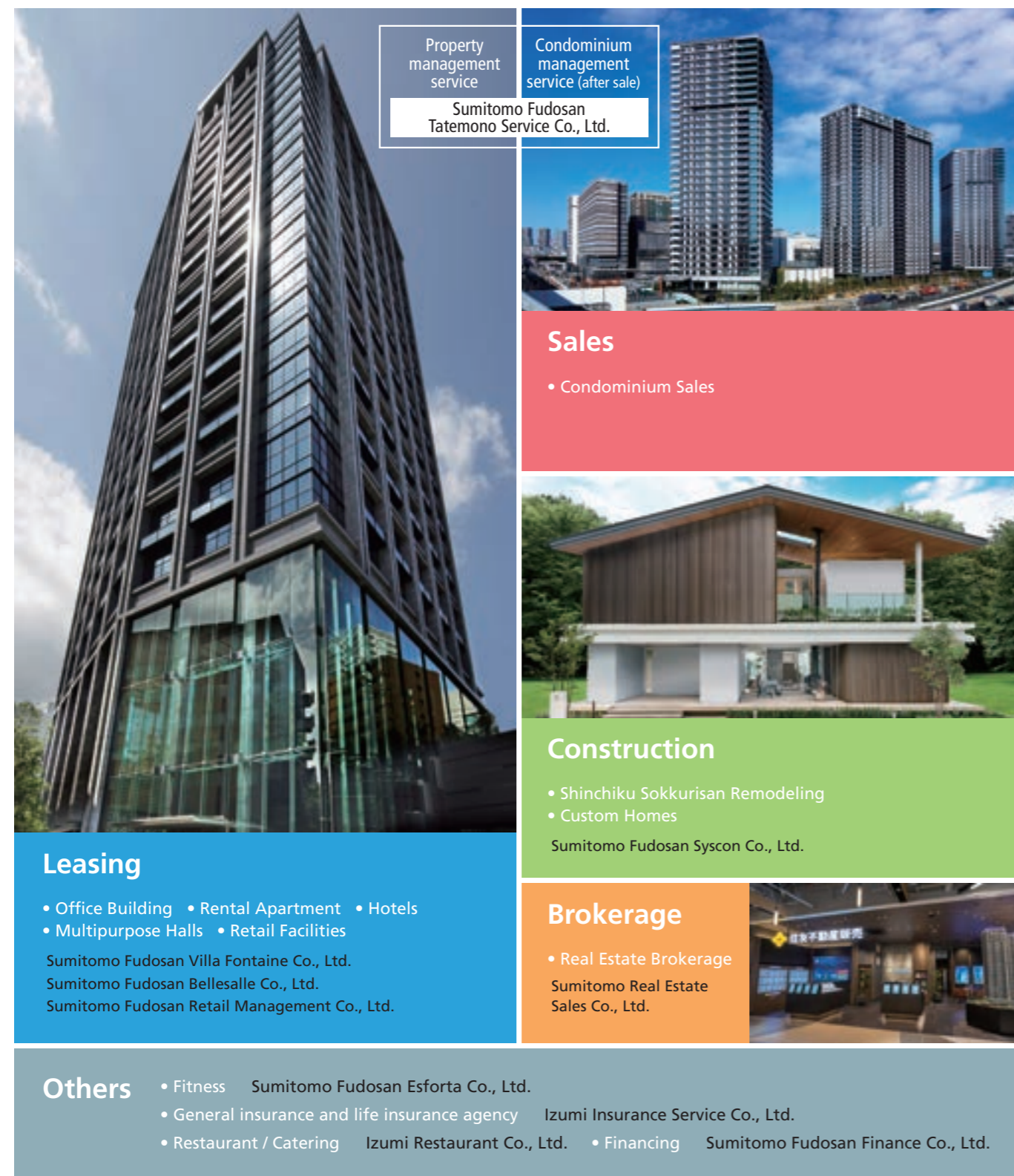
Scope of Report: Sumitomo Realty & Development Co., Ltd. and its Group companies

Published: November 2021 (Japanese edition)

Cover Photo: Sumitomo Fudosan Kojimachi Garden Tower (Completion: May 2020)

Four Mainstay Businesses Centered on Office Building Leasing

Sumitomo Realty Group



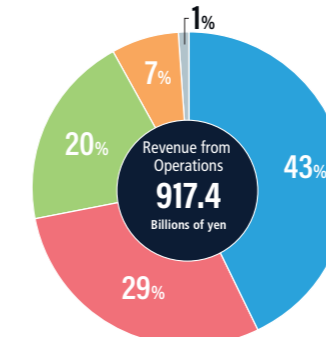
Four Highly-profitable Mainstay Segments

The Sumitomo Realty Group comprises the following four mainstay segments: **Leasing**, the core earnings driver accounting for nearly 70% of the Company's operating income and owning more than 230 buildings for lease in central Tokyo; **Sales**, generating stable profits every year in the condominium business, and one of the industry's top suppliers of condominium units; **Construction**, providing Shinchiku Sockkurisan, the industry's No. 1 full-remodeling business, and custom home construction; and **Brokerage**, boasting a leading network of brokerage offices nationwide primarily for existing homes. Each business has been steadily increasing their performance with a high level of profitability, and contributing to improving the corporate value of the Group.

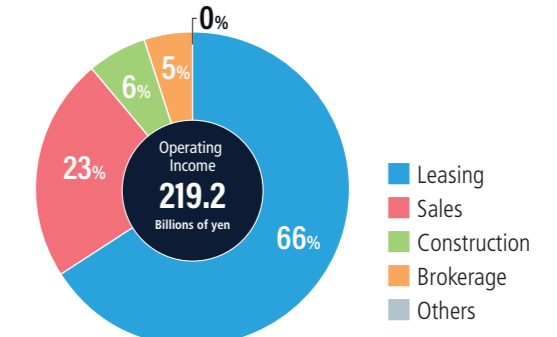
Results for the fiscal 2020

	(Billions of yen)
Revenue from operations	917.4
Operating income	219.2
Ordinary profit	209.9
Profit	141.3

Breakdown of revenue from operations



Breakdown of operating income



Revenue from operations

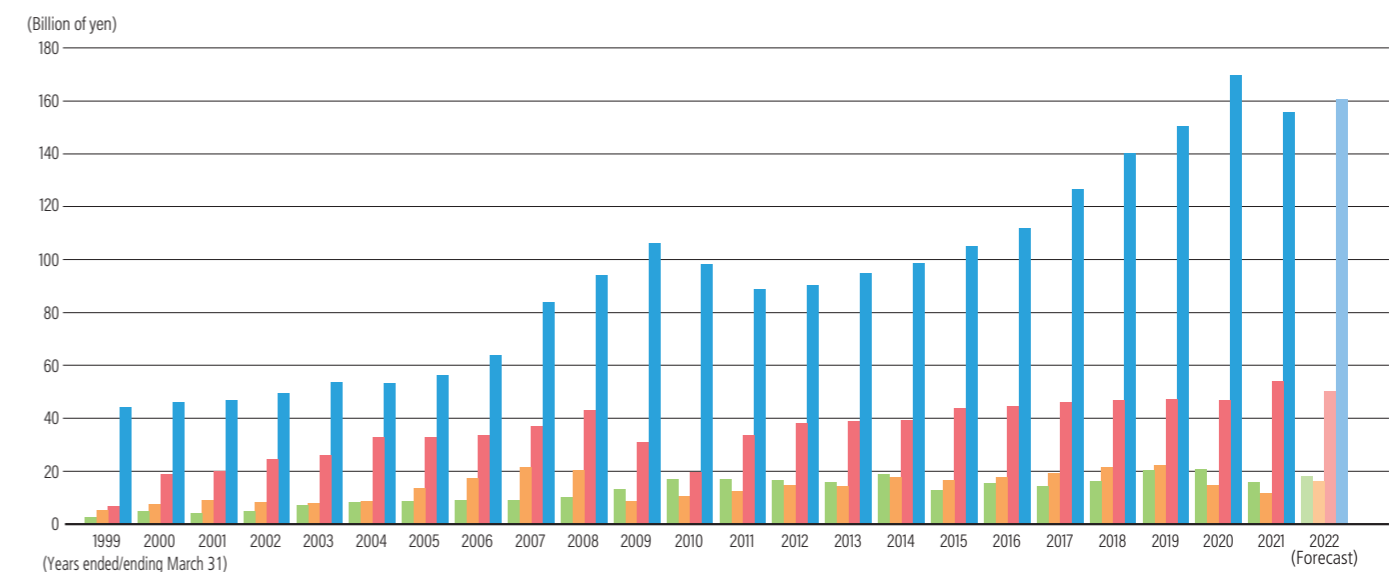
	FY2020	YoY	FY2021 (F)	YoY
Leasing	398.2	+2.6	400.0	+1.7
Sales	263.3	(61.5)	245.0	(18.3)
Construction	188.7	(30.2)	200.0	+11.2
Brokerage	65.7	(5.4)	75.0	+9.2

Operating income

	FY2020	YoY	FY2021 (F)	YoY
Leasing	155.2	(14.1)	160.0	+4.7
Sales	53.9	+7.4	50.0	(3.9)
Construction	15.5	(5.0)	18.0	+2.4
Brokerage	11.4	(3.1)	16.0	+4.5

Operating income by segment

■ Leasing ■ Sales ■ Construction ■ Brokerage



Striving for Sustainable Growth Together with the City, Creating New Value through Innovation

K. Nishima
Kojun Nishima
President



Management philosophy that inherits “Sumitomo’s Business Philosophy” with a history of 430 years

Corporate
Philosophy
▶ P.01

The Company is a comprehensive real estate enterprise of the Sumitomo Group, which succeeded the Sumitomo Honsha Ltd. and inherits “Sumitomo’s Business Philosophy” which has a history of 430 years. The Sumitomo Group is one of the longest-lasting corporate groups in the world, and its business philosophy — “Placing prime importance on integrity,” “Under no circumstances, shall it pursue easy gains,” “Benefit self and benefit others, private and public interests are one and the same,” etc. — has been handed down as a guiding principle throughout its history. In light of the wisdom of its predecessors, the Sumitomo Realty Group has developed its business based on a philosophy of placing top priority on integrity, not pursuing easy gains, and creating not only economic value through the pursuit of self-interest, but also sustainable social value that will be needed for future generations.

Such corporate stance is expressed in our corporate slogan “Integrity and Innovation,” and we established in our code of conduct to place top priority on relationships of trust with stakeholders, to always set higher goals and to be a pioneer, seeking new approaches and challenges, and to create new values. Under this slogan, we have set forth our fundamental mission as to “Create even better social assets for the next generation,” and our basic management policy aims to contribute to addressing social issues through each business at the same time maximizing corporate value.

The real estate business has great social significance: the mission of enriching people’s daily lives by creating place and services for people to work, live and interact. As such, we have identified “Disaster Resistant,” “Environmentally Friendly,” “Together with the Community” and “People Friendly” as our four material issues and have been practicing “Sustainability Management” offering sustainable social assets to be passed on to future generations.

Creating new value and achieving sustainable growth together with the city

We have established a sustainable and stable earnings base by steadily developing the real estate leasing business primarily involving office buildings in central Tokyo. We have developed numerous office buildings through urban redevelopment over roughly half a century since the early 1970s. By keeping the ownership of these buildings, rather than selling them off, we have accumulated stable revenues and the leasing business became a solid business platform that now accounts for nearly 70% of the overall operating income.

To secure a stable supply of land in central Tokyo, where large parcels of land are rare, we, as a “Land Maker,” have been engaged in urban development including redevelopment together with numerous landowners.

Redevelopment business can, in addition to creating an earnings base, contribute to solving various issues of the community. For example, densely built-up areas with low-rise wooden houses in urban cities pose high disaster risks, and redevelopment of such areas will improve disaster preparedness, revitalize the community and realize effective use of land, enhancing social value of the community. Going forward, we will continue to engage in urban development focusing on redevelopment, as a developer that generates both economic and social value.

Our strength is the capability of “Land Innovation,” or the capability of development, which has been cultivated over the years. By taking advantage of this strength and upgrading urban functions, we will continuously strive to create a sustainable society as well as to achieve sustainable growth and maximize corporate value through contribution to the community.

Our Value
Creation Model
▶ P.09-20

Our Materiality



Investment strategies for sustainable growth

Going forward, we will continue to invest in the development of office buildings in central Tokyo, which is our growth driver. We have set our target for the Eighth Management Plan to “steadily advance development plans for total of over 800 thousand tsubo (one tsubo is roughly 3.3 m²) of gross floor area,” and we aim to further expand our earnings base by achieving the target. These developments are concrete and highly feasible plans, for which land has already been acquired or where redevelopment projects are already underway. Roughly 190,000 tsubo of these development plans have been or will be completed and brought to market under the Eighth Management Plan, which will end on March 31, 2022.

Investment
Strategies for
Growth
▶ P.21-23

Ordinary profit to return to record levels in two years

In the fiscal year ended March 31, 2021, the commercial facilities such as hotels and retail facilities were severely impacted by COVID-19. Nevertheless, as the mainstay office building leasing and condominium sales remained favorable, and the housing-related business including custom home construction, remodeling and brokerage had recovered earlier than we had expected, the impact of COVID-19 was limited to around ¥20.0 billion. As a result, despite decreases in revenue from operations, operating income and ordinary profit, we managed to maintain ordinary profit at the ¥200.0 billion level, and profit achieved a record high for the eighth consecutive year.

As for the outlook for the fiscal year ending March 31, 2022, while the impact of COVID-19 will remain in the commercial facility business, we expect the profit to increase from full year contribution of new office buildings in the leasing business and strong condominium sales from the sales business. We also expect the housing-related business including custom homes, remodeling and brokerage to turn to profit and contribute to the Group’s overall performance. We aim for a return to record levels in ordinary profit in two years with the Group’s comprehensive capabilities.

After the global financial crisis, it took us six years to return to record high profits. However, in the past ten years, ordinary profit has doubled, shareholders’ equity tripled, and our profitability and financial base have improved markedly. As a result, we can expect to return to record high profits in just two years from the impact of COVID-19 pandemic. This is driven by steady accumulation of stable profit attributable to the 70% increase in gross floor area for office leasing.

Comparison between the time of the global financial crisis and the fiscal year under review

(Billions of yen/ Thousands of tsubo*)	FY2009	FY2020	Comparison
Revenue from operations	719.6	917.4	1.3 Times
Ordinary profit	100.5	209.9	2.1 Times
Gross floor area (owned)	834	1,444	1.7 Times
Shareholders’ equity	488.9	1,503.0	3.1 Times
Equity ratio/ROE	15%/11%	26%/10%	
Interest-bearing debt	2,892.2	3,601.3	1.2 Times
R&I/JCR ratings	BBB+/A	A+/AA-	

*1 tsubo ≈3.3 m²

The fiscal year ending March 31, 2022 is the final year of the Eighth Management Plan. We will strive to steadily achieve the record high ordinary profit of ¥221.0 billion, so that in the three-year cumulative period, we will achieve record high profits for the third consecutive management plan period since the Sixth Management Plan.

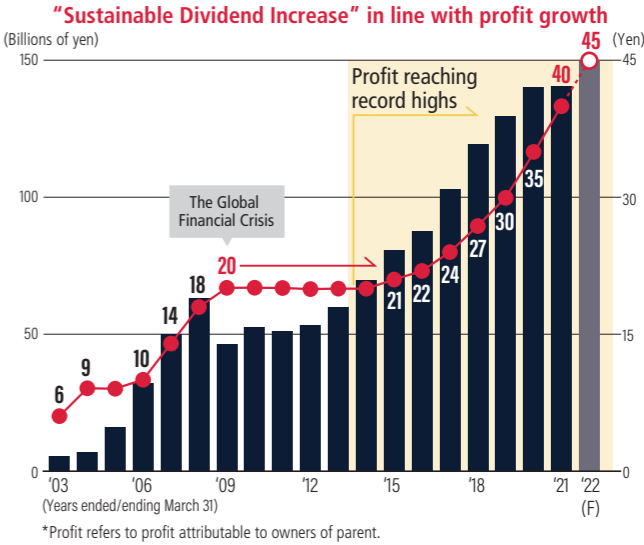
Shareholder return with “Sustainable Dividend Increase”

The Company’s basic policy of profit distribution is to ensure prioritization of investment in buildings for leasing in order to enhance the long-term revenue base and to keep a “Sustainable Dividend Increase” in line with profit growth. Even when our profit dipped amid the global financial crisis, we maintained our dividend level, and ever since we began to post record profits, we have managed to achieve “Sustainable Dividend Increase” along with the growth in profits. In the fiscal year ended March 31, 2020, we raised dividend increase from ¥3 per year to ¥5 per year. In the fiscal year under review, while the effects of COVID-19 remain, our mainstay office building leasing secured increases in both revenue and profits and we were able to post a record high profit for the eighth consecutive year. Accordingly, we maintained a dividend increase of ¥5 per year, the same rate of increase as the previous year.

In the next fiscal year, we expect to post a record-high profit for the ninth consecutive year and increase the annual dividend to ¥45 per share (including an interim dividend of ¥22) continuing our dividend increase of ¥5 per year for the third consecutive year amid the COVID-19 pandemic.

Going forward, we will further strengthen our earnings base by advancing our development plan of over 800,000 tsubo in gross floor area mainly through the redevelopment in central Tokyo, and continue to meet the expectations of our shareholders with “Sustainable Growth” and “Sustainable Dividend Increase.”

Cash dividend per share and profit*
■ Profit ● Cash dividend per share (right scale)



Our “Sustainability Management”

As mentioned above, we have carried on Sumitomo’s business philosophy and practiced “Sustainability Management” for many years.

In redevelopment of our mainstay office buildings and condominiums, we have been contributing to solving social issues through initiatives such as significant improvement of regional disaster preparedness. In the Shinchiku Sokkurisan remodeling business, we have actively worked on extending the useful lives of houses as well as enhancing their safety and security since its launch in 1996, through earthquake-reinforcement included as a standard specification. In addition, it also contributes to significantly reducing the amount of waste compared to rebuilding.

In 2020, a large-scale renovation project of the Shinjuku Sumitomo Building, one of the early skyscrapers in Japan nicknamed as “Sankaku Biru” (triangular building), was completed, creating the “Sankaku Hiroba” (triangular plaza), an all-weather atrium for various events. The facility not only increases liveliness in the Shinjuku district, a center of business, commerce and culture, but also contributes to the region as a disaster-prevention base, providing shelter for stranded commuters in the event of disaster.

For environment, we have achieved a high degree of energy saving over the years. As a real estate developer, we will continue to promote energy saving even further by constructing new buildings featuring high environmental performance, improving environmental performance of existing buildings through renovation as well as raising awareness during the operations of these properties. By doing so, we will contribute to Japan’s target of achieving net zero greenhouse gas emissions by 2050.

In fiscal 2020, we have achieved a reduction of per-unit energy consumption by 37% in comparison with fiscal 2009, gaining S class (excellent business operator) certification, which is the highest ranking given for efforts taken to conserve energy under the Act on Rationalizing Energy Use, over the last four consecutive years.

We will continue to address various social issues including environmental issues through our business activities as well as contributing to the achievement of the Sustainable Development Goals (SDGs) stipulated by the United Nations.



Business Review
► P.24-26

Progress of
the Eighth
Management Plan
► P.24

ESG Management
► P.39-66

The Sumitomo Realty Group has set forth its fundamental mission as to “Create even better social assets for the next generation,” based on Sumitomo’s business philosophy with a history of 430 years. With our capabilities of “Land Innovation” as the driving force, we have been contributing to solving social issues through each business, while at the same time expanding our businesses to maximize corporate value.

As such, we have identified the following material issues that need to be addressed in our ESG management: “Disaster Resistant,” “Environmentally Friendly,” “Together with Community” and “People Friendly.” We will address these material issues through our business activities, continue to provide “New Value” to people’s living and aim to realize sustainable growth and development together with the city.

Examples of Our Value Creation Model

- [1] Urban RedevelopmentP.11
- [2] Housing RemodelingP.15
- [3] Building RenovationP.17



Examples of Our Value Creation Model

Example [1] Urban Redevelopment

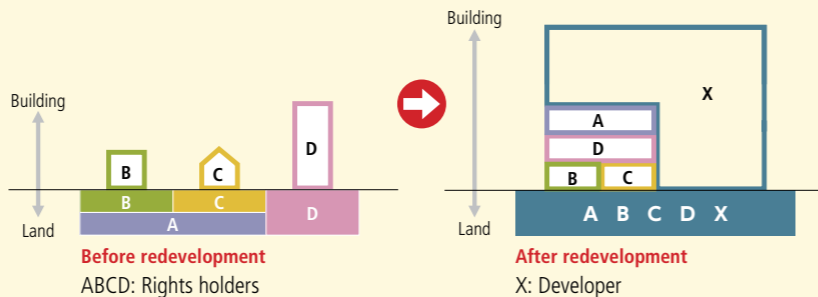
Sustainable urban development to improve disaster preparedness and revitalize the community



Unlike other major developers in Japan, we started with a mere three buildings in 1949 following the breakup of the conglomerates and it was only from the 1970s that we made our full entry into the business of developing office buildings in central Tokyo. Therefore, instead of reconstructing buildings we owned or purchasing sites through competitive bidding, we focused on a redevelopment method by integrating multiple small parcels of land into a larger scale through persistent efforts, to maximize the site value. In this way, we continued developing superior assets, expanding our business platform and increasing our corporate value. In particular, through redevelopment pursuant to the Urban Renewal Act that requires the formation of a consensus among multiple landowners, and consultations with the authorities, we have contributed to improvement of the city infrastructure including disaster-prevention functions by eliminating densely built-up areas of wooden houses and widening narrow streets, as well as to the revitalization of the community.

Redevelopment under the Urban Renewal Act

The Urban Renewal Act of Japan was enacted in 1969 to ensure the effective utilization of land through the improvement of the densely populated urban areas in an integrated and comprehensive manner. Through the communal use of small parcels of land and the development of public facilities such as parks and roads, it enables buildings to be rebuilt into high-rise structures, significantly increasing the floor area. The landowners acquire floor space in the redeveloped building commensurate with the value of the land or building prior to redevelopment and the developer (the Company) covers the project funds including the construction costs and acquires the remaining floor space.



* There are two types of urban-redevelopment projects: The Type 1 Urban-Redevelopment Project based on the right conversion method without land acquisition and the Type 2 Urban-Redevelopment Project that involves land acquisition. Type 2 Urban-Redevelopment Projects are permitted in urgent situations such as for areas where disasters are imminent and are executed by local governments, rather than individuals or associations, over a relatively short period of time.

Major issues with dense congregations of wooden houses in urban areas

- Low earthquake resistance
- High disaster risk with narrow streets
- Low land utilization
- Diminished community vitality, etc.

Through redevelopment:

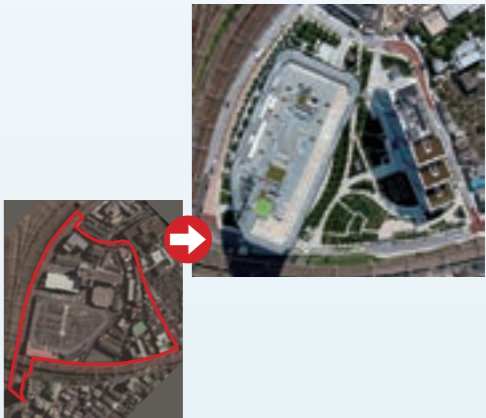
- Improve disaster preparedness of the community**
Improve infrastructure (Installing wider roads, eliminating large differences in elevation etc.)
Improve BCP compliance (seismic isolation and damping systems, emergency power generation equipment etc.)
- Make eco-friendly with high-performance, energy-saving equipment**
Install highly eco-friendly equipment, greatly reducing CO₂ emissions and water usage per unit
- Create new liveliness and strengthen community ties**
Multi-purpose uses, fostering diversity and interaction
Provide open spaces for community building and as a disaster-prevention base

Example Osaki Garden City

Key points of the Osaki Garden City redevelopment project

- Formulation of a complex urban area and the development of urban functions around the station
- Development of a safe and secure community with enhanced disaster-prevention functions, through the elimination of a densely built-up area of wooden houses and widening of narrow streets
- Realizing universal design by eliminating the large difference in elevation of the site
- Spacious green open public spaces covering some 8,000m² to facilitate community building and serve as a disaster-prevention base
- Widening and improving a transportation route connecting Shinagawa City Hall, which will serve as the disaster control center (roads to be cleared in an emergency)
- Promoting energy-saving efforts through the adoption of state-of-the-art highly efficient facilities

	Block A	Block B
Principal purpose	Office, retail, etc.	Residence (423 units), office, etc.
Site area (30,080m ²)	19,927m ²	10,153m ²
Gross floor area (219,565m ²)	178,141m ²	41,424m ²
Floor area ratio	Approx. 780%	Approx. 250%
No. of floors	24 above ground, 2 below ground, 2 rooftop floors,	22 above ground, 2 below ground, 1 rooftop floor



1



City development to tackle the challenges facing the community

1 Enhancement of disaster preparedness by eliminating the area overcrowded with wooden houses and narrow streets

The site used to be a densely built-up area with wooden houses exposed to high risk of fire and the streets were narrow, making it difficult for emergency vehicles to enter the area. The redevelopment realized a safe and secure community through improvement of roads around the site to ensure safety for the pedestrians and to allow the smooth flow of vehicles as well as fireproofing the buildings.

2



2 Promotion of universal design of the area by eliminating a large difference in elevation

The site used to have a difference in elevation as large as eight meters and experienced land collapse. The project created a landscape design with gentle undulations and eliminated the large difference in elevation. It also built stairs and installed elevators connecting the area with the surrounding downtown area and the station to allow everyone to move easily.

3



3 Creating open space for interaction among the community and as a disaster-prevention base

The site used to be an industrial area with little greenery and lacked places for people to gather due to a densely built-up area of housing. Through the redevelopment, spacious green open public spaces covering some 8,000m² were created, encouraging interaction among the people and bringing liveliness in the community, as well as serving as a disaster-prevention base in the event of an emergency.

Examples of Our Value Creation Model


Example [1] Urban Redevelopment

Redevelopment together with the community


Our redevelopment projects emphasize the connections with the community even after the completion. We also focus on area management to further improve the value of the area and give it a lively atmosphere through various initiatives such as holding events utilizing its public open spaces to revitalize the community.

Events held in the past


Osaki Garden City



Community building through cherry blossoms viewing




Planting "Satogaeri (homecoming) cherry trees from Washington DC" which are related to the area




Annual disaster drills jointly held with the Koraku Community Association


IZUMI GARDEN



Cherry Blossom Festival



Cherry Trees Illuminated



Marche' Event

Redevelopment under the Urban Renewal Act - Major projects completed and planned						(As of March 31, 2021)
Project area	Main building	Location	Gross floor area m ² (approx.)	Main purposes	Completion	
Shukugawa Station Front No.1	Shukugawa Green Town	Nishinomiya, Hyogo	33,400	Residence•Retail•Office	Nov 1977	
Nishi-kanda 3-chome North-east	Chiyoda First Building East	Chiyoda Ward, Tokyo	38,800	Office•Residence•Retail	Oct 1998	
Nakanosakaue Chuo 1-chome West	Sumitomo Nakanosakaue Building	Nakano Ward, Tokyo	36,600	Office•Residence•Retail	Apr 1999	
Koraku 2-chome East	Sumitomo Fudosan Iidabashi First Building	Bunkyo Ward, Tokyo	62,900	Office•Residence•Retail	Mar 2000	
Roppongi 1-chome West	Izumi Garden Tower	Minato Ward, Tokyo	208,400	Office•Residence•Retail	Oct 2002	
Nishi-shinjuku 6-chome South	Sumitomo Fudosan Shinjuku Oak Tower	Shinjuku Ward, Tokyo	163,100	Office•Residence•Retail	Nov 2002	
Nishi-kanda 3-chome North-west	Chiyoda First Building West	Chiyoda Ward, Tokyo	63,400	Office•Residence•Retail	Jan 2004	
Mita Koyamacho East	City Tower Azabujuban	Minato Ward, Tokyo	64,600	Residence	May 2009	
Osaki Station West Gate Central	Osaki West City Towers	Shinagawa Ward, Tokyo	129,100	Residence•Office•Retail	Aug 2009	
Nishi-shinjuku 6-chome West No.6	Central Park Tower La Tour Shinjuku	Shinjuku Ward, Tokyo	153,500	Residence•Office•Retail•Multipurpose hall	Mar 2010	
Kakyoin 1-chome No.1	City Tower Sendai Kakyoin	Sendai, Miyagi	25,400	Residence•Retail•Office	Mar 2010	
Koraku 2-chome West	Sumitomo Fudosan Iidabashi First Tower	Bunkyo Ward, Tokyo	78,400	Office•Residence•Retail•Multipurpose hall	Apr 2010	
Hachioji Station South Gate	Southern Sky Tower Hachioji	Hachioji, Tokyo	99,800	Residence•Office•Retai	Nov 2010	
Nishi-shinjuku 8-chome Naruko	Sumitomo Fudosan Shinjuku Grand Tower	Shinjuku Ward, Tokyo	179,800	Office•Residence•Retail•Multipurpose hall	Dec 2011	
Ageo Nakasendo East	City Tower Ageo Ekimae	Ageo, Saitama	39,900	Residence•Office•Retail	Dec 2012	
Asahi-dori 4-chome	City Tower Kobe Sannomiya	Kobe, Hyogo	92,900	Residence•Hotel•Retail	Mar 2013	
Roppongi 3-chome East	Sumitomo Fudosan Roppongi Grand Tower	Minato Ward, Tokyo	210,500	Office•Residence•Retail•Multipurpose hall	Oct 2016	
Hiroshima Station South Gate B Block	City Tower Hiroshima	Hiroshima, Hiroshima	125,500	Residence•Retail•Office	Aug 2016	
Kokubunji Station North Gate	City Tower Kokubunji The Twin	Kokubunji, Tokyo	93,200	Residence•Retail•Office	Mar 2018	
Nishi-shinagawa 1-chome	Sumitomo Fudosan Osaki Garden Tower	Shinagawa Ward, Tokyo	222,000	Office•Residence•Retail	Aug 2018	
Oi 1-chome South No.1	City Tower Oimachi	Shinagawa Ward, Tokyo	60,600	Residence•Retail	Jul 2019	
Kanda-neribeicho	Sumitomo Fudosan Akihabara Ekimae Building	Chiyoda Ward, Tokyo	30,800	Office•Residence•Retail	Aug 2019	
Tokorozawa Station West Gate North	City Tower Tokorozawa Classy	Tokorozawa, Saitama	38,500	Residence•Retail	May 2021	
Musashi-koyama Ekimae-dori	City Tower Musashi-koyama	Shinagawa Ward, Tokyo	53,500	Residence•Retail	Jun 2021	
Mita 3- and 4-chome	(Tentative name) Tokyo Mita Redevelopment Project	Minato Ward, Tokyo	228,800	Office•Residence•Retail	FY2022(expected)	
Nishi-shinjuku 5-chome North	(Tentative name) Nishi-shinjuku 5-chome Kita Project	Shinjuku Ward, Tokyo	137,300	Residence•Office•Retail	FY2022(expected)	
Nakano 2-chome	(Tentative name) Nakano 2-chome Project	Nakano Ward, Tokyo	99,000	Office•Residence•Retail	FY2023(expected)	

Example Iidabashi Area

We improved the disaster preparedness of the area by eliminating densely built-up areas of wooden houses and building fireproof and earthquake-resistant buildings. We also took advantage of the intensive land use afforded by the central location and built large-scale buildings with office spaces as the core of the redevelopment, while also allowing for mixed uses such as residences, retail and multipurpose halls all under one roof. In this way, we consecutively achieved two redevelopment projects to revitalize the community by attracting new workers, residents and visitors.

Main building	Sumitomo Fudosan Iidabashi First Building	Sumitomo Fudosan Iidabashi First Tower
Completion	March 2000	April 2010
Gross floor area (approx.)	62,900m ²	78,400m ²
Purposes	Office, residence, retail	Office, residence, retail, multipurpose hall



Example Roppongi Area

We completed the IZUMI GARDEN large urban block consisting of two large-scale, mixed-use developments in the area lying east side and west side of the Roppongi-itchome Station, connecting the areas from Roppongi to Kamiyacho. It covers an area of approx. 6 hectares and comprises offices, residences, retail facilities, a hotel, multipurpose halls, a museum, etc. and will become a new base to encourage the development of the local community.

Main building	Sumitomo Fudosan Roppongi Grand Tower	Izumi Garden Tower
Completion	October 2016	October 2002
Gross floor area (approx.)	210,500m ²	208,400m ²
Purposes	Office, residence, retail, multipurpose hall	Office, residence, hotel, retail, museum, multipurpose hall



Examples of Our Value Creation Model

Example [2] Housing Remodeling

Renovation of existing houses to extend useful life by improving functionality



The Shinchiku Sokkurisan remodeling business was launched after the Great Hanshin Awaji Earthquake of 1995 with the desire to renovate existing houses to make them earthquake resistant without the high cost of rebuilding. Based on our concept of safe and secure housing, it boasts the industry's foremost track record for full remodeling featuring earthquake reinforcement work and a clear fixed-price system. It marked its 25th anniversary this year, since its launch in 1996, and the cumulative total of units contracted exceeded 150,000 units (as of June 30, 2021). Today, the Shinchiku Sokkurisan has become so popular across the nation that it is a brand synonymous with full remodeling. By leaving main structural components intact and improving housing functionality without rebuilding, the Shinchiku Sokkurisan remodeling contributes to not only extending the useful lives of existing houses, but also to addressing the social issues concerning houses in Japan by being environmentally friendly, i.e., minimizing industrial waste, CO₂ emissions, and waste of resources.



The desire for safe and secure housing

Many houses were destroyed and many precious lives were lost in the Great Hanshin Awaji Earthquake of 1995. Subsequent research revealed that many old houses were left without rebuilding, despite having structural problems, due to various reasons including costs.

The Shinchiku Sokkurisan remodeling was born from the desire to **"find a way to make such houses earthquake-resistant at a reasonable price without rebuilding in order to save precious lives."** As such, it offers a full lineup from "full remodeling" to "partial reform" to transform a house into a safe and earthquake-resistant one, according to the customers' various needs and budget, at about 50-70% of the cost of rebuilding.



A house destroyed in the Great Hanshin Awaji Earthquake, photographed by Professor Kenji Miyazawa

Key issues with the housing stock

- Shorter life cycle than houses in Europe and the U.S.
- Insufficient earthquake resistance and insulation
- Mismatches between lifestyles and floor plans
- Environmental impact from waste generated when rebuilding

Through the Shinchiku Sokkurisan remodeling:



Extended useful life through improved functionality

Earthquake-proofing and seismic retrofitting
Revised floor plans to suit changing lifestyles



Reduced environmental impact

Reduced waste by leaving main structural components intact to lower CO₂ emissions and improve energy-saving functionality



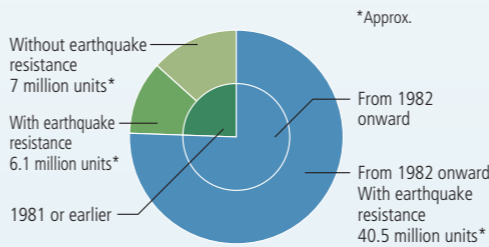
Renovation of traditional-style houses harmonizes the cityscape

Traditional-style house exteriors left in place, harmonizing with other homes in the community; interiors modernized to match current lifestyles

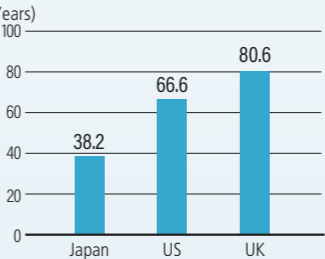
1 Social issues concerning houses in Japan

Although the penetration rate of earthquake resistant houses in Japan is increasing every year, there are still many houses with low earthquake resistance. Moreover, the lives of houses in Japan are relatively short compared with those in Europe and U.S. and the short rebuilding cycle has emerged as an issue in contemporary Japan. Waste from the demolition of houses accounts for a large share of waste discharged by the construction industry. It is called for that lives of houses should be extended to facilitate the shift to a stock-type society where houses could be used by successive generations.

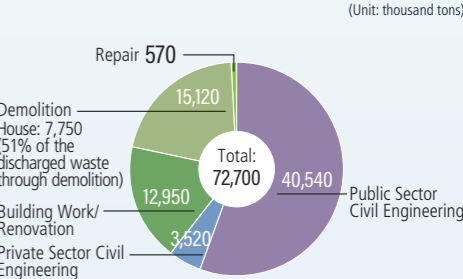
1 Earthquake-resistance of housing stock



2 International comparison of the average age of houses



3 Breakdown of construction waste



Sources: ① Ministry of Land, Infrastructure, Transport and Tourism "Progress of Earthquake Proofing of Houses"
② Ministry of Land, Infrastructure, Transport and Tourism "International Comparison of Average Age of Houses Deregistered in 2018"
③ Ministry of Land, Infrastructure, Transport and Tourism "Residential Land Session, Panel on Infrastructure Development (36th)"

Shinchiku Sokkurisan initiatives concerning social issues

Extending the useful lives of houses through seismic reinforcement

Shinchiku Sokkurisan offers proposals for improving the house's functionality to make it earthquake resistant without rebuilding mainly through seismic reinforcement work based on earthquake resistance diagnosis that meets the government's safety standards.

Moreover, in the Kumamoto Earthquake of 2016, a series of powerful tremors caused the collapse of houses previously considered not to need seismic reinforcement under current laws. In view of such circumstances, we developed a proprietary method to counter such a series of powerful tremors. With the addition of this new method, we now offer seismic reinforcement and damping plans suitable for houses of all ages.

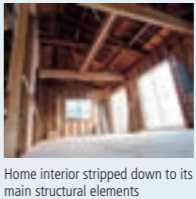
We are promoting houses where people can continue to live in with peace of mind by improving the safety functions through this reinforcement work.

Contributing to the reduction of the environmental impact

Shinchiku Sokkurisan remodeling contributes to the reduction of the environmental burden by extending the life of the house through earthquake reinforcement while the principal structural elements of the house are retained, thus minimizing industrial waste discharge, CO₂ emission, and waste of resources, compared to the demolition involved in building a new house.

Revised floor plans to suit changing lifestyles

In addition to seismic reinforcement, Shinchiku Sokkurisan offers remodeling that makes living comfortable, with thermal insulation, waterproofing, barrier-free design, etc. Furthermore, in response to changes in family structures and aging population, we offer solutions customized for the lifestyles without rebuilding, such as layout changes, extensions, downsizing, transformation of a two-story house to a one-story house, or a two-family house.



Home interior stripped down to its main structural elements



Solution for rapidly increasing disused houses

The high number of disused detached houses has become a social issue in Japan. Through remodeling, turning them into social welfare centers, share-houses, travelers' inns, etc., we contribute to utilization of existing house stocks and support safe and sustainable city.



Examples of Our Value Creation Model

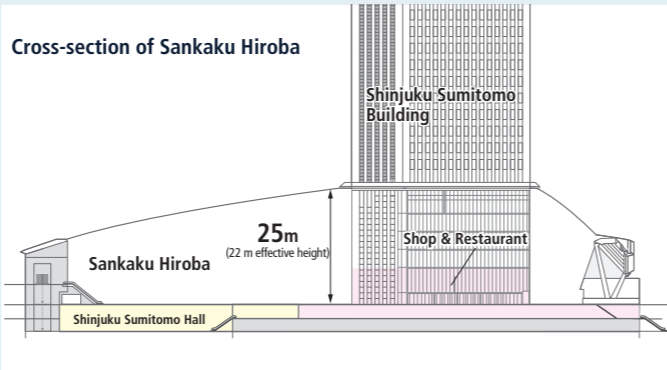
Example [3] Building Renovation

Renovating an urban high-rise building without rebuilding and strengthening community functions



We implemented an extensive renovation of Shinjuku Sumitomo Building, an office-use skyscraper originally completed in 1974, and in July 2020, we completed the “Sankaku Hiroba” (triangular plaza), a large space for public events. Sankaku Hiroba is an all-weather atrium of approximately 3,250m² created by building a gigantic glass roof over an open public space incorporated into the building’s design. The facility not just adds to the vibrancy of the Shinjuku district, where wide-ranging functions are highly concentrated, but provides a disaster prevention function as an emergency shelter in case of large-scale disasters. Having been renovated instead of rebuilding, it serves as a model embodying how an office building can achieve sustainability.





Chronology	*Approx.
1974	Completed Construction of Shinjuku Sumitomo Building
2016	Designated as a national strategic special zone; city planning of specified district changed
2017	Started Large-scale renovation – certified private-sector city revitalization project plan
2020	Completed Large-scale renovation work – Opened “Sankaku Hiroba”
Gross floor area: 180,195m ² Atrium area: 6,500m ² * (Sankaku Hiroba: 3,250m ²)	



Key issues for Nishi-shinjuku, an urban business area

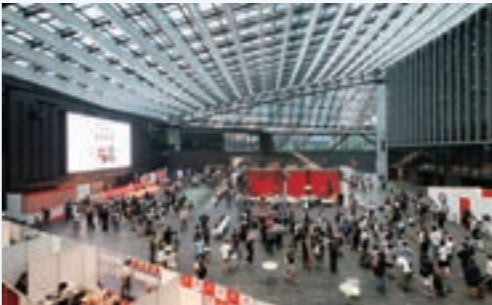
Wide-ranging functions are highly concentrated in the area. However, large subdivisions and double-layered roadways obstruct continuity and movement and disperse interaction.

Created “Sankaku Hiroba,” one of the largest atrium spaces in Japan
Upgraded facilities to the same level as those of a new building

-  **Serves as a local disaster preparedness center in emergencies**
Serves as a temporary evacuation facility for around 2,800 people unable to return to their homes
-  **A model for sustainability of a high-rise building without rebuilding**
 -  Enhanced BCP functionality (damping reinforcement, emergency power generator)
 -  Reduced environmental impact (installed energy-saving equipment equivalent to new-building standards)
 -  Eliminated uneven flooring (facilitating barrier-free movement)

Shinjuku’s new hub for liveliness

The Nishi-shinjuku district, where Shinjuku Sumitomo Building is located, was designated a subcenter of Tokyo in 1958. Since then, it is not only a business center where approximately 200,000 people work but also an area where there is a high concentration of a variety of functions, including large hotels, commercial facilities, universities, hospitals and residences. On the other hand, as the district was developed on a former water purification plant, it faced some issues such as open spaces representing 80% of the district’s areas and a two-layered structure of roads obstructing the continuity and movement of the cityscape and dispersing vibrancy. The Sankaku Hiroba project is a major public-private project to enhance the function of the district as a whole, beyond a single building. It is expected to bring about a new vibrancy to the district by hosting a variety of events in one of the largest all-weather event spaces in Japan with a capacity of about 2,000 people and taking advantage of the adjoining Shinjuku Sumitomo Hall, which is equipped to host international conferences.



A view of an event held at Sankaku Hiroba

Counter-disaster facility for the district

In 2011, while the project was underway, the Great East Japan Earthquake inflicted unprecedented damage to areas across Japan. As the damage highlighted the importance of disaster prevention in urban areas, we designed Sankaku Hiroba so that it can shelter temporarily up to about 2,800 stranded commuters in the event of an emergency. Furthermore, in the remodeling work to the main building, we enhanced measures for business continuity planning (BCP) for the further safety of tenants including seismic reinforcement and expansion of oil tanks and generators.



Sankaku Hiroba, one of the largest all-weather event spaces in Japan

A model embodying sustainability of office buildings



Shinjuku Sumitomo Building has been adored by the public and nicknamed “Sankaku Biru” (triangular building) for its shape for nearly half a century since 1974 in a period when skyscrapers started to be built in Japan. Instead of tearing down the Sankaku Biru, the project created a sophisticated interior space as fresh as a newly constructed building through extensive remodeling work, which introduced cutting-edge equipment and designs but left the triangular outward appearance intact. By choosing not to tear down and reconstruct the building, we significantly reduced the amount of industrial waste, such as construction materials, and by introducing energy-saving equipment on a par with those for new buildings, we reduced the environmental load. Furthermore, the remodeled building entrances enhance the barrier-free feature of the region by designing pedestrian routes that resolve height gaps in surrounding areas.

CTBUH* Awards: The first in Japan to win the “Award of Excellence” for the Renovation Category

This renovation project of Shinjuku Sumitomo Building was recognized for its innovative approach and excellence as well as its applicability to other projects and the high quality attained in the following areas: “Environment” – it minimize effects on the natural environment, “People” – it has a positive effect on the inhabitants and the quality of human lives, “Community” – it demonstrates relevance to the contemporary and future needs of the community in which it is located, and “Economic” – adds economic vitality to its occupants, owner and community. The project became the first to be awarded the “Award of Excellence” in the CTBUH Awards 2021/Renovation Category by the CTBUH.

*The CTBUH (Council on Tall Buildings and Urban Habitat) was founded in 1969. Its goal is to increase global understanding of tall buildings and sustainable urban housing and develop expertise through international interchange between experts, in order to create healthy urban environments.

The Earnings Base that Underpins Sustainable Growth, the Core of Our Corporate Value

The real estate leasing business primarily involving office buildings in central Tokyo has been the driving force of our growth to date. Accounting for nearly 70% of the Company's operating income overall, the leasing business is clearly the main pillar of the Company's operation and the core of its corporate value.

We have been expanding our business platform by promoting the development of office buildings with a specific focus on central Tokyo over roughly half a century since the early 1970s. Despite various changes in the business environment, we have consistently persisted with respect to unwaveringly adhering to the management policies based on a long-term perspective, namely that the Company does not pursue temporary gains by selling assets; the Company holds ownerships of the buildings constructed on sites it has developed; and that the Company generates stable leasing over the long term by owning and leasing such buildings. As a result, we have established a solid earnings base that is resistant to the fluctuation of economic trends.

The source of our corporate value creation

Capabilities of "Land Innovation"

Acquisition of development sites is the most important aspect of the development of buildings. We have been redeveloping sites by purchasing and assembling small parcels of subdivided land in central Tokyo where large parcels of land are rare, and coordinating the rights and interests of landowners. Today, these capabilities of "Land Innovation" have become our greatest strength and the source of corporate value creation. Capitalizing on the capabilities of "Land Innovation" as well as the management foundation and other strengths we have cultivated so far, we intend to further expand our profitability and increase corporate value.

The basis for our value creation model

"Redevelopment" for the Community

Through redevelopment, we have been addressing issues facing the community by improving the disaster preparedness of areas that are at risk such as densely built-up areas of wooden houses still seen in Tokyo's urban areas and providing safe transportation infrastructure. Our track record of development has resulted in deepened relationship of trust with landowners and local government officials, ensuring our constant participation in redevelopment projects. Thus, redevelopment is the basis of our value creation model that expands profits and increases our corporate value.

The Tokyo office market: the world's largest market backed by a pool of diverse tenants

A comparison of the office stock of the world's business centers indicates that Tokyo, with approximately 18 million tsubo in gross floor area, boasts the largest office market, compared to London with approximately 6 million tsubo and New York with approximately 13 million tsubo. Additionally, Tokyo's market is unique among the world's market in that the major domestic companies of all industries are headquartered in Tokyo and that it is backed by a pool of diverse tenants. We have consistently expanded our office building leasing business for the past 50 years, achieving sustainable growth, and establishing a competitive advantage with a wide-ranging portfolio of over 230 buildings in the major business areas of central Tokyo.

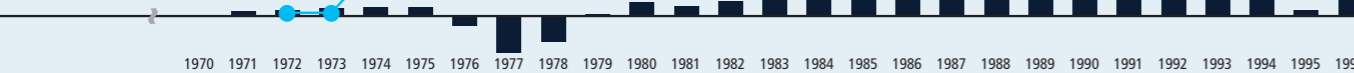


Ordinary Profit / Gross Floor Area

■ Ordinary Profit ● Gross Floor Area

(Years ended / ending March 31)

*Non-consolidated figures until 1977



Major Building Development Projects



Gross Floor Area
(1,000 m²)
5,000

Ordinary Profit
(Billions of yen)
250

4,000 200

3,000 150

2,000 100

1,000 50

0 0

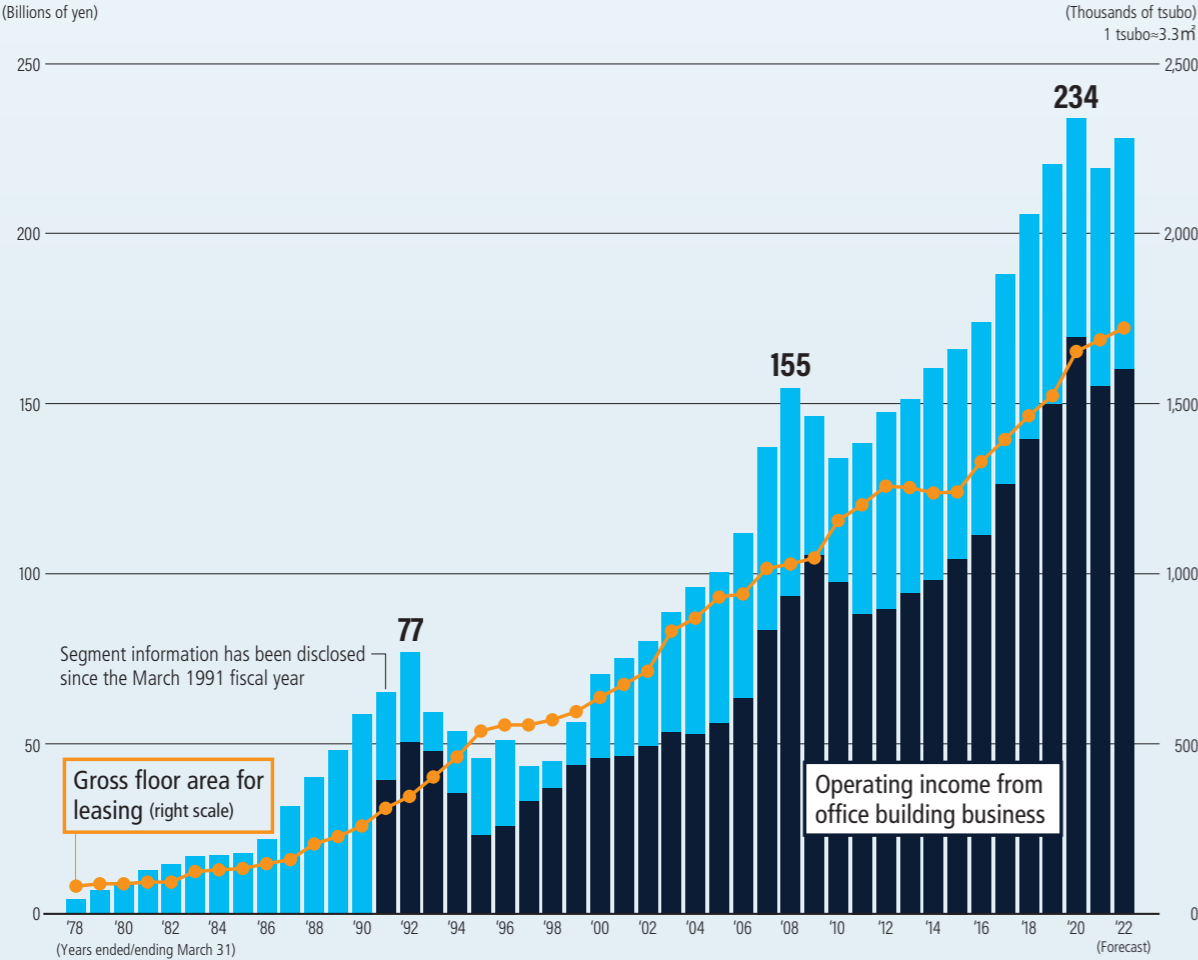
Investment Strategies for Sustainable Growth

We will continue to promote the development of office buildings in central Tokyo, which has been the major driver for growth to support a sustainable increase of our corporate value, and aim for further progress.

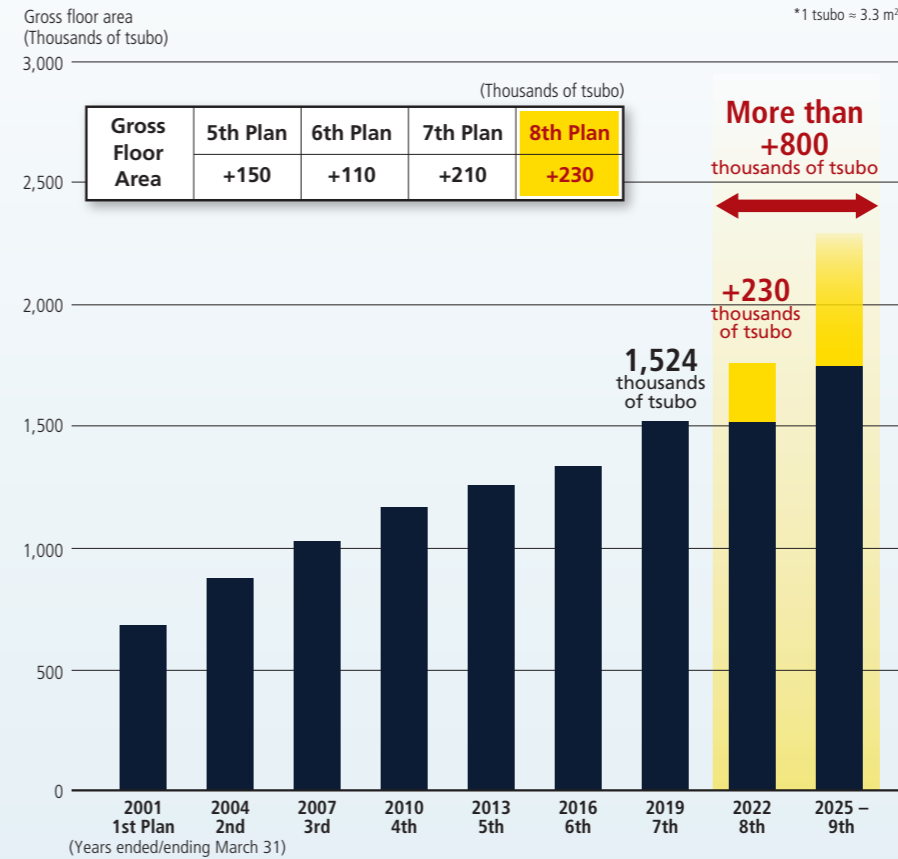
Tokyo continues to develop not only as a business area but also as the center of Japan in all respects including living, food, wellness, and culture, while the number of office workers also continues to increase. Meanwhile, in many of the office stock built up over the years, insufficient earthquake resistance and inadequate BCP-compliance such as electrical facilities are still common, and office buildings equipped with state-of-the-art structures and facilities are lacking.

Although the COVID-19 pandemic has triggered diversified workstyles and the widespread utilization of remote work, it also brought with it a reevaluation of the importance of offices in central Tokyo. We have projected for the Eighth Management Plan to steadily advance development plans for total of over 800,000 tsubo of gross floor area (which constitutes more than 50% of the 1,520,000 tsubo in gross floor area for leasing as of March 31, 2019) in central Tokyo. By successively completing such developments and putting them into operation, we aim to further expand our earnings base and increase our corporate value.

Consolidated operating income and gross floor area for leasing



The Investment Plan in Leasing Office Assets from the Eighth Management Plan (Originally announced on May 16, 2019)



Principal New Building Development Projects

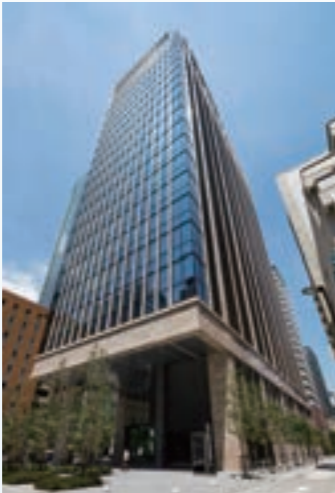
Project name	Location (Tokyo CBD)	Gross floor area (tsubo*)	Completion
Sumitomo Fudosan Shinjuku Central Park Tower	Shinjuku Ward	18,200	Aug 2019
Sumitomo Fudosan Akihabara Ekimae Building	Chiyoda Ward	7,800	Aug 2019
Sumitomo Fudosan Ikebukuro Higashi Building	Toshima Ward	5,000	Sep 2019
Sumitomo Fudosan Akihabara First Building	Chiyoda Ward	8,200	Oct 2019
Haneda Airport Garden (Commercial Complex)	Ota Ward	27,700	Mar 2020
Ariake Garden (Commercial Complex)	Koto Ward	60,100	Mar 2020
Sumitomo Fudosan Kojimachi Garden Tower	Chiyoda Ward	14,400	May 2020
Sumitomo Fudosan Ochanomizu Building	Chiyoda Ward	3,900	Jan 2021
Sumitomo Fudosan Tamachi Building East	Minato Ward	3,900	Apr 2021
Sumitomo Fudosan Kanda Izumicho Building	Chiyoda Ward	3,000	Sep 2021
Sumitomo Fudosan Osaki Twin Building East	Shinagawa Ward	14,400	Jan 2022 (Expected)
Others		26,500	
8th Plan Total		193,100	
Tokyo Mita Redevelopment Project (Mita 3- and 4-chome Project)	Minato Ward	60,400	Jan 2023 (Expected)
Nishi-shinjuku 5-chome Kita Project	Shinjuku Ward	41,300	Mar 2023 (Expected)
Nakano 2-chome Project	Nakano Ward	30,000	Feb 2024 (Expected)

* 1 tsubo ≈ 3.3㎡

Principal New Building Development Projects



Sumitomo Fudosan
Shinjuku Central Park Tower
Completion: Aug 2019



Sumitomo Fudosan
Akihabara Ekimae Building
Completion: Aug 2019



Sumitomo Fudosan
Ikebukuro Higashi Building
Completion: Sep 2019



Sumitomo Fudosan
Akihabara First Building
Completion: Oct 2019



Sumitomo Fudosan
Kojimachi Garden Tower
Completion: May 2020



Sumitomo Fudosan
Osaki Twin Building East
Expected Completion: Jan 2022



Nishi-shinjuku 5-chome Kita Project
Expected Completion: Mar 2023



Nakano 2-chome Project
Expected Completion: Feb 2024



Ariake Garden
Completion: Mar 2020



Haneda Airport Garden
Completion: Mar 2020

Financial Results for the Fiscal 2020 and Progress of the Management Plan

1 | Overview of Consolidated Results

Record-high profit for the eighth consecutive year

The financial results for the fiscal 2020 is as shown in the table below. Although revenue from operations, operating income and ordinary profit declined from the previous year, profit attributable to owners of parent increased for the tenth consecutive year, achieving record-high results for the eighth consecutive year.

Increased revenue and profit in office building business, double-digit profit growth in condominium sales

By segment, in the leasing business, the commercial facilities such as hotels and event halls were significantly affected by the new coronavirus disease (COVID-19). However, the mainstay office building business recorded increases in both revenue and profit by maintaining low vacancy rates and underpinned the performance as a whole. Further, due to reduced advertising and selling expenses and improvements in gross profit margin, the sales business, focusing on condominium sales, recorded double-digit growth in profit, contributing to the overall result. As a result, revenue from operations for the fiscal 2020 was ¥917.4 billion (9.5% decrease year on year) and operating income was ¥219.2 billion (6.4% decrease year on year).

Non-operating gains/losses continued to improve, contributing to the increase in profit

Non-operating loss recorded ¥9.2 billion yen (an improvement of ¥4.5 billion year on year), mainly due to an increase in dividend income and a decrease in interest expense. Extraordinary income recorded ¥11.8 billion after transferring all of its equity interest in the condominium development joint venture company in Dalian City, China. As a result, ordinary profit was ¥209.9 billion (4.8% decrease year on year) and profit attributable to owners of parent reached ¥141.3 billion (0.3% increase year on year).

	FY2020 (Apr 1, 2020 - Mar 31, 2021)	YoY
Revenue from operations	917.4	(96.0)
Operating income	219.2	(15.0)
Ordinary profit	209.9	(10.5)
Profit attributable to owners of parent	141.3	+0.3

2 | Outlook for the Next Fiscal Year (Fiscal 2021) (Announced on May 13, 2021)

Forecasts for the next fiscal year (fiscal 2021) are as shown below. The underlying assumptions of these forecasts are that there will not be a full recovery before the end of the fiscal year from the decline in the commercial facilities such as hotels and event halls of the leasing business due to the impact of COVID-19 and that the business environment will remain at the same level as the previous year.

The mainstay office building business will underpin performance with an increase in profit due to factors such as full-year contribution of new buildings and decline in temporary expenses. In addition, the construction and brokerage businesses are expected to turn to increase in profit, due to recovered orders and contracts, contributing to business performance.

As a result, revenue from operations, operating income, ordinary profit and profit attributable to owners of parent will all increase from the previous year. We intend to achieve a record-high ordinary profit after a two-year dip, and the ninth consecutive year of record-high in profit.

	FY2021 (F) (Apr 1, 2021 - Mar 31, 2022)	YoY
Revenue from operations	920.0	+2.5
Operating income	228.0	+8.7
Ordinary profit	221.0	+11.0
Profit attributable to owners of parent	150.0	+8.6

3 | Progress of the Eighth Management Plan

The Company has been operating under the Eighth Management Plan since April 2019. Despite the record-high results for the seventh consecutive year in the previous fiscal year (fiscal 2019), the initial year of the plan, declines in revenue and profit were unavoidable due to the impact of COVID-19 in the fiscal year under review (fiscal 2020), the second year of the plan, as described in the above overview of consolidated results. The table below shows the cumulative performance for the three year period, including the forecasts for the next fiscal year (fiscal 2021). Although it will be difficult to achieve the initial targets, which were formulated before the COVID-19 pandemic, operating income and ordinary profit are expected to exceed by 10–20% compared to the Seventh Management Plan, which marked a record-high results..

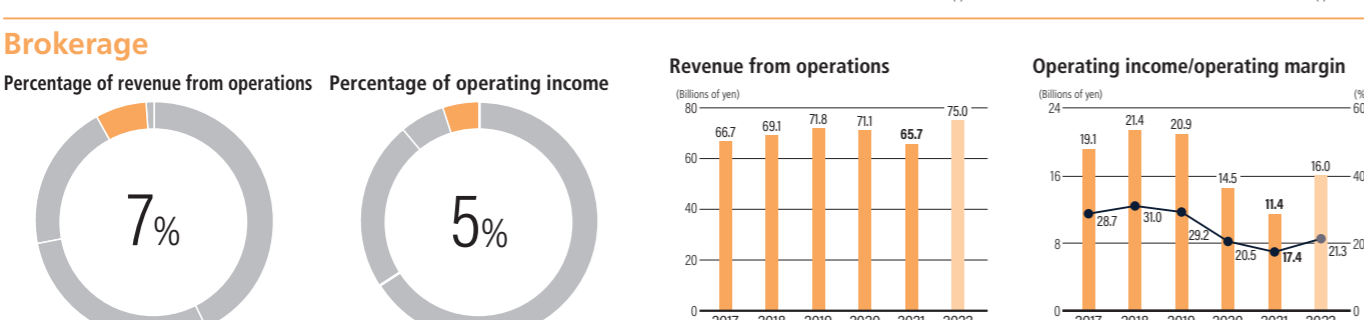
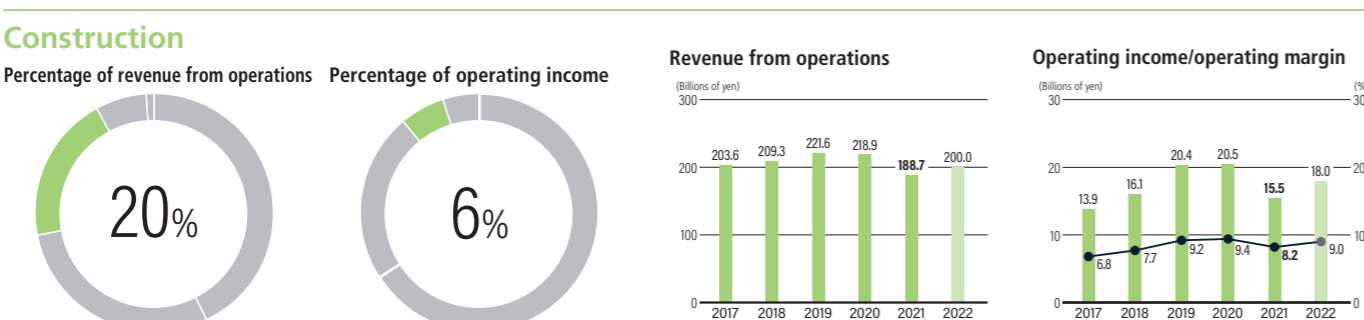
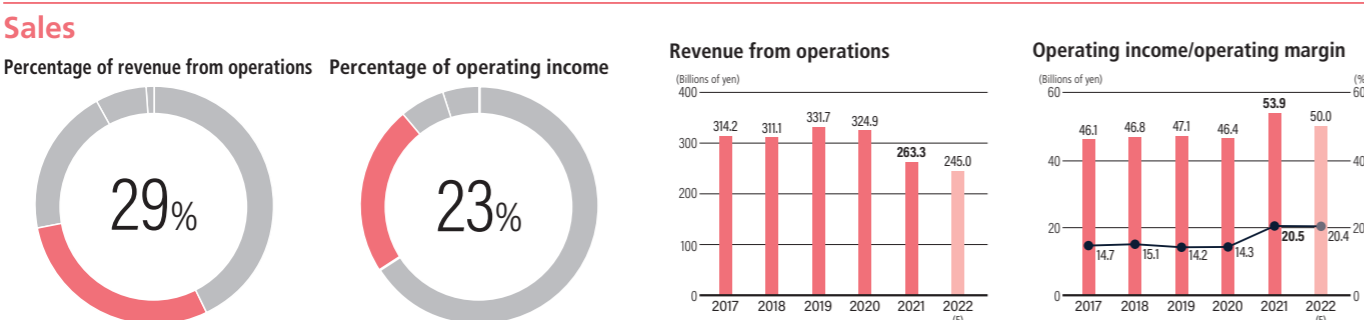
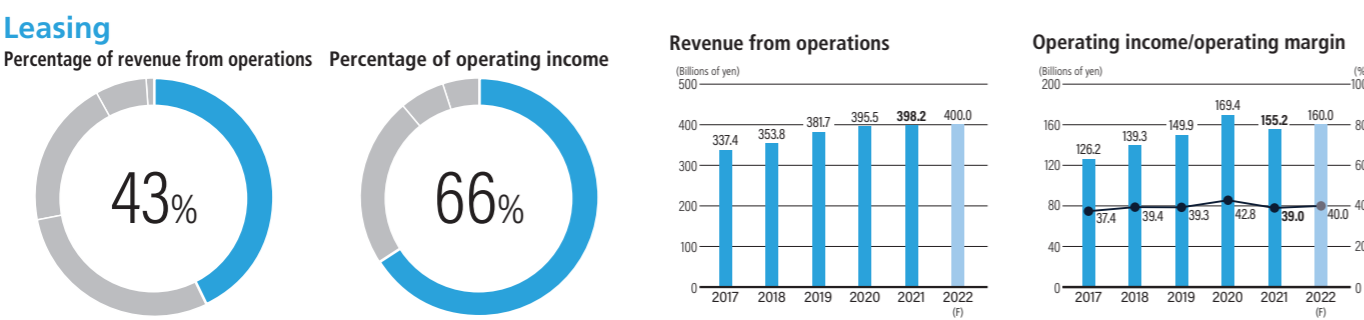
With no immediate prospects for the end of the COVID-19 situation, the future outlook remains uncertain, we will strive to steadily achieve our forecasts for the next fiscal year so that we will be able to reach record-high profits for the third consecutive management plan, from the Sixth Management Plan through to the Eighth.

	7th Plan Results (Apr 1, 2016 – Mar 31, 2019)	FY2019	FY2020	FY2021 (F)	8th Plan Forecasts (Three-year cumulative)	Vs. 7th Plan	8th Plan Targets* (Apr 1, 2019 – Mar 31, 2022)
Revenue from operations	2,885.8	1,013.5	917.4	920.0	2,851.0	(34.8)	3,100.0
Operating income	613.2	234.3	219.2	228.0	681.6	+68.4	740.0
Ordinary profit	557.8	220.5	209.9	221.0	651.5	+93.7	700.0

*Announced on May 16, 2019

Overview of Each Segment

Revenue from operations				(Billions of yen)			
	FY2020	YoY	FY2021 (F)	YoY		FY2020	YoY
Leasing	398.2	+2.6	400.0	+1.7	Leasing	155.2	(14.1)
Sales	263.3	(61.5)	245.0	(18.3)	Sales	53.9	+7.4
Construction	188.7	(30.2)	200.0	+11.2	Construction	15.5	(5.0)
Brokerage	65.7	(5.4)	75.0	+9.2	Brokerage	11.4	(3.1)
						16.0	+4.5



Overview of the Fiscal 2020

Leasing

In the fiscal year ended March 31, 2021, revenue and profit in the office building business increased due to the effects of higher rent in existing buildings and full-year contribution from Sumitomo Fudosan Shinjuku Central Park Tower, Sumitomo Fudosan Akihabara First Building and other new buildings that were completed in the previous fiscal year.

On the other hand, the commercial facilities such as hotels and event halls were impacted by the two state-of-emergency declarations, ending the fiscal year with a significant decline in revenue (¥13.4 billion decrease year on year). Operation of Ariake Garden, the large commercial complex completed in March 2020, is progressively starting, but the opening of Haneda Airport Garden is being postponed.

As a result, while this segment secured an increase in revenue compared to the previous fiscal year, operating income declined.

Although the vacancy rate in existing buildings rose slightly to 2.8% (1.4% at end of the previous fiscal year), it maintained historically low levels. In addition, all buildings newly completed in the fiscal year under review, such as Sumitomo Fudosan Kojimachi Garden Tower and Sumitomo Fudosan Ochanomizu Building, are fully occupied, and favorable progress is being made in tenant-seeking activities for buildings to be completed in the next fiscal year, such as Sumitomo Fudosan Tamachi Building East.

Sales

In the fiscal year ended March 31, 2021, a total of 4,164 condominium units, detached houses and land lots were delivered (1,267 units decrease year on year), owing to the start of delivery of units in City Tower Oimachi, City Terrace Machida Station Court, etc. Although the segment’s revenue decreased due to the decline in the number of units delivered, operating income successfully increased to a record high with reduced advertising and selling expenses and improved gross profit margin.

The number of condominium units sold totalled 3,047 units (1,818 units decrease year on year), a significant decline compared with the previous year, partly due to the self-restraint practiced in sales and marketing activities under the state-of-emergency declarations. However, at the beginning of the fiscal year, approximately 80% of the 3,800 units planned to be delivered in the next fiscal year were sold (approximately 80% in the previous year), indicating sufficient progress.

Construction

In the fiscal year ended March 31, 2021, the number of units contracted fell significantly in the first quarter due to restrictions on large-scale events for attracting customers and face-to-face sales activities under the state-of-emergency declarations. However, the second quarter onward saw an upward trend of recovery, with the number of units contracted increasing year on year for three consecutive quarters in both the Shinchiku Sokkurisan remodeling and custom home construction businesses.

As a result, both revenue and profit declined, as the number of units delivered fell for both businesses, partly due to the decline in orders in the previous fiscal year, when the consumption tax increase was implemented.

Brokerage

In the fiscal year ended March 31, 2021, the number of transactions (contract basis) fell significantly in the first quarter (April – June) to 6,362 (2,771 decrease year on year), due to the impact of self-restraint in sales and marketing activities under the state-of-emergency declarations. However, it subsequently recovered primarily in existing condominiums, recording 29,568 transactions in second to fourth quarters (July – March) (1,950 increase year on year) to achieve year-on-year increases for three consecutive quarters.

As a result, the number of transactions (delivery basis) fell to 35,122 (2,593 decrease year on year), resulting in a decline in revenue and profit.

The total number of directly operated offices was 269 nationwide as of the end of the fiscal year under review (down by seven from the end of the previous fiscal year), as a result of closing offices that were unprofitable with overlapping sales areas and opening new offices in central Tokyo specialized in condominium brokerage.

Office Building/
Rental Apartment/
Hotels/
Multipurpose Halls/
Retail Facilities

Competitive Advantages

- Office buildings in prime locations in Tokyo, the seven wards of the central business districts, offering excellent transportation as a base for business
- An extensive lineup of buildings in various scales and locations to meet diverse office needs
- Advanced exteriors and state-of-the-art facilities, offering high degree of functionality, comfort and environmental performance
- Safe and secure office environments (seismic isolation and damping systems, BCP compliance)

**No. 1 in Tokyo
with Over 230
Office Buildings**

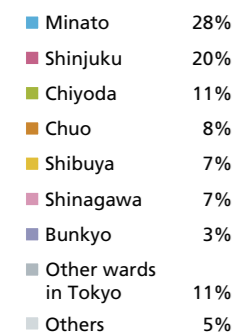
Portfolio of office buildings that meets diverse office needs

Tokyo is Japan's economic center, where companies from all industry sectors congregate, creating a superior market that offers long-term stability. Our leasing portfolio emphasizes locations in central Tokyo; 95% of our portfolio is in Tokyo's 23 wards, and 84% is in seven wards of the Tokyo CBD (Central Business District). Many of our buildings are located in proximity of major railway and subway stations, offering excellent accessibility favored for a business base, thus being one of our competitive strengths.



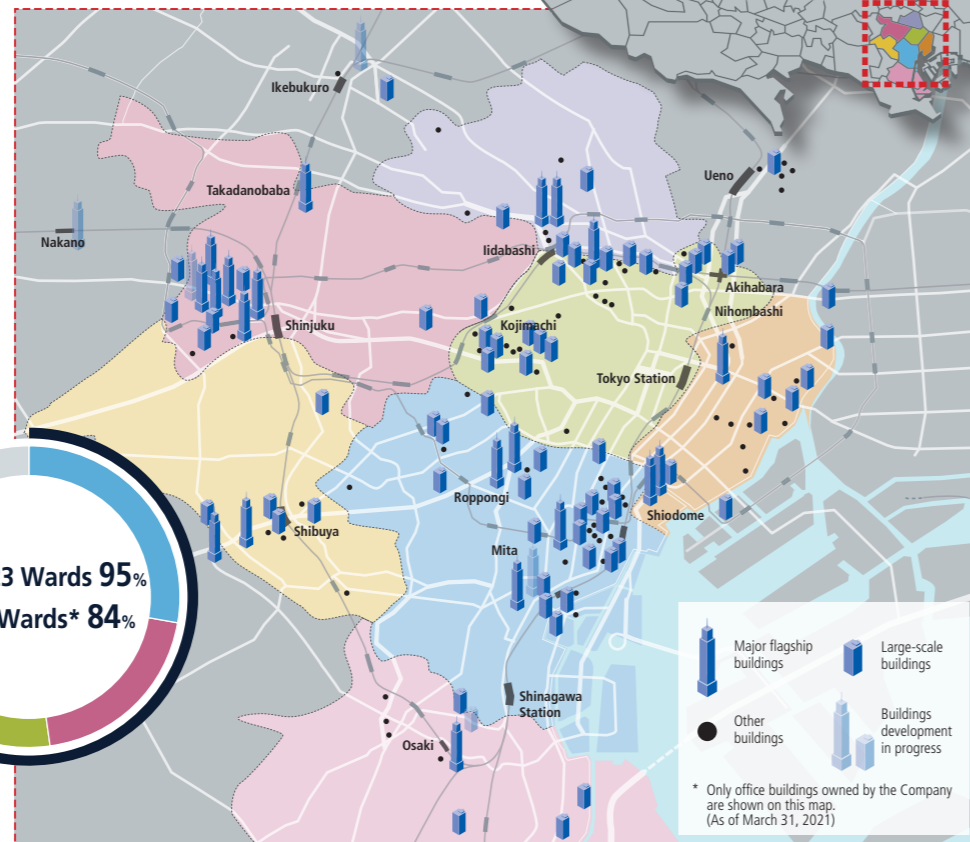
A map of the Ikebukuro area in Tokyo, showing the station and surrounding streets. The map is enclosed in a red dashed border. A black dot marks the station, with the label 'Ikebukuro' next to it. A blue rectangular area is highlighted near the station, and a pink shaded area is visible in the bottom left corner of the map.

The Company will continue to build a stable earnings base through supplying highly competitive office buildings, mainly in the Tokyo CBD, where demand is expected to remain stable into the future.



Tokyo 23 Wards **95%**
CBD 7 Wards* **84%**

* CBD 7 Wards: Chiyoda, Minato, Chuo, Shinjuku, Shibuya, Shinagawa and Bunkyo



High degree of functionality, comfort and environmental performance

The standard floors of our buildings feature large spaces free of pillars or columns, providing highly efficient office spaces with layout flexibility to meet the needs of each tenant company, such as consolidating multiple offices onto a single floor or creating open space that facilitates internal communication and enhances employee creativity.

Our buildings also feature equipment that blends functionality and comfort with environmental friendliness, including energy-saving features such as fully-independent HVAC that allows temperature control by zone and Low-e double glazing glass that increases the insulation of apertures.



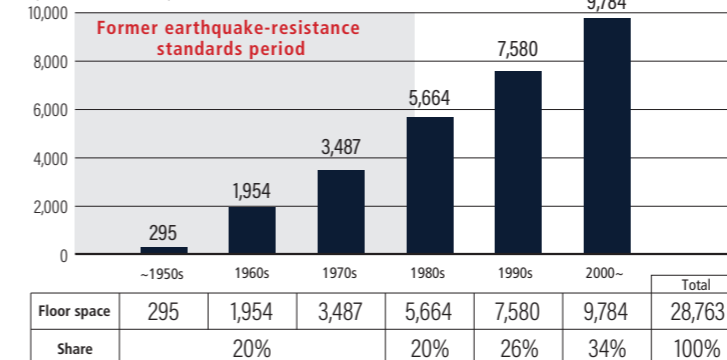
Office layout image

Safe, secure and highly disaster resistant offices with seismic isolation/damping systems and enhanced BCP

The Company strives to create office buildings that continue to function and secure the safety and peace of mind of our tenants even at times of disaster. Our entire portfolio meets or exceeds the new earthquake resistance standards adopted in 1981, and approximately 80% of the buildings we own are structured with a seismic isolation and/or damping system, while emergency power generators are installed in about 70% of them (100% of those completed in or after 2001). We directly manage the buildings 24 hours a day, 365 days a year, making it possible to respond swiftly to emergencies. There are still many older office buildings in Tokyo that have fallen behind in this kind of BCP compliance. The Company will continue to supply state-of-the-art buildings that offer enhanced disaster preparedness and BCP compliance.

Office stock in Tokyo's 23 wards (Total floor space by year of completion)

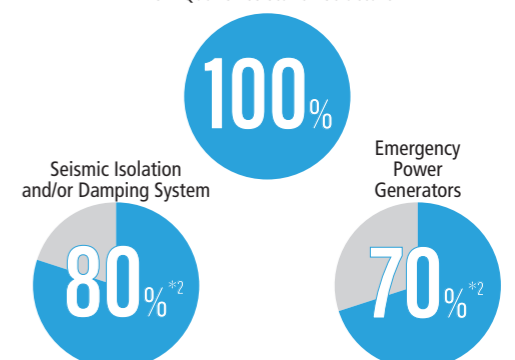
(Thousands of tsubo*) * 1 tsubo \approx 3.3 m²



(Compiled from "Tokyo no Tochi," a publicly available data on land in Tokyo, provided by Tokyo Metropolitan Government.)

The Company's portfolio (Owned buildings)

New Quake-resistant*1 Structure



*1. New standards that took effect in 1981 *2. Approx.

Major new office buildings completed in FY2020 and FY2021



Sumitomo Fudosan Ochanomizu Building
(Completion: Jan 2021)
Chiyoda Ward, Tokyo
12 above / 1 below ground
Gross floor area: 3,900 tsubo



**Sumitomo Fudosan
Kanda Izumicho Building**
(Completion: Sep 2021)
Chiyoda Ward, Tokyo
8 above / 1 below ground
Gross floor area: 3,000 tsubo



**Sumitomo Fudosan
Tamachi Building East**
(Completion: Apr 2021)
Minato Ward, Tokyo
8 above ground
Gross floor area: 3,900 tsubo



Sumitomo Fudosan Kojimachi Garden Tower
(Completion: May 2020)
Chiyoda Ward, Tokyo
22 above ground
Gross floor area: 14,400 tsubo



Sumitomo Fudosan
Osaki Twin Building East
 (Expected completion: Jan 2022)
 Shinagawa Ward, Tokyo
 19 above / 2 below ground
 Gross floor area: 14,400 tsubo



★★★★★
Properties with the best class
environmental & social
awareness



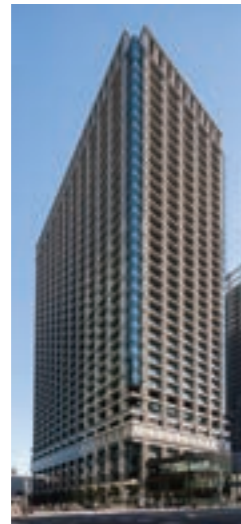
Sumitomo Fudosan
Shinjuku Grand Tower



Sumitomo Fudosan
Osaka Garden Tower



Sumitomo Fudosan
Shinjuku Garden Tower



Tokyo Nihombashi Tower



Sumitomo Fudosan
Azabujuban Building



Sumitomo Fudosan
Roppongi Grand Tower
(4 Stars from 2018 Edition)



Izumi Garden Tower



Shinjuku Sumitomo Building



Sumitomo Fudosan
Shinjuku Oak Tower



Sumitomo Fudosan
Shinjuku Central Park Building



Shiodome Sumitomo Building



Properties with exceptionally
high environmental & social
awareness



Sumitomo Fudosan
Mita Twin Building West



Sumitomo Fudosan
Iidabashi First Tower



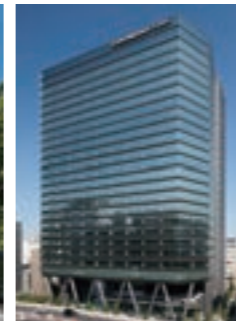
Sumitomo Fudosan
Shibakoen First Building



Chiyoda First Building West



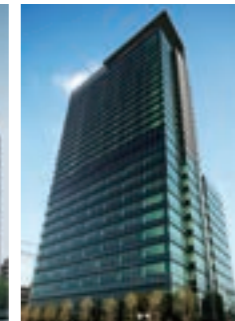
Sumitomo Fudosan
Shinjuku Central Park Tower



Sumitomo Fudosan
Shibuya Garden Tower



Sumitomo Fudosan
Iidabashi Building No.3



Sumitomo Fudosan
Shibuya First Tower



Sumitomo Fudosan
Kojimachi Garden Tower



Sumitomo Fudosan Shibuya Tower



Sumitomo Fudosan
Onarimon Tower



Sumitomo Fudosan
Akihabara Ekimae Building



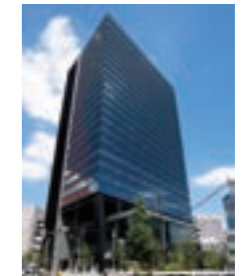
★★★★☆
Properties with
excellent environmental
& social awareness



Sumitomo Fudosan
Iidabashi First Building



Sumitomo Fudosan
Aobadai Tower



Sumitomo Fudosan
Shiodome Hamarikyu Building

DBJ Green Building Certification*¹ Sustainable office buildings recognized for their environmental and social awareness

26 office buildings in Tokyo acquired certification totaling
approx. 770,000 tsubo*², the largest*³ gross floor area held
among the enterprises in the Office Building Category

As an objective means of ascertaining the performance of the properties it has developed, the Company acquired DBJ Green Building Certification, which recognizes buildings' "environmental and social awareness," for all of its owned buildings of over 50,000 m². A total of 26 buildings with gross floor area of 770,000 tsubo have acquired the certification, the largest gross floor area held among the owners of buildings in the Office Building Category of the DBJ Green Building Certification. Shinjuku Sumitomo Building, completed in 1974, has also obtained a four-star certification after undergoing extensive renovations. Going forward, the Company will further contribute to realizing a sustainable society by creating high-value social assets that are not only profitable, but also give proper care to environment and society, as represented by these 26 buildings.

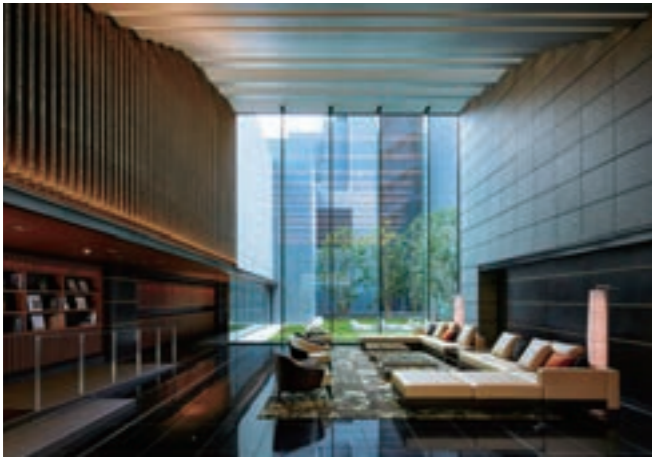
*1. DBJ Green Building Certification is a certification system established by Development Bank of Japan Inc. (DBJ) in 2011 that evaluates real estate for its performance and initiatives regarding "environmental and social awareness" beyond its "profitability." The program is drawing attention for recognizing the long-term value of buildings not just from the environmental viewpoint, but also from the perspective of social significance, such as disaster-prevention capacity and proper care for the surrounding communities. The certification is granted to approximately the top 20% of all domestic commercial properties, and the highest ranking of five stars awarded to the top 10%.

*2. 1 tsubo ≈ 3.3m²

*3. As of October 31, 2020, researched by the Company

Condominium Leasing

La Tour Series



We own and operate over 5,400 condominium units for leasing primarily in major metropolitan areas. Of these, the “La Tour” series at its core offer premium residences with great views, high-grade specifications and facilities, hotel-style bilingual concierge services and advanced security systems. As of March 31, 2021, we operate 25 La Tour buildings with approx. 3,400 units in areas such as Daikanyama, Roppongi, Shibuya and Shinjuku, as well as Kyoto and Sapporo.

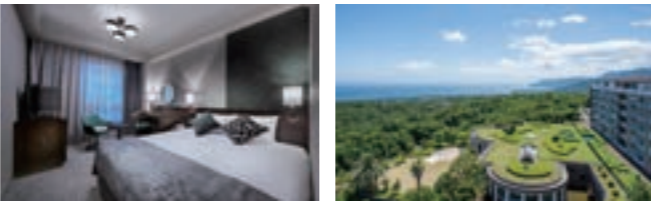


Hotels

Sumitomo Fudosan Villa Fontaine Co., Ltd.



The Villa Fontaine series is our high grade business hotels at prime locations that offer larger guest rooms with spacious beds and bathrooms, and stylish interiors. We operate a total of 17 hotels / 3,420 rooms, including 14 Villa Fontaine hotels in central Tokyo and one in Kobe, and 2 Village series hotels in Izukogen and Kyoto targeting resort customers and tourists. (As of March 31, 2021)

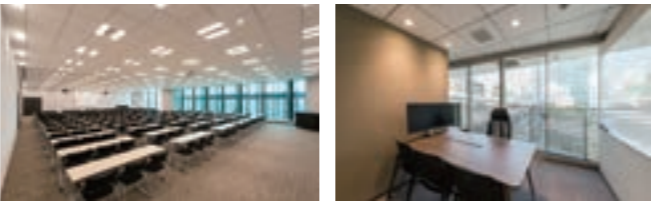


Multipurpose Halls

Sumitomo Fudosan Bellesalle Co., Ltd.



Sumitomo Fudosan Bellesalle Co., Ltd. operates 30 multipurpose halls mainly in central Tokyo. Easily accessible and featuring an array of equipment and fixtures, our venues are used for a wide range of events, including exhibitions, large-scale entertainment events, sales events such as family sales, and seminars such as academic conferences and lectures. The Company also operates eight shared office spaces “Bellesalle Lounges,” offering well-equipped private rooms and small meeting rooms suitable for remote work and web conferences. (As of March 31, 2021)



Retail Facilities

Sumitomo Fudosan Retail Management Co., Ltd.



Sumitomo Fudosan Retail Management Co., Ltd. manages Ariake Garden, which was completed on a vast 10.7 hectare tract in March 2020, and Haneda Airport Garden, which is connected directly to Haneda Airport.

Ariake Garden is a commercial complex featuring a wide variety of shops catering to diverse needs both for every day and special occasions. It has been well received as it proposes a new lifestyle for Tokyo while contributing to the revitalization of the community.



Major facilities managed by Sumitomo Fudosan Retail Management Co., Ltd.



ARIAKE GARDEN

[Ariake Garden]



Tokyo’s largest*1 large-scale mixed-use development project covering a site of approx. 10.7 hectares
A new leisure spot for the Tokyo Bay area

- Retail**
Large-scale retail facility with over 200 shops, enriching a bay-side lifestyle
- Hotel**
749 rooms, with excellent access to central Tokyo
A wide variety of stay plans catering to everyone from solo guests to groups
- Hall**
Theater-style hall with a capacity of 8,000 people
Fully equipped to accommodate a wide range of events, from large-scale live concerts to international conferences
- Spa**
Spacious, approx. 2,500 m² spa with natural hot springs

*1. A total development area of approximately 10.7 hectares, which is the largest mixed-use commercial development in Tokyo conducted by a single private-sector company between January 2001 and April 2017 (researched by MRC, May 2017). The size equivalent to 2.3 times that of Tokyo Dome (a baseball stadium).



HANEDA AIRPORT GARDEN

[Haneda Airport Garden]
*Opening postponed



Directly connected to Haneda Airport Terminal 3
One of the largest*2 airport hotels in Japan with 1,717 rooms, and approx. 90 shops offering selected items of Japan

- Retail**
Approx. 90 shops, including shops for travel goods and souvenirs and a variety of restaurants
- Hotel**
Hotel directly connected to the airport, with two grades, luxury and high grade, catering to diverse needs
- Multipurpose hall/Conference rooms**
1,140 m² hall, 10 conference rooms and the foyer located on one floor
- Spa**
Natural hot springs offering views of the aircraft from the open-air bath

*2. The number of rooms, 1,717 rooms, is the largest among hotels located within airport sites in Japan (researched by the Company, December 2019).

Condominiums/
Residential Lots



Competitive Advantages

- Operating in major cities throughout Japan — stable supply with 80% of the portfolio in the Tokyo metropolitan area
- Condominiums that pass on their asset value for the future with stylish exteriors, extensive common areas, disaster-resilience and high-spec equipment
- Grand Mansion Gallery where customers can review all of our available properties at a single location

Condominiums that pass on their asset value for the future

We provide condominiums that will retain their asset value and appeal as time passes. They are characterized by enhanced product planning with stylish exteriors that make them landmarks, elegant entrances, extensive common areas, disaster-resilient and high-spec basic performance, latest housing equipment, etc. A number of our condominiums have garnered the Good Design Award sponsored by the Japan Institute of Design Promotion.



World City Towers
(Completion: 2007)
Good Design Award 2007



City House Futako-tamagawa
(Completion: 2015)
Good Design Award 2015



Garden Hills Yotsuya Geihin-no-mori
(Completion: 2016)
Good Design Award 2017



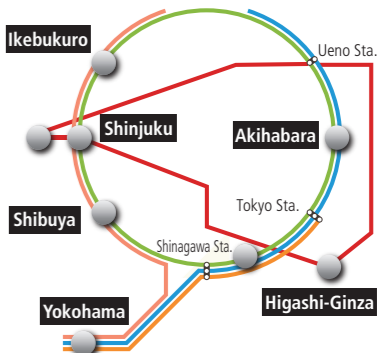
Grand Hills Motoazabu
(Completion: 2018)
Good Design Award 2020



City Terrace Saitama Shintoshin
(Completion: 2007)
Good Design Award 2008

Grand Mansion Gallery — an information center pursuing the satisfaction of the customers

Under the themes, “consultation, selection and experience,” this is a general exhibition hall that responds to various requests related to condominium selection, encompassing everything from support in selecting specific properties to consultation on all things related to housing. The facilities are located at nine conveniently accessible terminal stations (as of March 2021), primarily in the Tokyo metropolitan area. Potential customers can view all available properties at a single location.



* In addition to those above, there are galleries in Umeda and Tennozu (Osaka) and Sakae (Nagoya).

Major condominium projects



Grand Hills Minami Aoyama
(Expected completion: 2022)
Minato Ward, Tokyo
No. of units for sale: 105
No. of floors: 18 above / 2 below ground



City Terrace Kanamachi
(Completion: 2021)
Katsushika Ward, Tokyo
No. of units for sale: 610
No. of floors: 19 above ground



City Terrace Yokohama (Expected completion: 2022)
Yokohama, Kanagawa
No. of units for sale: 313
No. of floors: North-10 / South-15 above ground



City Tower Musashi-koyama
(Completion: 2021)
Shinagawa Ward, Tokyo
No. of units for sale: 320
No. of floors: 41 above / 2 below ground

Remote Condominium Sales

We have introduced “Remote Condominium Sales” service for the newly built condominiums that we supply nationwide*1, a method that permits customers to complete the entire process—from property viewing to delivery—without the need for meeting in person. Since its launch in June 2020, our online tour has been well received by many customers, allowing them to tour model rooms and discuss housing loans with sales staff online from the comfort of their homes. In addition, since January 2021, we have expanded the support provided by our sales representatives by launching the “Online-Tour-Delivery” service*2, where we deliver devices necessary for online tour to customers’ homes.

*1. All properties in Japan, except for joint venture properties, etc.
*2. Available in Tokyo, Kanagawa, Chiba and Saitama Prefectures (excluding remote islands)



Shinchiku Sokkurisan Remodeling/
Custom Homes



Competitive Advantages — Custom Homes

- Custom homes that combine innovativeness and functionality with attractive design
- Model home exhibitions in 115 locations around Japan, mainly in the major metropolitan areas
- High-grade interiors as a standard specification at reasonable prices
- Proprietary earthquake-proofing technology, and product planning for enhanced safety

Shinchiku Sokkurisan Remodeling

- No.1 in the industry with an innovative “full remodeling package” system
- Worry-free fixed pricing system at 50-70% of the rebuilding cost
- Seismic reinforcement for houses of all ages
- Featuring a system in which a dedicated sales engineer manages the entire project while a dedicated master carpenter oversees the construction
- No.1 for eight consecutive years in the industry of “full remodeling” for condominium units nationwide

Custom Homes

Innovative exterior design and specifications that only a developer could deliver

We offer custom homes with advanced, functional and attractive design nationwide, using our expertise in developing office buildings and condominiums. Our product lineup has received many Good Design Awards from the Japan Institute of Design Promotion.



J-Residence Mito
Good Design Award 2020



Premium-J Komazawa
Good Design Award 2018



Premium-J Yokohama No.1
Good Design Award 2016

The “Residential Style” incorporating high-end facilities used for condominiums

We have adopted high-grade room interiors and facilities found in condominiums as standard for detached houses at a reasonable price.



Earthquake-proof measures for safety and security

- “Seismic Control System” reduces earthquake-induced vibrations by approximately 50%
- “Power Panel” —Strong bearing walls with high magnification (patented)



Shinchiku Sokkurisan Remodeling — No.1* in the Industry

“Full remodeling” system instead of rebuilding marked its 25th anniversary, and exceeded 150,000 units contracted!

Making use of the old house's foundations and pillars, the Shinchiku Sokkurisan renovates the entire house, reinforcing its earthquake resistance, changing the kitchen and bathroom, floor plans, interiors and exteriors to meet the customer's preferences. Since its launch in 1996, the number of units contracted has steadily grown to exceed a cumulative total of 150,000 (as of June 30, 2021). As a pioneer in the full remodeling business, we have also engaged ourselves in the full remodeling of condominium units nationwide, establishing a new genre in an industry that until then had offered only complete rebuilding or partial remodeling.

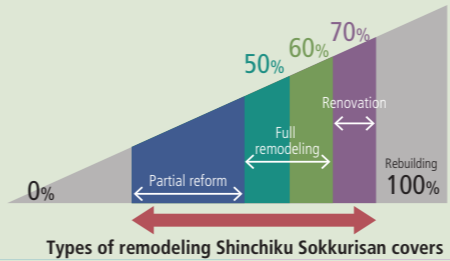
*2021 ranking for number of large-scale renovation (contracted units) researched by The Japan Journal of Remodeling



Conventional remodeling	Shinchiku Sokkurisan Remodeling New system: neither conventional remodeling nor rebuilding
Principally remodeling certain parts of the house	Full remodeling with a price 50-70% of rebuilding
Seismic reinforcement by remodeling not considered	Seismic reinforcement for peace of mind
Estimates are based on a cost estimation system and prices are unclear	Clear fixed-price system
Additional charges incurred due to unforeseen circumstances	No additional charges after work commences

Lower cost than rebuilding

Shinchiku Sokkurisan remodeling realizes housing renovation for about 50-70% of cost of rebuilding, responding to customers' various needs, lifestyles and budgets. In addition to conventional “partial reform,” it offers “full-remodeling,” which transforms the house into an earthquake resistant one while utilizing the existing structural elements and “renovation,” which completely refurbishes both the interior and exterior and enables flexible layout changes.

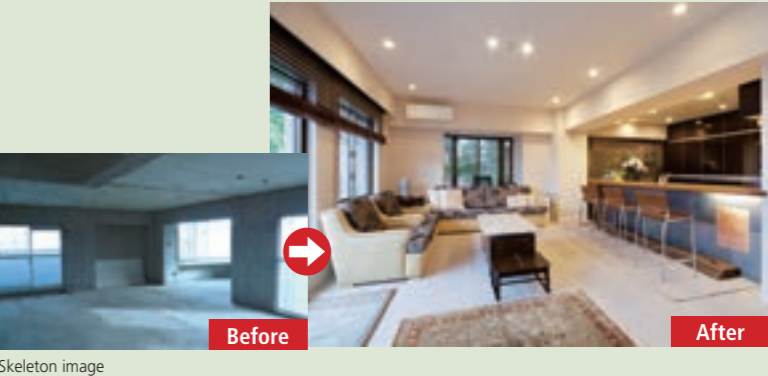


Condominium remodeling — No.1* in the industry for eight consecutive years

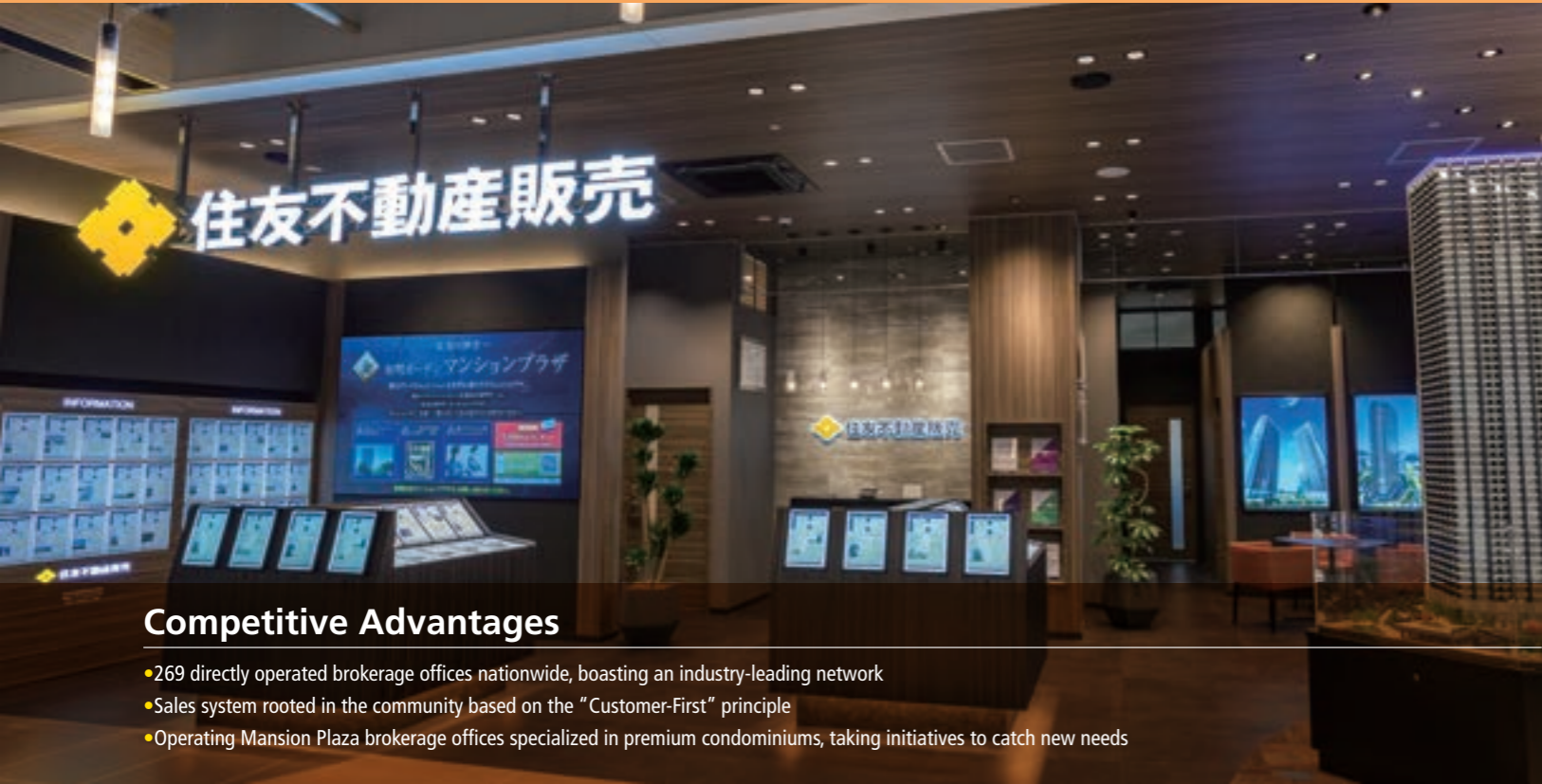
Since 2000, we have pioneered the industry's skeleton renovation business for condominium units. The entire exclusively-owned area is dismantled and removed, leaving only the structural frame. Everything else—from the equipment, interior, base materials to the wiring to the plumbing—is completely renewed to allow flexible layout change and make the exclusively-owned area look like new.

* According to data collected by The Japan Journal of Remodeling, FY2013–2020

Cumulative total of units contracted for Shinchiku Sokkurisan



Skeleton image



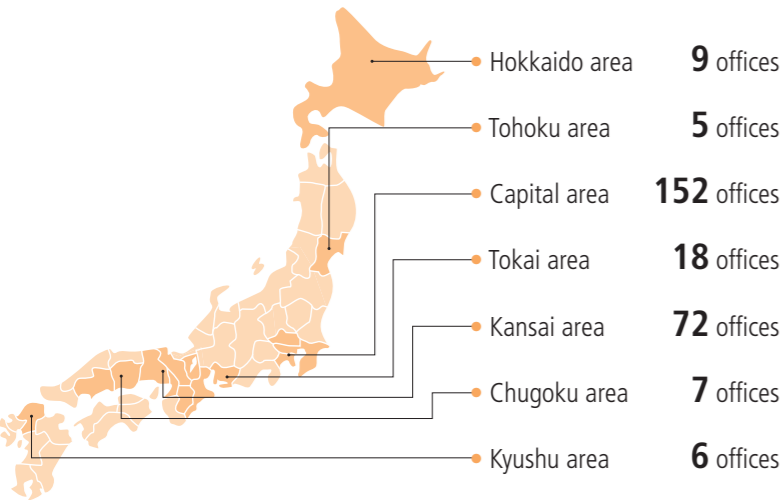
Competitive Advantages

- 269 directly operated brokerage offices nationwide, boasting an industry-leading network
- Sales system rooted in the community based on the “Customer-First” principle
- Operating Mansion Plaza brokerage offices specialized in premium condominiums, taking initiatives to catch new needs

As one of the leading brands in the industry, we have built a network of 269 directly operated brokerage offices across Japan, focusing on the brokerage of existing condominiums, detached houses and land lots. The business has built up a community-based sales structure under a principle of “Customer-First” and boasted a successful brokerage record of some 35,000 units in fiscal year 2020, making it one of the leading companies in the industry.

As an initiative to catch new needs, we are also operating Mansion Plaza brokerage offices, which exclusively handle premium condominiums that have high asset value.

269 directly operated brokerage offices
(As of March 31, 2021)



Mansion Plaza

Since June 2019, the Company has opened Mansion Plaza brokerage offices focused on premium condominiums. The number of Mansion Plazas grew from three locations in central Tokyo to 24 in various cities in the Capital area, the Kansai area and the Hokkaido area (as of March 31, 2021).

These offices are staffed by professionals with the Mansion Expert in-house qualification for their excellent track record and experience in premium condominium transactions and superior knowledge of condominium structures, equipment, market and transactions. They have been trained to acquire thorough knowledge of areas and properties so that they can offer brokerage services based on precise assessment of asset value of properties.



Sumitomo Fudosan Tatemono Service Co., Ltd.

Sumitomo Fudosan Tatemono Service Co., Ltd. conducts property management for about 170,000 condominium units nationwide centering on Sumitomo Realty's condominiums after delivery. In pursuit of comfortable, safe and secure living environments for customers, it offers services ranging from daily building management to concierge services (consultancy for minor repair of rooms and equipment replacement, introduction of special benefits available from the Sumitomo Group's businesses, etc.) to respond to various customers' needs based on abundant know-how and solid technological capabilities. Its service includes provision of useful lifestyle-related services such as professional housecleaning.



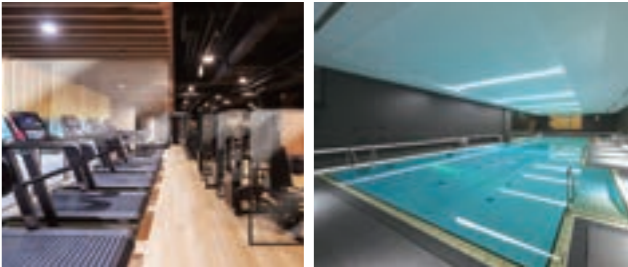
Sumitomo Fudosan Syscon Co., Ltd.

Sumitomo Fudosan Syscon Co., Ltd. sells interiors to mainly Sumitomo Realty's customers of their condominiums, custom homes and remodeling. The company's interior concierges propose interiors according to customers' requests from among the products of over 300 manufacturers in Japan and overseas. The company also carries out the construction work contract business, which engages in the construction of Mansion Gallery, as well as offers proposals for effective land use, such as car park operation.



Sumitomo Fudosan Esforta Co., Ltd.

Sumitomo Fudosan Esforta Co., Ltd. directly manages six éforta fitness clubs, primarily in Tokyo. Based on the concept of “assigned instructor system,” at each outlet, instructors propose comprehensive fitness menus according to the member's needs by combining gym, pool, studio and nutritional programs, and provide support. The company also operates a golf academy and fitness studios, primarily offering yoga and dance programs. In addition, utilizing the know-how cultivated through operation of a wide range of facilities, the company is contracted by eight organizations including municipalities to operate and manage their sports facilities (as of March 31, 2021).



Izumi Restaurant Co., Ltd.

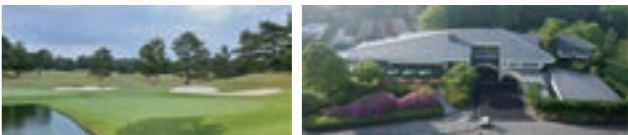
Izumi Restaurant Co., Ltd. provides catering services for social gatherings and various parties. It also runs several restaurants such as Azabu Tansumachi Tenryoan (Japanese restaurant) and DELTAZURE (a café).

In addition, it runs Rieven House convenience stores within Sumitomo Realty's office buildings in Tokyo, offering a product mix geared to the needs of office workers.



Izumi Country Club

Izumi Country Club is a golf club with convenient access, located about 50 km, or a one-hour drive, away from central Tokyo. Taking advantage of the flat landscape, the refined layout with effectively placed ponds and greens as well as the scenery replete with seasonal plants and flowers are enjoyed by players.



Sumitomo Realty & Development CA., Inc. Hotel ownership and management

Sumitomo Fudosan Finance Co., Ltd. Financing

Izumi Insurance Service Co., Ltd. General insurance and life insurance agency

Sumitomo Fudosan Villa Fontaine Co., Ltd. Page 31

Sumitomo Fudosan Bellesalle Co., Ltd. Page 31

Sumitomo Fudosan Retail Management Co., Ltd. Page 32

Promotion of ESG and Contributions to SDGs

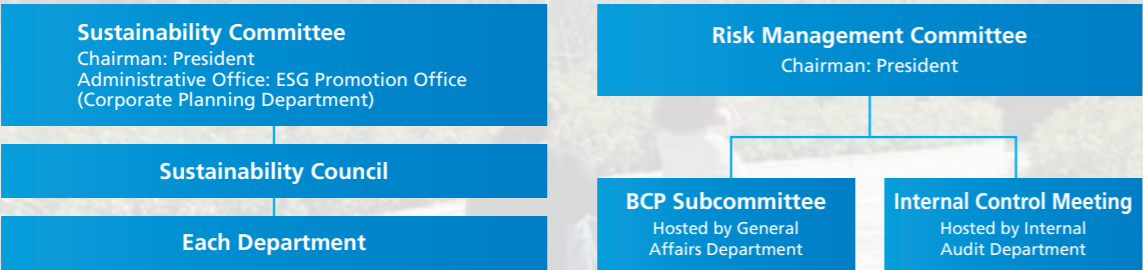
The Sumitomo Realty Group has been practicing Sustainability Management that inherits Sumitomo's Business Philosophy. We have set forth our material issues as "Disaster Resistant," "Environmentally Friendly," "Together with the Community" and "People Friendly." We aim to contribute to addressing social issues, at the same time maximizing our corporate value by promoting ESG through our business activities. We will also contribute to the achievement of UN's Sustainable Development Goals (SDGs).



Sustainability Promotion System

In order to promote sustainability across the Group, Sumitomo Realty has established the Sustainability Committee chaired by the Company's President and its subordinate organization, the Sustainability Council, to manage issues and status related to ESG including climate change, human rights and governance. It has also established the Risk Management Committee chaired by the Company's President to manage risks related to ESG such as climate change, human rights and labor standards. Important issues are reported to the Board of Directors as necessary, thereby establishing a supervisory system by the Board of Directors.

System Diagram (As of July 2021)



For more detail about Risk Management System, please refer to page 64.

ESG Management Contents

41	ESG Topics
43	Environment
	Addressing Climate Change 43 Conservation of Water Resources 45 Biodiversity 45 Reducing Waste and Curbing Environmental Pollution 46
47	Society
	For Disaster-Resistant Community Development 47 Urban Development that Contributes to the Community 50 Respect for Human Rights 52 Promoting Diversity 53 Working Environment 54 Product Safety & Quality and Stakeholders 55 COVID-19 Prevention Measures 56
57	Governance
	Board of Directors and Corporate Auditors 57 Basic Views of Corporate Governance 59 Corporate Governance System 59 Initiatives to Strengthen Corporate Governance 60 Policies for Appointment of Directors and Corporate Auditors 61 Compensation of Corporate Officers 61 Initiatives for Promoting Diversity 62 Compliance 63 Risk Management 64 Takeover Defense Measures 65 Timely and Appropriate Information Disclosure and Communication with Shareholders and Investors 66

ESG Topics

E
S
G

Joined the UN Global Compact

The Company has signed the "UN Global Compact," and has joined "Global Compact Network Japan," which is a local network in Japan.

S

Held a culture and art support event, Komogomo Exhibition at Ariake Garden

At Ariake Garden, which opened in June 2020, we are engaged in creating new liveliness by bringing culture and art through various events. At the first of such events, "It's Summer Vacation! Let's Have Fun at Ariake Garden!," we held interactive events in collaboration with Komogomo Exhibition sponsored by Tokyo University of the Arts.

E Environment S Society G Governance

E

Endorsed Task Force on Climate-related Financial Disclosures (TCFD)

The Company endorsed the recommendations of the TCFD.

E

Sumitomo Fudosan Onarimon Tower received the Minato-ku Green Urban Development Award

S

Exhibited art by artists with disabilities at the Company's project site (Collaboration with Toppan Printing Co., Ltd.)

The Company has joined the Kanosei Art Project, promoted by Toppan Printing. It showcases works by artists with disabilities through exhibitions and various products. As the first project of our involvement, we began displaying artists' works on the walls of a temporary enclosure surrounding the construction site of Sumitomo Fudosan Osaki Twin Building East.

S

Held an earthquake disaster reconstruction event at Ariake Garden

S

Recognized in the 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program* (large enterprise category)

* Operated jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council)

E

Commenced "SUMIFU x ENEKARI" - residential solar power generation service An industry first* delivering "Peace of Mind" for the entire period of residency

The Company has commenced an industry-first* "SUMIFU x ENEKARI" service jointly developed with TEPCO Energy Partner, Inc. With this service, we install solar power generation systems to detached houses at a "zero initial cost," and provide support semi-permanently with a fixed monthly service fee. In conventional services, after the contract term of about ten years expires, ownership of the system is transferred to the customer, which means that the customer must maintain and manage the equipment themselves. In our service, the customer can enjoy the benefits of power generation effortlessly and with peace of mind for the entire time they are living in that house. Through this initiative, we will promote more widespread installation of solar power generation systems in detached houses to contribute to the expansion of carbon-free power in Japan.

* A first in the industry of solar power generation equipment installation where a major infrastructure group supports equipment repairs and upgrades for the entire period of residency (based on our own research).



G

Introduced an executive officer system

E
S
G

Established the Sustainable Procurement Guidelines

E
S

Completed "Sankaku Hiroba (triangular plaza)," a large atrium in Shinjuku Sumitomo Building

S

Held a community disaster awareness event, Disaster Prevention and First-Aid Fair at Ariake Garden

E
S

Acquired DBJ Green Building Certification for 26 buildings in total, covering approximately 770,000 tsubo, the largest* gross floor area in the Office Building Category

The Company acquired DBJ Green Building Certification, which for all of its owned buildings over 50,000 m². A total of 26 buildings with gross floor area of 770,000 tsubo (one tsubo is roughly 3.3m²) have acquired the certification, the largest* gross floor area held among the owners of buildings in the Office Building category of the DBJ Green Building Certification. Shinjuku Sumitomo Building, completed in 1974, has also obtained a four-star certification after undergoing extensive renovations.

* As of October 31, 2020, researched by the Company

Evaluation Rank (5 Grade Evaluation)	Property Name	No. of Properties
★★★★★ Properties with the best class environmental & social awareness	Sumitomo Fudosan Shinjuku Grand Tower Sumitomo Fudosan Osaki Garden Tower Sumitomo Fudosan Shinjuku Garden Tower Tokyo Nihombashi Tower Sumitomo Fudosan Azabujuban Building	5
★★★★☆ Properties with exceptionally high environmental & social awareness	Sumitomo Fudosan Roppongi Grand Tower Izumi Garden Tower Shinjuku Sumitomo Building Sumitomo Fudosan Shinjuku Oak Tower Sumitomo Fudosan Shinjuku Central Park Building etc.	18
★★★☆☆ Properties with excellent environmental & social awareness	Sumitomo Fudosan Iidabashi First Building Sumitomo Fudosan Aobadai Tower Sumitomo Fudosan Shiodome Hamarikyū Building	3

E

Introduced RE100 compliant electricity (100% renewable power) derived from tenant's own solar power plant on a per-tenant basis, the first initiative in Japan (Collaboration with Fuyo General Lease Co., Ltd.)

The Company with the collaboration of Fuyo General Lease Co., Ltd. has developed a scheme for a corporate tenant to be able to substantially use renewable energy in a leased office space by using its own renewable energy source for the first time in Japan. The scheme was introduced in Sumitomo Fudosan Kojimachi Garden Tower from April 2021. It creates a new option for companies that consider introduction of renewable energy in their tenant-space, to contribute decarbonization by utilizing their own assets.

Environment



View of virgin forest from the entrance lobby of La Tour Sapporo Ito Garden

Addressing Climate Change

In recent years, countries around the world have been working together to reduce greenhouse gas (GHG) emissions based on the recognition that climate change is a global issue. Japan has also gained momentum in its progress toward a steady reduction of GHG, having declared the target of carbon neutrality by 2050. The Sumitomo Realty Group recognizes that climate change has the potential to have a significant impact on our business activities not only as a risk but also as an opportunity. With this in mind, we are working to address climate change issues in conjunction with our respective stakeholders including suppliers, business partners, tenants, and industry organizations. We also recognize and support the importance of the Paris Agreement and other agreements related to global warming countermeasures. We are working to significantly reduce GHG emissions through a range of measures, including renovating existing buildings so that high-efficiency equipment can be installed.

Reducing greenhouse gas (GHG) emissions and energy consumption

Through constructing new buildings featuring substantial environmental performance and continuously improving environmental performance by renovating existing buildings after they reach a certain age, Sumitomo Realty has achieved reduction of per-unit energy consumption by more than 1% per year over the last seven consecutive years, and a 37% reduction in comparison with 2009 when we initially disclosed such information. As a result, over the last four consecutive years we have gained S class (excellent business operator)* certification, which is the highest ranking given for efforts taken to conserve energy under the Act on Rationalizing Energy Use.

In fiscal 2020, we cut our per-unit energy consumption and our per-unit GHG emissions by 8.9% and 12.3%, respectively, in comparison with the previous fiscal year, substantially exceeding the reduction target of 1% for both.

We will keep striving to reduce its energy consumption going forward as a “S class business operator,” with the target of reducing per-unit energy consumption and per-unit GHG emissions by 1% annually.

* S class business operator: Certified as having reduced the five-year average for unit energy consumption by 1% or more annually or otherwise achieve specified benchmark levels

Results of energy consumption and greenhouse gas (GHG) emissions volumes

	Unit	FY2009	FY2018	FY2019	FY2020
Target area (standardized coefficient – per-unit denominator)	Thousand m ²	2,283	3,617	3,824	3,946
Energy consumption	Thousand GJ	4,562	5,245	5,300	4,982
Energy consumption	Thousand kL	118	135	137	129
Per-unit energy consumption	kL/m ²	0.05156	0.03742	0.03576	0.03258 (0.0032)

Reduction target

	Single year
Reduction rate	1%
Base year	2019
Target year	2020
Per-unit volume after reduction	0.03540

	Unit	FY2009	FY2018	FY2019	FY2020
GHG emissions (SCOPE1)	t-CO ₂	15,302	18,916	21,831	20,485
GHG emissions (SCOPE2)	t-CO ₂	144,812	235,360	233,271	210,454
GHG emissions (SCOPE1&2)	t-CO ₂	160,114	254,276	255,102	230,939
Per-unit GHG emissions (SCOPE1&2)	t-CO ₂ /m ²	0.07014	0.07031	0.06672	0.05853 (0.0082)

	Single year
Reduction rate	1%
Base year	2019
Target year	2020
Per-unit volume after reduction	0.06605

* The scope of data collected for calculating for energy consumption and GHG emissions encompasses all the properties owned, managed, used, by the Sumitomo Realty or leased to it as office, etc. for which report is required under the Act on Rationalizing Energy Use. In addition, all GHG emissions are calculated using adjusted GHG emission coefficients.

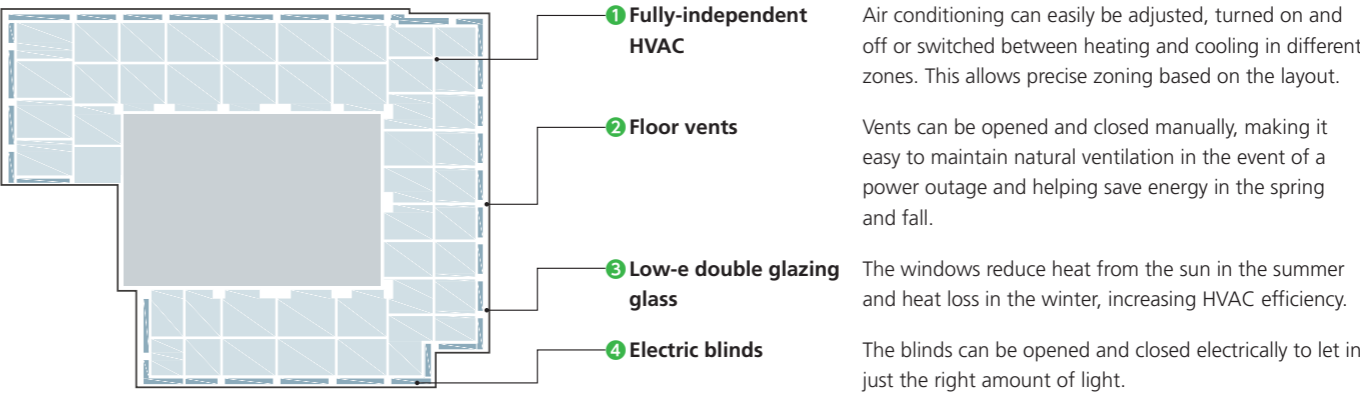
Installation of energy-saving equipment

We have introduced state-of-the-art energy-saving equipment that is environmentally friendly and highly efficient in the buildings supplied in each business.

Examples of energy-saving equipment in each business

- Office Buildings
 - LED lighting & brightness sensors
 - Low-e double glazing glass (heat insulation and shielding)
 - Floor vents (natural ventilation)
 - Decentralized HVAC system
 - BEMS (Building Energy Management System) for efficient use of energy etc.
- Condominiums
 - Low-e double glazing glass (heat insulation and shielding)
 - Latent-heat-recovery-type gas-powered hot water supply systems (Eco-Cute systems)
 - Thermo bath bathtubs etc.
- Detached Houses
 - Solar power generation facilities and storage batteries
 - Home Energy Management System (HEMS) etc.

Example of the office building in the Tokyo Mita Redevelopment Project



Risks and opportunities associated with climate change

With regard to climate change risks, in addition to examining the impact of related systems and regulations on our business activities, we have identified specific risks that may affect our business based on the 2°C and 4°C scenarios. We are currently examining business strategies we have developed that incorporate the magnitude of the financial impact along with measures for mitigation and adaptation. With respect to important matters among the identified risks, a system has been established in which such matters are discussed at important meetings, including the Board of Directors and Executive Committee meetings, and supervised by the Board of Directors.

Classifications	Scenarios	Details	Correspondence (mitigation and adaptation)/Strategies
Transition risks	Increasing demand for Net Zero Energy Building (ZEB), Net Zero Energy House (ZEH), etc.	If there is a strong demand for the adoption of ZEB and ZEH specifications, the environmental performance of the equipment to be installed will need to be further enhanced. This could lead to concerns of higher construction costs.	In order to promptly respond to the social demands, we consider installing equipment with high environmental performance at the appropriate time, and participate in “HEAT20” as a regular member.
	Introduction of a carbon tax	The introduction of a carbon tax could lead to concerns of rising costs for various building materials. This has given rise to concerns that an increase in construction costs could affect our business plans.	We closely monitor related systems and regulations and will be prepared to respond when necessary. We also assume the offset price per t-CO ₂ as the carbon price, and we are conducting various related studies.
Physical risks	Increasing occurrence of natural disasters due to abnormal weather	If central Tokyo was to experience frequent extreme winds, floods, and other disasters, the concentration and severity of damage and the resulting increase in repair costs could affect our business plans.	In preparation for major weather hazards such as large typhoons, we set each property's estimated flooding depth based on hazard maps, etc. and installed tide boards where necessary.
Opportunities	Lower prices due to the spread of high environmental performance products	It is assumed that this will provide an opportunity for lower building costs as the high-efficiency equipment that is currently installed will become less expensive.	We decide on the equipment to be installed each time we develop a property after considering the costs and performance. This ensures that we are ready to respond to fluctuations in costs.
	Increasing interest in disaster prevention features	Demand for properties with high disaster prevention features will also increase, and this is expected to create business opportunities, as our office buildings are highly evaluated for their disaster prevention features.	We are working to further improve the disaster prevention features of our portfolio by realizing high disaster prevention features in new properties while implementing renovations of existing properties.
	Increasing interest in environmental performance	We have been continuously striving to improve the environmental performance of our overall portfolio. It is assumed that the reputation of our properties will increase further.	We continue to improve the environmental performance of aged properties through renovation, and promote the acquisition of various Green Building Certifications as objective indicators of high environmental performance.

* Transition risks were assumed based on the 2°C scenario (the Sustainable Development Scenario (SDS) in the IEA World Energy Outlook 2018 and other scenarios). Physical risks were assumed based on the 4°C scenario (the Reference Technology Scenario (RTS) in the IEA World Energy Outlook 2018 and other scenarios).

Environment

Conservation of Water Resources

Shortages of water resources have become a major problem throughout the world due to increasing demand for water as the population grows, coupled with droughts caused by climate change. We deem that problems stemming from the shortage of water expose to business risk, given that water resources are an indispensable resource for the entire business of the Sumitomo Realty Group. As such, we will take action to conserve water resources, working in conjunction with our respective stakeholders.

Installing water-saving equipment and facilities

- Reducing wastage that occurs when water is left running by equipping washbasin faucets with water-saving devices at all office buildings it develops
- Adopting design standards specifying use of ultra-water-saving toilets in order to promote installation of water-saving equipment at all properties it develops
- Installing ultra-water-saving toilets, flush volume of 6 liters — significantly less compared with 13 liters used by previous model, to all new buildings as well as existing properties through renovation
- Setting up sewage and rainwater reclamation facilities that purify the water, and using the greywater to flush toilets and water plants, mainly in large buildings

Collaboration with external parties

In addition to its own initiatives, the Sumitomo Realty Group is also committed to working more broadly with the Japanese real estate industry to promote environmental conservation measures, such as reducing water consumption. We are a regular member of the Environmental Committee of The Real Estate Companies Association of Japan. The Environmental Committee formulated the Real Estate Industry Environmental Action Plan, which includes the introduction of high-efficiency, water-saving fixtures, automatic faucets and automatic flushing devices as specific action goals, and the entire industry is working together to reduce water consumption.

* The Sumitomo Realty Group has not earned any revenue from its business activities in areas where water stress is a concern as of September 2021, based on the Aqueduct Survey conducted by the World Resource Institute (WRI). Japan, where our main business activities are based, has been certified as a “Low-Medium” water risk area.

Water withdrawal and discharge volumes

Water withdrawal	Unit	FY2018	FY2019	FY2020
Target area (standardized coefficient)	Thousand m ²	3,513	3,731	3,851
Water withdrawal	Thousand m ³	2,589	2,735	1,983
Per-unit water withdrawal	Thousand L/m ²	0.7371	0.7332	0.5151

* All of the abovementioned withdrawals are from tap water. No withdrawals are from surface water, groundwater, external wastewater or seawater.
* The scope of data collected for calculation for water withdrawal encompasses all the office buildings owned and managed by Sumitomo Realty for which report is required under the Act on Rationalizing Energy Use.

Wastewater	Unit	FY2018	FY2019	FY2020
Target area (standardized coefficient)	Thousand m ²	3,513	3,731	3,851
Wastewater	Thousand m ³	2,459	2,657	1,843
Per-unit wastewater	Thousand L/m ²	0.7000	0.7122	0.4787

* All of the abovementioned wastewater is discharged through the sewer system to an external water treatment plant. No wastewater is discharged to marine waters, surface water or groundwater.
* The scope of data collected for calculation for wastewater encompasses all the office buildings owned and managed by Sumitomo Realty for which report is required under the Act on Rationalizing Energy Use.

Biodiversity

The Sumitomo Realty Group maintains significant influence on biodiversity integrally rooted in land, particularly given the nature of development business involving office buildings, condominiums and other such properties. As biodiversity is intimately relevant to all environmental issues, including climate change, conservation of water resources and environmental pollution, we make it our principle to consider not only the comfort of our customers and community members, but also our surrounding environments and ecosystems, and work to preserve biodiversity in conjunction with our respective stakeholders.

Redevelopment business and biodiversity: Sumitomo Realty’s redevelopment business contribute to biodiversity. By the completion of Osaki Garden City (▶Page 12) which involved redevelopment of a densely built-up district of wooden housing with little greenery, the overall location’s green coverage increased to 35% including its roof greening, Through Osaki Garden City and other redevelopment business, we aim to create green areas in numerous areas, thereby providing spaces for community members to encounter natural surroundings and for nurturing rich biodiversity.

Development that protects and makes the most of natural forests: Sumitomo Realty seeks to preserve mature trees that are already on sites earmarked for development, so that they can be utilized as greenery to accomplish attractive urban development in harmony with nature.

Endorsement of “Declaration of Biodiversity by Keidanren”: Sumitomo Realty conducts business activities that consider biodiversity.

Use of Rainforest Alliance certified products: The Rieven House convenience stores which Sumitomo Realty Group operates, uses environmentally certified coffee beans.



Osaki Garden City



Open green space at City Tower Kanamachi



La Tour Sapporo Ito Garden



A beetle found in the grounds of Sumitomo Fudosan Shinjuku Garden Tower

Reducing Waste and Curbing Environmental Pollution

The Sumitomo Realty Group recognizes that environmental pollution, high-volume discharge of waste material and squandering of resources constitute substantial social issues that must be given due consideration when conducting business activities. As such, we will take action geared toward curbing environmental pollution, reducing waste and making effective use of resources, working in conjunction with our respective stakeholders including suppliers and tenants.

Reducing Waste and Making Effective Use of Resources

Process-based targets for reducing waste and making effective use of resources

The Sumitomo Realty Group aims to reduce waste and promote the effective use of resources in its business activities. In addition to fulfilling the responsibilities of a business operator as stipulated in the Tokyo Metropolitan Waste Management Ordinance and other regulations, we promote various activities, such as educating the tenants of our office buildings, to further reduce waste and use resources effectively.

Waste discharge

	Unit	FY2018	FY2019	FY2020
Target area (standardized coefficient – per-unit denominator)	Thousand m ²	3,456	3,681	3,751
Total waste volume	t	17,721	17,272	14,397
Industrial waste	t	13,209	12,635	11,262
General waste	t	4,512	4,637	3,135
Units	t/m ²	0.0051	0.0047	0.0038

* The scope of data collected for calculation for waste discharge volumes encompasses some portions of office buildings owned, managed, and used by Sumitomo Realty for which report is required under the Act on Rationalizing Energy Use.

Reducing waste in Shinchiku Sokkurisan remodeling business

Sumitomo Realty’s Shinchiku Sokkurisan remodeling business is a revolutionary system that involves extending the life of existing houses through earthquake-reinforcement work while retaining the main structural elements, thereby reducing the waste of resources and curb the generation of industrial waste in comparison with rebuilding. (▶Page 15)

Reducing waste in custom home business

In Sumitomo Realty’s custom home business, we use specification standards under the “long-life quality housing” certification standard (measures against deterioration grade 3, thermal insulation performance grade 4, upkeep grade 3, earthquake resistance grade 3). We will help reduce industrial waste by extending the rebuilding cycle as a result of supplying this highly durable housing.

Reducing waste in the office building development business

Extending the life of buildings through architectural design that ensures long-term use with minimal deterioration will contribute greatly to reduction of environmental load by minimizing resources wasted and industrial waste generated through rebuilding. In conjunction with superior earthquake resistance and fire resistance, Sumitomo Realty’s office buildings are designed to respond to various changes in work styles, office layouts and IT evolution, in terms of both function and space. For example, the “ceiling grid system” incorporates ceiling equipment into lighting panels to make relocation of the equipment easy, enabling it to respond flexibly to a change in office layout and minimize waste generation.



Curbing Environmental Pollution

Process-based targets for curbing environmental pollution

The Sumitomo Realty Group aims to curb environmental pollution associated with its business activities as much as possible by implementing measures related to environmental pollution in accordance with the relevant laws and regulations. In addition to complying with laws and regulations, we enhance the effectiveness of our measures by regularly checking their control status from a third-party perspective, mainly through the Internal Audit Department.

Measures regarding asbestos and formaldehyde

Appropriate management and disposal of CFCs

Soil contamination countermeasures

Measures regarding nitrogen oxide and sulfur oxide

Sumitomo Realty regularly measures and analyzes soot and smoke emitted by boilers and hot-cold water generators to ensure that they comply with environmental standards stipulated by the Air Pollution Control Act. The investigation is conducted by third parties, and we conduct operations after confirming the absence of abnormalities in the concentrations of air pollutants, such as particulate matter, nitrogen oxide and sulfur oxide.

* The Sumitomo Realty Group does not own or manage any facilities (such as drying and other facilities for the manufacture of chemical products) that are subject to legal restrictions due to their high VOC emissions under the VOC emission control system stipulated by the Air Pollution Control Act.

Tokyo Nihombashi Tower nitrogen oxide (NOX) and sulfur oxide (SOX) emissions

	Unit	FY2019	FY2020
NOX emissions	t	0.0780	0.0370
SOX emissions	t	0	0

* The annual emissions from four hot-cold water generators in Tokyo Nihombashi Tower. They are calculated based on the concentrations of soot and smoke measured and the operating hours of the equipment.

Society



For Disaster-Resistant Community Development

As a comprehensive developer that provides social assets such as office buildings, condominiums and detached houses, it is a vital mission for the Sumitomo Realty Group to create safe and secure communities with disaster preparedness functions, protecting human life and limiting the damage to buildings from the risks of an earthquake striking directly beneath the Tokyo metropolitan area and from the impacts of climate change. In office buildings and condominiums, we are actively working to introduce advanced earthquake resistance performance through technologies such as seismic isolation and damping systems. We are also working to enhance our BCP. In addition, we are contributing to disaster prevention in detached wooden houses with our Shinchiku Sokkurisan remodeling and custom homes.

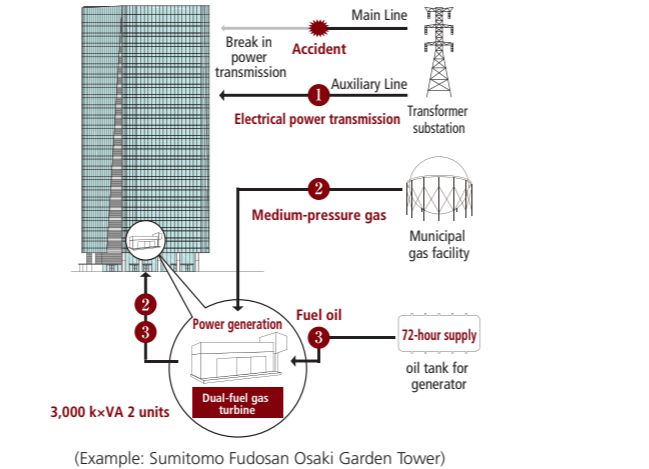
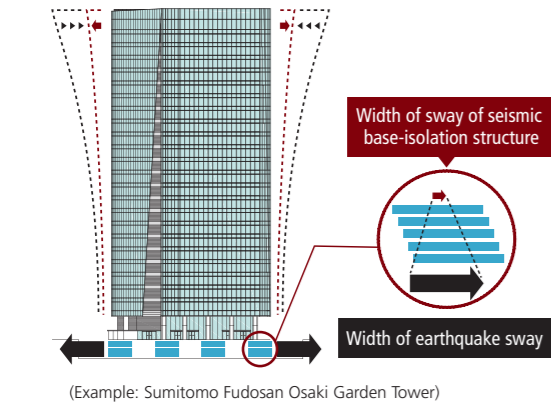
Disaster Prevention for Office Buildings

Business Continuity Planning (BCP) support through multiple safety measures

Seismic isolation and damping systems
Sumitomo Realty was an early adopter of earthquake-resistant features, promptly introducing the seismic isolation structure in its office buildings after the Great Hanshin Awaji Earthquake of 1995. Approximately 80% of the buildings we own are structured with a seismic isolation system and/or a damping system. Highly safe structures, which can protect people working in offices and assets by reducing tremors, increase the feeling of safety among tenants.

Uninterrupted power supply
Risk of power outages is mitigated by a three-layer backup system, using a 2-line power receiving system (1), as well as gas and oil tanks (2 and 3). The Company further strengthens measures for uninterrupted power supply, such as installing emergency power generators for both common areas and tenant areas. Currently, about 70% of the buildings owned by the Company have emergency power generators.

The seismic base-isolation structure absorbs the shaking



Support for commuters stranded after disasters

In central Tokyo, there is a shortage of temporary evacuation spaces and shelter for people unable to return home in the event of disaster. Sumitomo Realty's office buildings are equipped with facilities, such as entrance hall, multipurpose halls and open space, to shelter people unable to return home, taking advantage of their highly disaster-resistant features and large spaces incorporated in their designs.

Sankaku Hiroba (Shinjuku Sumitomo Building) that can shelter approx. 2,800 stranded commuters



Joint hosting of disaster prevention events to boost community disaster preparedness

Through our redevelopment business, we have contributed to local disaster preparedness, developing safe and secure communities, including reinforcing the disaster resistance of buildings, improving surrounding roads and developing public spaces. Even after the completion of the development, as boosting local disaster preparedness in conjunction with the community is key to sustainable development of the city, we are working to raise awareness of disaster prevention and strengthen collaboration with the local community by hosting evacuation drills and disaster drills jointly with the community. By holding such drills with workers and residents of buildings in redeveloped sites, alongside many other relevant groups such as fire stations, the police, local residents and volunteer fire brigades, we are forming a community of mutual assistance in preparation for an actual disaster.

Joint disaster drills with the Koraku Community Association at Sumitomo Fudosan Iidabashi First Tower



Sumitomo Fudosan Iidabashi First Tower



Earthquake simulation vehicle



Fire hose demonstrations with a machikado disaster drill vehicle



Smoke house



AED practice area

Fire and disaster drills conducted remotely

Due to the prolonged COVID-19 pandemic, with many people working from home, it is difficult to hold the usual disaster drills in office buildings. In response to such situation, we held disaster drill events remotely in August 2021. The first of such event took place at Sumitomo Fudosan Shibuya Garden Tower in conjunction with the Shibuya Fire Station. In addition to holding conventional drills with a small group, we produced an instructional video for tenant employees working from home and posted it online so that they can learn the kinds of responses required of tenants in an emergency, such as initial fire extinguishing, reporting and guiding people to evacuate.



Other disaster countermeasures

- Monitoring by Sumitomo Realty's employees around the clock throughout the year
- Spaces for installing additional emergency power generators serving tenant-occupied areas
- Elevators that can automatically assess the situation after an earthquake and temporarily return to operation
- All new buildings in areas of flooding risk equipped with tide boards

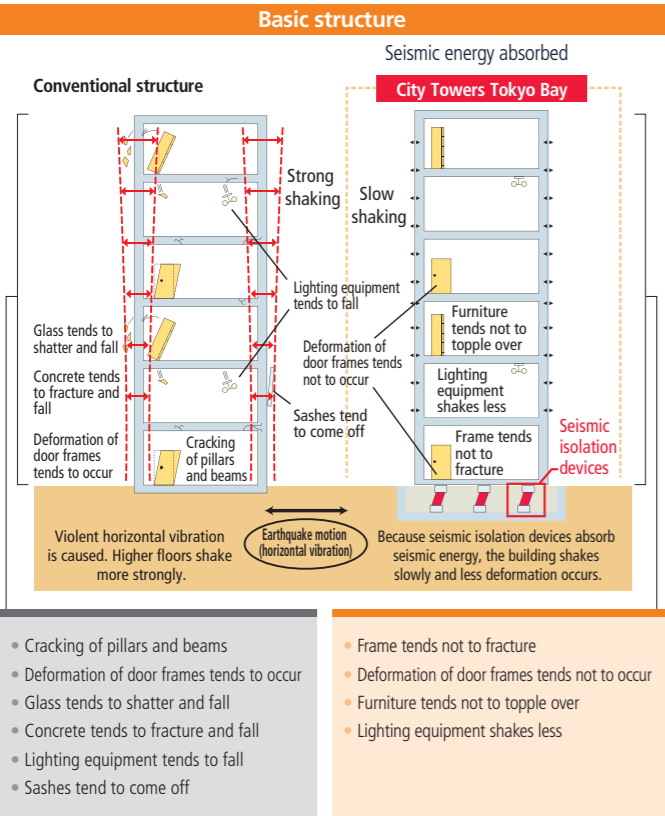
Society

For Disaster-Resistant Community Development

Disaster Prevention for Condominiums

Sumitomo Realty's condominiums feature seismic isolation/damping structures to prevent deformation of buildings and alleviate shaking during an earthquake. In addition, various disaster countermeasures are implemented, such as installation of emergency power generators, elevator safety functions, storerooms for emergency supplies and emergency wells.

Key disaster countermeasures (City Towers Tokyo Bay)



Firm ground and piles
110 piles installed

For power supply in the event of power outage
Emergency power generator
Useful for extinguishing fire
Fire cistern

Securing water for domestic use, such as for a toilet
Emergency wells
Useful in the event of a disaster
Emergency toilets connectable to a manhole
In the event of an emergency, such as an earthquake
Emergency supplies



Robust pillars to increase earthquake resistance
Welded closed hoops

Automatically stop at the closest floor in the event of an earthquake
Elevator safety device
Water supply available even if the pump stops
Water supply measures
Available even in power outage
Disaster-ready vending machines
For emergency rescue
Helicopter hovering space
Provided to each household
Emergency backpack



Disaster Prevention for Detached Houses

In its custom home construction and Shinchiku Sokkurisan remodeling businesses, Sumitomo Realty proposes proprietary seismic reinforcement and damping systems as disaster countermeasures for detached houses, as well as disaster readiness plans that will allow home owners to live securely in their homes after a disaster until lifelines are restored.

"Sumitomo-Fudosan-no-Miraino-le"

"Sumitomo-Fudosan-no-Miraino-le" (Sumitomo Realty's next generation home) is a new custom home product launched in September 2021. A package that includes solar power generation, storage batteries and rainwater tank, it ensures enough power, drinking water, and water for daily use for about three days in the event that power and water supplies are disrupted due to a disaster.

Solar power generation and storage batteries

The introduction of a solar power generation system for "energy creation" and storage batteries for "energy saving" ensures necessary power for daily life, such as for refrigerator, lighting and smartphone charging, for a certain period.



Securing drinking water and rainwater

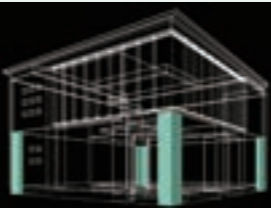
In order to prepare for water outages, potable water is stored in the water pipes underfloor and is always clean as it is constantly replaced with fresh tap water through daily water use. In addition, rainwater is stored to secure water for daily use, such as for laundry and toilet.



Earthquake-resistant Technologies

New Power Column

This construction method increases the earthquake resistance of platform wood-frame construction by about 30% by installing a column in each of the four corners of a structure to reinforce them. The method was developed by Sumitomo Realty with cooperation from Kogakuin University professor emeritus Kenji Miyazawa, Dr. Eng., and Arup, a comprehensive engineering consultancy. (Patent No.4875721)



Shinchiku Sokkurisan Proprietary Seismic Reinforcement Method

In the Shinchiku Sokkurisan business, we offer a seismic retrofitting method suitable for wooden houses of all ages. This construction method incorporates a proprietary system jointly developed with Sumitomo Rubber Industries to cover houses built under the new earthquake resistance standards applicable since 2000 without changing the position of existing bearing walls, creating a framework to offer seismic reinforcement for houses of all ages.

MAMORY, the small seismic control device developed by Sumitomo Rubber Industries, absorbs seismic energy instantly through the use of special high-damping rubber to curtail deformation of the building. It makes homes particularly resistant to a series of powerful tremors.



Urban Development that Contributes to the Community

The business of developing and operating real estate properties can only be possible through cooperation with people in the local community. In order to build solid, lasting relationships with local communities and contribute to the development of regions, the Sumitomo Realty Group engages in a variety of activities that contribute to local communities and society through its business activities.

Contributing to the Society and Community through Redevelopment

The Sumitomo Realty Group invests in local communities focusing on redevelopment, working to address local issues such as disaster prevention, the environment and the liveliness of the community. Our current medium-term management plan targets the promotion of the development of leasing office assets of over 800 thousand tsbu in gross floor area, mainly through redevelopment. By building solid relationships with local residents, we will contribute to achieving sustainable local communities.

IZUMI GARDEN redevelopment project, which comprises two redevelopment areas, one surrounding Izumi Garden Tower and the other surrounding Sumitomo Fudosan Roppongi Grand Tower, is a typical example. This project realized flexible land use that takes account of characteristics of each urban block and harmony with the surrounding areas under the concept of an "Open Town Development," achieved through discussions with about 100 landowners and administrative officials from Tokyo metropolitan and Minato Ward governments.



IZUMI GARDEN (left: Sumitomo Fudosan Roppongi Grand Tower, right: Izumi Garden Tower)

Izumi Garden Tower

Challenges facing the community
How to achieve coexistence of areas with two distinct characteristics, on the ridge and the valley side
A lack of geographical continuity due to a height gap reaching up to 20 meters impeding business use
Old wooden houses crowded on sloped and terraced land; improvement needed from the perspectives of living environment and disaster prevention

Key points of the Redevelopment
An urban space that combine the "green and culture" area on the verdant ridge side with the "working, living and liveliness" area on the valley side directly connected to the subway station
A spacious square, underground but full of light, connected to the subway station by developing the area together with the Roppongi-itchome station
A terrace square utilizing the difference in elevation and placing characteristic shops, where people can feel liveliness of the city

Sumitomo Fudosan Roppongi Grand Tower

Challenges facing the community
A lack of good access to the Roppongi-itchome station making the area inconvenient
Little surrounding greenery
Had pedestrian safety concern due to narrow roads
Local community divided into east and west by the Metropolitan Expressway

Key points of the Redevelopment
Pedestrian flows in the area improved by redeveloping the district and the area in front of the station together, and creating a west exit to the station
Convenience enhanced through a new station square measuring 1,280m² and the introduction of a commercial complex
A new 2,400m² square rich in greenery created with a walkway allowing pedestrians to enjoy greenery even in central Tokyo
Widening the sidewalks from 6m to 12m, and underground installation of power transmission cables, to ensure that pedestrians can walk safely and comfortably
Free walkway built to connect the east and the west sides of the subway station, to form a well-balanced urban area

Town management of the IZUMI GARDEN district

Sumitomo Realty manages "IZUMI GARDEN," an approx. 6 hectare large urban block consisting of two redevelopment areas; "Izumi Garden Tower" and "Sumitomo Fudosan Roppongi Grand Tower" at their core respectively.

We are working on town management to make the district attractive to workers, residents and visitors in each season to increase the value of the district and give it a lively atmosphere. The initiatives include events held jointly with local communities and our tenants.

Example of past events



Cherry blossom Festival Cherry blossom Festival Christmas Illumination Disaster-Prevention Fair Summer Festival Marche' Event

Society

Urban Development that Contributes to the Community

Community Revitalization

The Sumitomo Realty Group is implementing a variety of activities designed to bring “liveliness” to the communities where its buildings are located, through collaborations with the local communities and tenants.

Shinjuku Sumitomo Building (Sankaku Biru) was a harbinger of a commercial complex — a property that is not designed exclusively for offices but that also incorporates multifaceted functions, such as restaurants, retail shops, culture and sports. Since its opening, it has been a center of liveliness, welcoming various events in its open public space. In 2010, the Shinjuku Subcenter Area Environmental Improvement Commission was created. As a member of the commission, Sumitomo Realty has been contributing to the revitalization of the Nishi-shinjuku area. With opening of Sankaku Hiroba in June 2020, we will further contribute to the liveliness of Shinjuku. (About Sankaku Hiroba ▶Page 17)

Creating Opportunities to Appreciate Art and Culture

The Sumitomo Realty Group is engaged in a variety of activities aimed at supporting artistic and cultural activities and creating opportunities to appreciate art and culture.

■ **Charity concert**

Sumitomo Real Estate Sales Co., Ltd. has been hosting Step Concert, a series of classical concerts for families, since 1987, as part of its charity/volunteer activities. The concert, which has invited a cumulative total of about 230,000 people, has been designated a child welfare cultural asset recommended by the Social Security Council of the Ministry of Health, Labour and Welfare since 1996, which recognized it as particularly outstanding as a series of concerts for improving children’s welfare.

The concert also runs fundraising drives at its venues from which donations have been made to the Japanese Red Cross Society to support earthquake-affected regions across Japan and the Japan Service Dog Association to raise service dogs. Since starting donations in 1995, we have donated more than ¥16 million to NPOs and other organizations.

■ Collaboration with the KOMOGOMO Exhibition at Ariake Garden

Ariake Garden is a large complex we developed and manage as a hub of liveliness for Tokyo Bay and Ariake area. It comprises residential and commercial space as well as a multipurpose hall, a theater exclusive for the Shiki Theatre Company and several event spaces.

As an initiative to create liveliness by bringing new culture, we hosted the KOMOGOMO Exhibition, an art event organized by young graduates from Tokyo University of the Arts, providing a place of creative expression for young artists with their art works and musical performances. These activities also create a new forum for lifelong learning in which artists and visitors can interact and learn from each other.

■ Participating in the Kanosei Art Project

Sumitomo Realty is participating in the Kanosei Art Project, which Toppan Printing Co., Ltd. has been promoting since 2018. It aims to showcase works by artists with disabilities in various products. As we endorse Toppan Printing’s approach of “going beyond offering support for people with disabilities to create sustainable initiatives with them as business partners,” we are displaying artists’ works in our buildings or project sites visited by a large number of people.

■ Shinjuku Creators’ Festa

Shinjuku Creators’ Festa is an initiative by the Shinjuku Ward office with the goal of making the ward more attractive through art, adding liveliness and revitalizing it. Each year, many artists showcase their work in public and privately owned spaces surrounding Shinjuku Station. Since 2016, the Company has supported the event as a member of its executive committee.

■ STEP Photo Contest

Sumitomo Real Estate Sales Co., Ltd. has been holding the STEP Photo Contest since 2014 for the advancement of the culture of photography. Focusing on the theme of Japanese scenery, the contest gathers entries from both professionals and amateurs and supports talented young artists while providing an opportunity for people all over Japan to experience art through the contest.



Dinosaur exhibition held in Sankaku Hiroba



Step Concert -A conducting experience for the audience



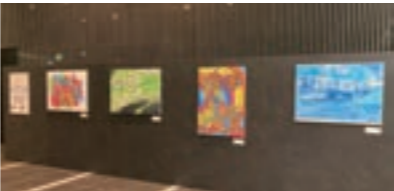
KOMOGOMO Exhibition poster



People waiting to enter Ariake Minna no KOMOGOMO Concert 2021



Kanosei Art Project — The artworks displayed on temporary enclosures at construction sites



Kanosei Art Project — Art exhibition in an office building entrance lobby

Respect for Human Rights

The Sumitomo Realty Group recognizes that respect for human rights is one of the most important issues as it conducts its businesses. We protect the universality and inviolability of liberty rights, social rights and related rights under the International Bill of Human Rights and other human rights covenants. We also promote our business activities together with our suppliers and other stakeholders while ensuring compliance with labor standards and realizing diversity.

Moreover, we have established a basic policy regarding human right that applies to all employees of the Group and are thoroughly implementing it. For our suppliers, we request cooperation with our policy through our Sustainable Procurement Guidelines.

Basic Policy on Human Rights

- Scope of application : All employees of the Sumitomo Realty Group
- We comply with social norms, rules, decrees, international treaties, etc. of the country or region where the business is conducted.
 - We endorse and respect international standards regarding human rights and labor, including the International Human Rights Charter, the International Labour Organization Declaration on Fundamental Principles and Rights in Labor at Work, the Guiding Principles on Business and Human Rights, etc.
 - We prohibit discrimination or harassment based on any of the following aspects and respect rights: race, nationality, religion, gender, sexual orientation/identity, disability, social status, age or medical history.
 - We do not engage in child labor or forced labor.
 - We manage working hours within appropriate limits to prevent overwork and reduce excessive working hours.
 - We respect the freedom of association and rights to collective bargaining.
 - We pay wages above the minimum wage standard set by each country and work to stabilize employees’ lives.
 - We take measures and raise employee awareness to prevent occupational accidents.

Human Rights Issues Based on Business Characteristics

The Sumitomo Realty Group identifies human rights risks that could have an impact on its business based on consideration of the industry’s characteristics. Due to the nature of our business in the real estate industry, we view the improvement of the working environment, including measures to prevent occupational accidents at contracted construction sites, as one of the most important human rights issues. We work to mitigate these risks that need to be prioritized and addressed through dialogue and training with suppliers and other business partners.

■ Human rights training

The Sumitomo Realty Group works to raise awareness of human rights as it promotes its business activities. We provide all employees with training on human rights and other issues when they join the Company and then once every year. Human rights training including harassment prevention is provided separately for managerial personnel who require this for roles overseeing business operations.

In addition, a compliance handbook is distributed to employees when they join the Company to inform them of the laws and regulations and the need to respect human rights.



Compliance handbook

■ LGBT considerations

In its Basic Policy of Human Rights, the Sumitomo Realty Group prohibits any discrimination based on sexual orientation or gender identity. In order to prepare for potential incidents of discrimination, we have built a system that enables prompt action by establishing an anonymous harassment consultation desk.

■ Whistleblowing system

The Sumitomo Realty Group has a structure in which violation of compliance including human rights issues is detected and addressed promptly through an internal consultation desk and two whistleblowing desks operated by the Internal Audit Department and an external attorney-at-law. If a violation is reported, it is investigated promptly, and fair and strict measures are taken, while keeping the personal information of the whistleblower confidential under strict legal protections.

Should a compliance violation be identified, we take appropriate action and then work to prevent a similar situation from reoccurring by providing instructions on our website to employees and other measures. In addition, remedial measures are provided for victims.

Society

Promoting Diversity

Sumitomo Realty Group has been actively promoting diversity since before, based on the awareness that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics within the Company is a strength that supports the sustainable growth of the Company. For more than 20 years, we have been actively hiring people with diverse careers at other companies as individuals who can be immediately effective in the Company. Today, mid-career hires with work experience at other companies account for 90% of our employees, and are the source of the Company's growth. In addition, we believe that equal opportunity in promoting employees to management positions is the most important factor for increasing their motivation, so we promote employees based solely on their enthusiasm, ability and achievements, regardless of gender or whether they were hired as new graduates or as mid-career hires. As a result, mid-career hires account for more than 60% of managerial personnel, thus ensuring diversity at the management level.

Female participation and career advancement

Sumitomo Realty Group is also actively working on the promotion of female participation and career advancement. Firstly, we have announced a numerical target* for the ratio of female employees in sales and engineering positions that support our front line operations. By further increasing the ratio of female in our employees and working on their career development to expand the pool of our human resources, we will increase the number of female employees for future promotion and gradually promote them to managerial positions.

*Target of female employees in new hires: 25% in sales and 13% in engineering positions by March 2026

Number of employees

	FY2018	FY2019	FY2020
Male	4,298	4,345	4,248
Female	1,543	1,615	1,629
Total	5,841	5,960	5,877
Percentage of nonregular employees	18.0%	20.8%	20.8%

*Non-consolidated figures (As of the end of fiscal years)

Percentage of female employees and female managers

Female employees	27.7% (As of March 31, 2021)
Female managers	4.5% (As of March 31, 2021)
Female member of the Board	7.1% (As of June 30, 2021)

*Non-consolidated figures

Employment of people with disabilities

Sumitomo Realty Group actively hires people with disabilities. As of March 2021, 2.4% of employees of Sumitomo Realty were people with disabilities, exceeding the 2.2% required under the system on employment rate of persons with disabilities. We conduct hiring without discriminating age, gender or region. In order to make workplaces comfortable for people with disabilities, we have installed multipurpose bathrooms and barrier-free elevators.

Childcare, nursing care support

Sumitomo Realty has various support programs to realize a workplace environment that makes it easy to work for people who have family circumstances, such as the need for childcare or nursing care of family members, etc.

Data on childcare and nursing care support

Number of employees working shorter hours	49
Number of employees who took nursing care leave	0
Number of employees who took childcare leave	56
Percentage of employees who returned to work after taking childcare leave	100%

*Non-consolidated figures (As of March 31, 2021)

Percentage of female employees in new hires

	FY2016	FY2017	FY2018	FY2019	FY2020
Sales positions	20.7%	23.7%	26.5%	24.6%	23.5%
Engineering positions	8.2%	9.2%	9.2%	11.3%	12.5%

*Non-consolidated figures (As of the end of fiscal years)



Expanding opportunities for elderly employees

Sumitomo Realty is expanding opportunities for elderly employees to put their rich experience to work by hiring new employees aged 60 or older and rehiring retirees.

Promoting diversity in each business

The Sumitomo Realty Group takes various measures to promote diversity not just in its own organization but also in its businesses such as office building, hotel, event hall and others.

Example of our initiatives

Personal boxes or small lockers for women to keep personal belongings, installed at women's bathrooms in new office buildings
Barrier-free facilities such as slopes and multipurpose bathrooms in compliance with Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disable Persons, etc. in all properties we develop
Day care facilities set up in some offices to support balancing childcare and work
Floor maps and guides shown in multiple languages at large office buildings and hotels
Announcements on intercoms are delivered in multiple languages

Working Environment

The Sumitomo Realty Group believes it is important for a company's sustainable growth to achieve the following two goals in its working environment, and takes the following initiatives to realize them.

- ① Create an environment where employees can stay healthy, safe and lively, as well as maximize their potential
- ② Enhance human resources, which form the foundation for a company's growth by actively working to develop employee skills

Setting Up Safety and Health Committees

The Industrial Safety and Health Act requires a workplace with 50 employees or more to set up a safety and health committee. The Sumitomo Realty Group has a stricter standard than this statutory standard, requiring each workplace with smaller numbers of employees to set up a safety and health committee. The committee conducts surveys and deliberations on safety and health in a process attended by members recommended by employee representatives.

Realizing Healthy Workplaces

Employees' health

Sumitomo Realty Group takes following initiatives for employees' health management and promotion:

- Conduct an annual health checkup or comprehensive medical examination (expense subsidies) for all our employees;
- Free-of-charge influenza vaccination at our affiliated clinic;
- Employees can seek advice from medical specialists about mental and physical health free of charge;
- Sumitomo Realty is a corporate member of fitness clubs operated by Sumitomo Fudosan Esforta to support employees' health promotion;
- Conduct medical checks and interviews by industrial physicians for employees who work overtime more than a certain amount;
- In order to ensure that our employees have peace of mind as they work during the COVID-19 pandemic, we have established a system for providing PCR testing exclusively for our employees and conducted workplace COVID-19 vaccinations for employees and their families.



Health and productivity performance management

Sumitomo Realty manages employee health using third-party verification and monitoring.

We manage performance using quantitative indicators and take measures such as having employees found to have issues through stress checks receive interviews with industrial physicians. In fiscal 2020, we achieved our numerical targets for health management.

Health and productivity indicators

	FY2018	FY2019	FY2020	Targets
Percentage of employees who received health checkup	100%	100%	100%	100% (Including comprehensive medical examination)
Percentage of employees who received stress checks*	89.5%	89.4%	90.0%	

*Verified and monitored by SB Atwork Corp.

Enhancing Human Resources

Hiring and performance evaluation systems for diverse human resources

The Sumitomo Realty Group hires diverse human resources with various distinctive strengths, through recruitment of new graduates as well as mid-career professionals with emphasis on their expertise and experience. Bonus assessment is conducted on a uniform basis regardless of age and position, promotion is not in accordance with the number of years of service so as to give young employees opportunities, and the progressive performance-linked pay with high-percentage commissions, which is among the highest in the industry. Within the framework of a flexible personnel system focused on job descriptions and roles, we are working to create a workplace environment where all employees can display their full potential.

The Sumitomo Realty Group Challenge System

The Sumitomo Realty Group provides a system in which its employees can volunteer to take up the challenge of a new job. The system provides opportunities for growth to highly motivated employees and helps assign the right individuals to the right positions.

Support for obtaining certifications and attending external seminars

The Sumitomo Realty Group helps employees improve professional skills by subsidizing the costs of obtaining qualifications that are relevant to their duties, including real estate transaction agent, architect, urban renewal planner and energy efficiency manager licenses, or participating in external seminars.

Training

We work to expand the knowledge of employees by conducting training programs in a variety of fields and inform them of the code of conduct suitable for employees of the Sumitomo Realty Group and ensure their compliance.

Data on training conducted in FY2020	
Total company-wide training hours	78,216
Training hours per person (days per year)	13.3 (1.5 days)
Total training costs	¥24,448 thousand

*Downward trend compared to the previous year due to the COVID-19 pandemic

Example of training programs held in FY2020	
Human resources training	Industrial hygiene, harassment
Managerial position training	Harassment, labor management, compliance
Occupational safety training	Technology guidance, risk assessment * Conducted jointly with Group companies and business partners
New employee training	Company history, business manners, human rights, compliance, industrial health and hygiene
Engineer training	Technology guidance, risk assessment, construction methods
Certifications training	Support on acquisition of certifications

Society

Product Safety & Quality and Stakeholders

The Sumitomo Realty Group engages in business that is closely related to people's daily lives encompassing office building leasing, sales and leasing of condominiums, real estate brokerage, custom homes and remodeling. We recognize that product safety and quality is one of the most important aspects of our business in terms of how it directly affects people's lives and property. We have thus far maintained high levels of product safety and quality underpinned by its fundamental mission to “Create even better social assets for the next generation” under the corporate slogan, “Integrity and Innovation.” With the aim of further enhancing the levels of product safety and quality, we take on business initiatives that entail cooperation with its suppliers, design and construction companies and business partners involved in building management.

Architectural Quality

Managing architectural quality in the contracting business

In the housing construction business (custom homes and Shinchiku Sokkurisan remodeling) and other contracting businesses such as tenant construction, Sumitomo Realty, as a lead contractor, implements the following initiatives to enhance the quality of design and construction.

- Updating product lists in conjunction with suppliers, using products and components that align with the Company's product safety and quality standards as a general rule
- Engaging in construction quality control at each phase of work and inspection upon completion, on the basis of construction standards for each projects
- Instructing design and construction contractors to take corrective action as necessary
- Performing periodic follow-up inspections after completion
- Holding periodic meetings to share technology among all construction managers
- Implementing periodic technical training involving construction contractors for the respective construction jobs etc.



Managing architectural quality in the condominium sales business

In the condominium sales business, we aim to offer premium condominiums by engaging in the following initiatives:

- Verifying initiatives involving quality control of design and construction companies
- Ensuring that design and construction companies are familiar with and have a shared understanding of the Company's quality standards

Front-loading* of design and construction for each phase of work, based on past experience.

* Front-loading refers to the task of meticulously ensuring quality by verifying tasks involved at each phase of work extending up to completion, in conjunction with design and construction companies at the initial phase of construction.

Gaining third-party certifications for architectural quality

In its condominium sales, Sumitomo Realty acquires housing performance evaluation reports whereby a third-party organization registered by the Minister of Land, Infrastructure and Transport objectively evaluates housing performance.

Management Quality

Quality control of building management

Sumitomo Realty practices high-quality building management by leveraging the expertise it has accumulated as Tokyo's No.1 office building owner with more than 230 buildings in central Tokyo. Employees of Sumitomo Realty directly control management tasks and keep issues in check by performing periodic maintenance and preventative repairs on structures and facilities. The Company also develops frameworks for uniformly improving management quality whereby information regarding incidents occurring with respect to individual buildings is shared amongst all of the employees for other buildings.

When it comes to cleaning, managers of each building and cleaning staff from the Company conduct cleaning inspections several times annually. The Company takes concrete action to improve quality which involves precisely scoring inspection results using an itemized points-based approach, clearly stating areas subject to improvement using quantitative benchmarks, and revising cleaning plans accordingly.

Advertising Quality

Responsible advertising activities

The Sumitomo Realty Group conducts its public relations activities in compliance with the Act against Unjustifiable Premiums and Misleading Representations and other relevant laws.

- Making and promoting guidelines for advertising material creation
- Appointment of an advertising compliance officer independent of the advertising creators to audit and supervise the advertising of all Group companies

- Advertising compliance training and comprehension confirmation testing conducted for all employees involved in advertising several times a year
- Records of number of incidences of warnings and corrective actions from compliance officers are kept and fed back to public relations personnel in each department as quantitative indicators

Customer Feedback

In managing and operating its buildings and condominiums, the Sumitomo Realty Group incorporates opinions received from its customers and opinions obtained through its customer center in its product planning and renovation work.

COVID-19 Prevention Measures

At the Sumitomo Realty Group, we prioritize health and safety of customers, business partners and employees, and operate business only after we take measures according to government policies and industry guidelines in each of our businesses to ensure that customers can use our service without worries.

For our employees' safety

In order to protect our employees from infections while continuing our operations, we take the following measures.

- Requiring to wear face masks at all times and measure temperature every morning
- Requiring to refrain from taking business trips where possible, and actively use online conferencing
- Requiring to adopt staggered working hours or telecommuting
- Ensuring social distancing in workplaces
- Establishing a system for providing PCR testing exclusively for our employees and conducting workplace COVID-19 vaccinations for employees and their families, in order to ensure that our employees have peace of mind as they work during the COVID-19 pandemic



For our customers' safety

In order to ensure that customers can feel safe while using our service, we take basic measures, such as requiring face masks and hand sanitizers in all of our businesses. In addition, we take the following infection prevention measures designed to suit characteristics of each business area.

Measures taken by each business

Business	Measures
Building Leasing	<ul style="list-style-type: none">Urging users to maintain social distance in the elevators using postersSuspending the use of air hand-dryers in bathroomsRegular checks on ventilation efficiency and improvement, using results of air environment measurement
Condominium Sales Housing Construction Real Estate Brokerage	<ul style="list-style-type: none">Introducing reservation-only systemUse of acrylic panels to prevent droplet infection at sales officesIntroducing of online customer service
Hotel	<ul style="list-style-type: none">Sanitization of rooms using ozone sterilizers and air purifiers set up in all roomsRequiring guests to fill out a medical questionnaire form at check-in
Multipurpose Hall	<ul style="list-style-type: none">Providing rental of thermographic camerasProposal of layouts that maintain a certain distance between visitorsMeasures to minimize contact between visitors at venues, including use of dedicated elevators and reserving of entire floors
Fitness Club	<ul style="list-style-type: none">Installing temperature measurement device with facial recognitionLimiting the number of lockers used and increasing the frequency of ventilation of each areaProviding remote studio lessons

“Remote Condominium Sales” Service

As a new way of selling newly built condominium units during and after the COVID-19 pandemic, we introduced a “Remote Condominium Sales” service for our sales business from June 1, 2020, in which the entire purchase process is completed without having to directly face sales staff, from a tour of the unit to its delivery.

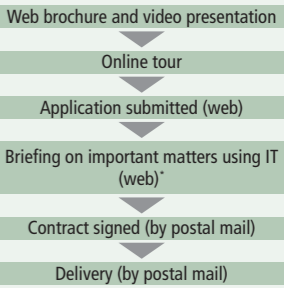
The service allows customers to purchase condominiums safely, at their request, by avoiding directly facing sales staff in all phases of purchase, from the initial step of collecting information about a unit, tour of the model room, submission of application/signing of the contract, briefing on important matters to delivery.



Example of services offered online

- Introduction of unit; information on surrounding environment
- Video of the model rooms
- Route from nearest station to the building (video)
- Detailed financing plans; housing loan consultation
- Questions and answers, etc.

Flow of Remote Condominium Sales



*A pilot experiment by the Ministry of Land, Infrastructure, Transport and Tourism for briefing on important matters using IT (started from October 1, 2019).

Governance

Board of Directors and Corporate Auditors (As of September 30, 2021) *Representative Director

Directors



Chairman of the Board
Kenichi Onodera

Apr 1970 Joined the Company
Jun 1998 Director
Jun 2005 Representative Director
Jun 2007 Director - President
Sep 2019 Director - Chairman of the Board (present)



President
Kojun Nishima*

Apr 1984 Joined the Company
Jun 2009 Director
Jun 2010 Representative Director (present)
Jun 2013 Director - President (present)
May 2017 Head of Building Development Division (present)



Deputy President
Nobuaki Takemura*

Apr 1981 Joined the Company
Jun 2008 Director
Jun 2010 Representative Director (present)
Jun 2013 Director - Deputy President (present)
Mar 2016 Head of Management Division (present)



Deputy President
Masato Kobayashi*

Apr 1983 Joined the Company
Jun 2009 Director
Jun 2010 Representative Director (present)
Jun 2013 Director - Deputy President (present)
Nov 2017 Head of Residential Business Division (present)



Director/Senior Managing Executive Officer
Hiroshi Kato

Apr 1984 Joined the Company
Jun 2013 Director (present)
Sep 2016 Head of Shinchiku Sokkurisan Remodeling Division (present)
Apr 2020 Senior Managing Executive Officer (present)



Director/Senior Managing Executive Officer
Hisatoshi Katayama

Apr 1985 Joined the Company
Sep 2016 Head of Urban Property Development Division (present)
Jun 2018 Director (present)
Apr 2020 Senior Managing Executive Officer (present)



Director/Senior Managing Executive Officer
Yoshiyuki Odai

Apr 1985 Joined the Company
Jun 2011 Director (present)
Nov 2019 Head of Corporate Planning Division (present)
Apr 2020 Senior Managing Executive Officer (present)



Director/Senior Managing Executive Officer
Koji Ito

Apr 1984 Joined the Company
Jun 2013 Director (present)
Apr 2019 Representative Director - President of Sumitomo Real Estate Sales Co., Ltd. (present)
Apr 2020 Senior Managing Executive Officer of the Company (present)



Outside Director
Yozo Izuhara

Apr 1962 Joined Nippon Sheet Glass Co., Ltd.
Jun 1998 Representative Director - President
Jun 2004 Representative Director - Chairman
Jun 2010 Executive Advisor
Jun 2012 Honorary Senior Advisor (present)
Jun 2014 Corporate Auditor of the Company
Jun 2019 Director of the Company (present)



Outside Director
Nobumasa Kemori

Sep 1980 Joined Sumitomo Metal Mining Co., Ltd.
Jun 2007 Representative Director - President
Jun 2013 Representative Director - Chairman
Jun 2017 Executive Advisor
Jun 2019 Director of the Company (present)
Jun 2021 Honorable Advisor of Sumitomo Metal Mining Co., Ltd. (present)

Corporate Auditors



Corporate Auditor
Yoshifumi Nakamura

Apr 1973 Joined the Company
Jun 2002 Director
Jun 2007 Executive Managing Director
Jun 2011 Corporate Auditor (present)



Corporate Auditor
Toshikazu Tanaka

Apr 1983 Joined the Company
Jun 2013 Director
Representative Director - President of Sumitomo Real Estate Sales Co., Ltd.
Jun 2019 Corporate Auditor of the Company (present)



Outside Corporate Auditor
Yoshiyuki Norihisa

Apr 1969 Joined Sumitomo Construction Co., Ltd.
Apr 2003 Managing Director of Sumitomo Mitsui Construction Co., Ltd.
Apr 2010 Representative Director - President & CEO
Apr 2015 Representative Director - Chairman
Jun 2018 Executive Advisor (present)
Jun 2019 Corporate Auditor of the Company (present)



Outside Corporate Auditor
Chiyono Terada

Jun 1976 Founded Art Hikkoshi Center
Jun 1977 Established Art Hikkoshi Center Co., Ltd.
President and CEO
Apr 2018 President and CEO of Art Group Holdings (present)
Dec 2019 Chairperson Emeritus of Art Corporation (present)
Jun 2020 Corporate Auditor of the Company (present)

Executive Officers

Managing Executive Officer
Ryuzo Amemiya

Executive Officer
Ichiro Wada

Executive Officer
Takuji Iba

Executive Officer
Hiroyuki Hashizume

Executive Officer
Kenichi Kawai

Executive Officer
Makoto Nakano

Note: For more detail of each director, please refer to "Notice of convocation of the 88th ordinary general meeting of shareholders." (Available on our website: https://english.sumitomo-rd.co.jp/ir/ir_news)

Governance

Basic Views of Corporate Governance

Sumitomo Realty is a comprehensive real estate enterprise of the Sumitomo Group which has a history of 430 years and inherits Sumitomo's business philosophy of "Placing prime importance on integrity and sound management in the conduct of its business" and "Under no circumstances, shall it pursue easy gains." The Company's slogan, "Integrity and Innovation" expresses its corporate stance to all stakeholders including its employees, customers, business partners, creditors and shareholders. This includes the pride as a developer which values "Integrity" above all, and creates new corporate value with a pioneering spirit, without pursuing easy gains under any circumstances.

Under this slogan, we have set forth our fundamental mission as to "Create even better social assets for the next generation," and our basic management policy aims to contribute to addressing various social issues such as the environment, while at the same time maximizing corporate value through each business.

This fundamental mission also includes a reminder "Do not rest on seniors' laurels and make the best efforts for a better company for the next generation." At this point in time, we believe that the management of the Company should continue to be carried out by people mainly from within the Company who have inherited the strong will to sow the seeds of growth for the sake of the next generation. In doing so, we believe that employees will be able to maintain a high level of motivation to eventually participate in management.

In consideration of this basic stance, we are working to further strengthen and enhance corporate governance so as to contribute to the enhancement of the Company's corporate value over the medium- to long-term, by working on collaboration and dialogue with all stakeholders including shareholders, improving the efficiency of decision-making, appropriate supervision of execution, and proper disclosure of information.

Corporate Governance System

Reasons for adopting an organizational structure of a company with corporate auditors

Under the Companies Act of Japan, companies may adopt one of the following three forms of organizational structure: (i) a company with corporate auditors, in which the board of directors assumes executive responsibility, while corporate auditors are in charge of the monitoring of management; (ii) a company with a nominating committee, etc., wherein the board of directors is tasked with the management monitoring function and the board of executive officers assumes executive responsibility; and (iii) a company with an audit and supervisory committee, in which the management monitoring function of corporate auditors is incorporated into the functions of the board of directors. In this way, companies may select the optimum governance structure that best suits their circumstances.

As stated in the basic views above, in order for the Company to continue growing, we believe that people from within the Company who are deeply familiar with the significance of continuing to invest, always looking resolutely forward even in difficult times, should be the core members of management and execution; hence we have a structure as a company with corporate auditors, where the Board of Directors bears responsibility for execution.

Eight directors from within the Company, who are deeply familiar with the business content, are in charge of management and execution, while two outside directors and four corporate auditors for a total of six persons, which accounts for over 40% of the 14 attendees of the Board of Directors meeting, are responsible for the management supervision function. In order to fully demonstrate the supervisory function, we have built a system to accurately grasp the management condition and issues and to cooperate with each other as follows. We believe that the Company's corporate governance is sufficiently functioning, as its effectiveness is being reflected in our business results.

Role and structure of the Board of Directors

The Board of Directors promotes the sustainable growth of the Company and the enhancement of corporate value over the medium- to long-term, improves profitability and business efficiency, and prevents fraud before it occurs. In order to do so, it is responsible for deliberating and deciding important matters for the Company such as basic management policy and management strategy, as well as supervising the execution of duties by each director.

The maximum number of directors in the Board stipulated in the Articles of Incorporation is 12. The Board of Directors is comprised of eight directors from within the Company who are in charge of business execution as they are deeply familiar with the significance of always looking resolutely forward and continuing to invest for sustainable growth, and two outside directors with experience as chairman and president of listed companies, who have superior character and insight and understand the Company's management principles.

Executive officer system

Due to the limited number of directors, we have introduced an executive officer system comparable with directors so that we can appoint officers necessary for business expansion, and we have appointed six executive officers who do not concurrently serve as directors. Compensation for executive officers who are non-concurrent directors is to be paid from the total compensation for directors, which is clearly based on the Company's performance set at 1% of consolidated ordinary profit for the previous consolidated fiscal year, because they are considered to be comparable with directors.

Role and structure of the Board of Corporate Auditors

Corporate auditors are responsible to supervise whether directors are performing their duties properly by using the powerful authority endorsed by law.

The Board of Corporate Auditors consists of four corporate auditors, half of whom are the two outside corporate auditors.

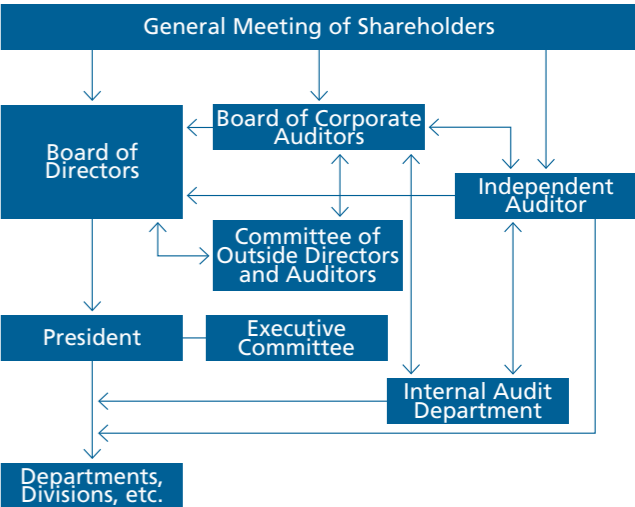
Cooperation among Internal Audit Department, independent auditor and corporate auditors

We have established the Internal Audit Department (16 persons) to check the business execution status of each department of the Group and the operational status of internal controls, to prevent fraud and errors, and to make proposals for operational improvement. In addition to reporting the audit results of the independent auditor, the Internal Audit Department reports directly to the corporate auditors to enhance and improve the efficiency of audits by the corporate auditors.

At meetings and by means of communications with the independent auditor as necessary, the corporate auditors receive information about audits and reports on the audit plan, audit results, etc. from and exchange opinions and necessary information with the independent auditor in an effort to achieve smooth and effective audits. The corporate auditors also monitor and examine whether the independent auditor is maintaining independence, and is executing appropriate audits.

The independent auditor examines the effectiveness of internal control over financial reporting through the audit of financial statements as well as the audit of internal control reports as stipulated in the Financial Instruments and Exchange Act.

The Internal Audit Department reports the results of its internal audits to, and exchanges views as appropriate with, corporate auditors and the independent auditor in an effort to forge closer collaboration between the three parties and increase the quality and efficiency of individual audits. Also, the Internal Audit Department provides advice, guidance, and other support to each department in collaboration with corporate auditors.



Initiatives to Strengthen Corporate Governance

Steps taken to strengthen corporate governance

June 2002	Appointed two outside corporate auditors, making half of the four corporate auditors outside members
April 2004	Reformed the management system, reducing the number of directors from 23 to nine
June 2004	Introduced a fully performance-based compensation system for directors Abolished the retirement benefit and bonus schemes for directors
June 2015	Appointed two outside directors Established a Committee of Outside Directors and Auditors and began holding briefings for outside directors on a regular basis, to strengthen the supervision function of outside directors and outside corporate auditors
April 2020	Introduced an executive officer system
June 2020	Appointed one female corporate officer (outside corporate auditor)

Roles of outside directors and outside corporate auditors

As part of its initiatives to strengthen corporate governance, the Company appointed two outside corporate auditors in 2002 and two outside directors in 2015.

Corporate Auditor is a system that has taken root in Japan for a long time. Corporate auditors use the strong investigative power granted by the law to audit whether the directors are conducting their duties appropriately. Although full-time corporate auditors from within the Company are familiar with the company's internal affairs and have excellent information-gathering skills, they might become somewhat lenient, albeit unconsciously, when it comes to auditing their colleagues. Therefore, the Company ensures that at least half of the corporate auditors are outside members to add an objective perspective and thereby ensure the effectiveness of audits.

Likewise, it is undeniable that the Board of Directors may become narrow-minded if it consists only of people from within the Company, and it is possible that the Board may find itself left behind by the changes in the world. Therefore, the Company has appointed outside directors who have excellent character and insight, who understand its management philosophy, and who have experience as a chairman or president of listed companies, in order to have them advise the management team and monitor the directors by utilizing their wide range of knowledge and insight based on their experience in corporate management.

Efforts to strengthen the supervision function

The Company has two outside directors and four corporate auditors, a total of six persons, which accounts for over 40% of the 14 attendees of the Board of Directors meeting, responsible for the management supervision function. To ensure that outside directors and outside corporate auditors can fully perform their roles, in fiscal 2020 the Company (i) held eight briefings for outside directors in which they were briefed on the agendas for the Board of Directors meetings, the content of discussions at the Executive Committee, and other matters; and (ii) convened 13 meetings of the Board of Corporate Auditors wherein they received reports from the independent auditor and the Internal Audit Department and conducted interviews about the operating situation with the heads of each department.

In addition, (iii) we have established a Committee of Outside Directors and Auditors with only four members, comprised of outside directors and outside corporate auditors. The Committee of Outside Directors and Auditors directly hears from each officer about the execution status of the duties of which he or she is in charge and the issues they are aware of, as well as giving appropriate advice. In the event of whistle-blowing report toward officers, outside corporate auditors receive a report directly to share at the Committee of Outside Directors and Auditors.

We believe that the Company's corporate governance is sufficiently functioning, as its effectiveness is being reflected in our business results.

Governance

Policies for Appointment of Directors and Corporate Auditors

Basic policy
Regarding nomination of candidates for directors and executive officers, persons with a wealth of experience, high-level insight and sophisticated expertise who will contribute to the Company's sustainable growth and medium- to long-term enhancement of corporate value are selected as candidates at the Executive Committee. The candidates are determined by the Board of Directors based on thorough deliberation, reflecting independent and objective opinions of independent outside directors and outside corporate auditors in addition to opinions of internal directors who are familiar with the Company's business. Independent outside directors and outside corporate auditors have opportunities to know about relevant information such as the background, insights and achievements of internal directors, internal corporate auditors and executive officers at several occasions including meetings of the Committee of Outside Directors and Auditors, briefings for outside directors, and meetings of the Board of Corporate Auditors.

Compliance with the independence criteria of outside directors and outside corporate auditors and reasons for appointment thereof
Regarding appointment of independent outside directors and independent corporate directors, the Company appoints outside directors who will be independent officers based on the requirements for outside directors prescribed in the Companies Act and the independence criteria set by the Tokyo Stock Exchange.

Name	Independence	Supplementary Explanation of the Relationship	Reasons of Appointment
Yozo Izuhara	○	Mr. Izuhara previously worked as President and Chairman of Nippon Sheet Glass Co., Ltd., with which the Company has some transactions, etc. Considering the scale and nature of such transactions, the Company judges it is unlikely the relationship would have any impact on decisions of shareholders and investors.	Mr. Izuhara had served as President and Chairman of Nippon Sheet Glass Co., Ltd., and he has extensive knowledge on overseas business and M&A as a manager. The Company deems him to be suitable as an outside director, and therefore appointed him to that position.
Nobumasa Kemori	○	Mr. Kemori previously worked as President and Chairman of Sumitomo Metal Mining Co., Ltd., with which the Company has some transactions, etc. Considering the scale and nature of such transactions, the Company judges it is unlikely the relationship would have any impact on decisions of shareholders and investors.	Mr. Kemori had served as President and Chairman of Sumitomo Metal Mining Co., Ltd., and he has extensive knowledge of the mining industry from a long-term perspective and overseas business as a manager. The Company deems him to be suitable as an outside director, and therefore appointed him to that position.
Yoshiyuki Norihisa	○	Mr. Norihisa previously worked as President & CEO and Chairman of Sumitomo Mitsui Construction Co., Ltd., with which the Company has some transactions, etc. Considering the scale and nature of such transactions, the Company judges it is unlikely the relationship would have any impact on decisions of shareholders and investors.	Mr. Norihisa has a wealth of managerial experience at another company. In view of his personality, insight, experience, etc., the Company judges he is suitable and qualified to serve as an outside corporate auditor and has appointed him to that position.
Chiyono Terada	○	Ms. Terada currently serves as Chairperson Emeritus of Art Corporation, with which the Company has some transactions, etc. Considering the scale and nature of such transactions, the Company judges it is unlikely the relationship would have any impact on decisions of shareholders and investors.	Ms. Terada has a wealth of managerial experience at another company. In view of her personality, insight, experience, etc. the Company judges she is suitable and qualified to serve as an outside corporate auditor and has appointed her to that position.

(Please refer to page 58 for career summary of each outside director and outside corporate auditor.)

Compensation of Corporate Officers

Outline of system and policy for determining the amount of compensation for corporate officers
At the ordinary General Meeting of Shareholders held in June 2004, we introduced a performance-based compensation system for directors, consolidating the three elements that made up the previous system—monthly compensation, annual bonuses and retirement allowances. Under the new system, the total annual (July to June) compensation for directors is set at just 1% of consolidated ordinary profit (the number of directors at the time of the resolution concerning the system was 12).
The amount paid to each director is determined upon agreement by the Chairman of the Board and Representative Directors, a total of four persons, in consideration of each director's duties and level of contribution to performance. The remainder is retained without fixing the amount per director.
On April 1, 2020, the Company introduced an executive officer system, which enables the appointment of officers comparable to directors necessary for business expansion, with the aim of the further broadening the scope of business and enhancing employee morale. Accordingly, with the agreement of all directors, the compensation of executive officers is also to be paid from the aforementioned total amount of compensation for directors.
The monetary compensation for corporate auditors, who are independent from business execution, is a fixed amount and is determined to be within ¥6.5 million per month, in accordance with the resolution made at the Ordinary General Meeting of Shareholders held on June 29, 1999 (the number of corporate auditors as of the conclusion of that General Meeting of Shareholders was five).

Authorization for determination of individual directors' compensation, etc.
Based on authority resolved by the Board of Directors, Mr. Kenichi Onodera (Director - Chairman of the Board), Mr. Kojun Nishima (Representative Director and President/Head of Building Development Division), Mr. Nobuaki Takemura (Representative Director and Deputy President/Head of Management Division) and Mr. Masato Kobayashi (Representative Director and Deputy President/Head of Residential Business Division) determine the specific content (individual payment amount, timing of payment, payment method, etc.) of the compensation for individual directors.

These four directors are, respectively, the Chairman of the Board, Representative Director and President, Representative Director and Deputy President in charge of the Management Division, and Representative Director and Deputy President in charge of the Business Division, and are given this authority because it is judged that they can execute the comprehensive examination and appropriate assessment of the duties and contributions to performance of each director by deliberation.

Total amount of compensation for each category of corporate officers, and number of officers eligible

Category	Total compensation (millions of yen)	Amount by type (millions of yen)				Number of officers eligible (persons)
		Basic compensation	Stock options	Bonus	Retirement benefit	
Directors (excluding outside directors)	2,123	2,123*	—	—	—	8
Corporate auditors (excluding outside corporate auditors)	30	30	—	—	—	2
Outside directors/corporate auditors	67	67	—	—	—	5
Total	2,221	2,221	—	—	—	15

*With the agreement of all directors, a portion of the amount of directors' compensation has been allocated to the five executive officers.

Regarding the amount of directors' compensation above, the full amount is not paid to the individual directors in the current fiscal year, with around 50% of the total paid. Payment of the rest is reserved in preparation for retirement benefit for directors, making up for possible decreases in directors' compensation if the Company's financial performance deteriorates in the future, salaries to be paid to persons who will become advisors or counsellors of the Company after retirement, etc. Regarding the reserved amount, the timing of payment and the amount for each director or corporate auditor cannot be determined, and thus, the reserved amount will become subject to calculation of compensation etc. of each director or corporate auditor upon payment in the future or upon confirmation of future payment.

Total amount of compensation of persons with total compensation of 100 million yen or more

Name	Category	Total compensation (millions of yen)	Amount by type (millions of yen)			
			Basic compensation	Stock options	Bonus	Retirement benefit
Kenichi Onodera	Director	120	120	—	—	—
Kojun Nishima	Director	120	120	—	—	—

Initiatives for Promoting Diversity

We have been actively promoting diversity since before, based on the awareness that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics within the Company is a strength that supports the sustainable growth of the Company.
For more than 20 years, we have been actively hiring people with diverse careers at other companies as individuals who can be immediately effective in the Company. Today, mid-career hires with work experience at other companies account for 90% of our employees, and are the source of the Company's growth.
In addition, we believe that equal opportunity in promoting employees to managerial positions is the most important factor for increasing their motivation, so we promote employees based solely on their enthusiasm, ability and achievements, regardless of gender or whether they were hired as new graduates or as mid-career hires. As a result, more than 60% of our managers are currently mid-career hires, ensuring diversity in the managerial positions.
We are also actively working on the promotion of female participation and career advancement. Firstly, we have announced a numerical target for the ratio of female employees in sales and engineering positions that support our front line operations (25% in sales and 13% in engineering positions). By further increasing the ratio of female in our employees and working on their career development to expand the pool of our human resources, we will increase the number of female employees for future promotion and gradually promote them to managerial positions.
We believe that diversity in managerial positions should be ensured naturally as a result of fair appointments. We believe that setting a numerical target for diversity in managerial positions may distort equal opportunity in the appointment of managers and lower the morale of employees as a whole, and therefore we will not set such a numerical target.

Governance

Compliance

Issue awareness and action plans

The Company has set forth its fundamental mission as “Create even better social assets for the next generation,” which is based on Sumitomo’s business philosophy, and it established the Code of Conduct as guidelines to govern all our officers and employees in order to fulfill this fundamental mission. The Code of Conduct upholds the concept of implementation of compliance and promotes compliance activities based on the understanding that compliance is an important management issue.

The Company defines implementation of compliance as not only complying with laws and regulations, but also sensitively responding and adapting to social demands that underlie laws and regulations. We promote our business activities by responding to laws, regulations, internal rules, social common sense, corporate ethics and social demands that underlie them.

Management structure

The Company has established the Risk Management Committee chaired by the Company’s President. The Internal Control Meeting (hosted by the Company’s Internal Audit Department), which is a subordinate organization of the Risk Management Committee, monitors compliance promotion activities* of the Group, and reports the result to the Risk Management Committee. The Company’s Internal Audit Department performs internal audits to prevent any misconduct or illegal acts and guide for business improvement. Moreover, the department reports the results of its audits to the corporate auditors and the independent auditor 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 Department, the corporate auditors and the independent auditor.

The Company has a system in which the Board of Directors supervises the compliance promotion activities. Of the matters examined by respective department and subsidiaries, important matters are reported to the Board of Directors.

*Compliance promotion activities refer to activities to prevent all types of corruption including bribery and money laundering, as well as activities to comply with various laws and regulations concerning the environment and society.

Initiatives

Whistleblowing system

The Company has established a whistleblowing system for the entire Group, which aims to enable early detection of compliance violations and appropriate corrective action. In order to encourage active consultation and reporting, we have designed the system to provide strict legal protection for those who report violations as well as to allow them the option of anonymous reporting. In this system, we respond to not only clear compliance violations but also potential violations.

We have established two points of contact for reporting, the Internal Audit Department, which is independent of business divisions or other internal organizations, serves as the internal point of contact, and an external law firm, which is independent of the management, serves as the external point of contact.

In addition, we have established a consultation desk in each Group company’s Human Resources Department to provide consultation on harassment and other issues related to the working environment.

Compliance training

Employees are educated on implementation of compliance as Sumitomo Realty Group employees through various training programs including new employee training, compliance training for all employees and managerial position training. In addition, the Compliance Handbook, which describes appropriate behavior in terms of compliance in given situations, is distributed to all officers and employees to be thoroughly acquainted with legal compliance.

Anti-corruption

The Company places preventing all types of corruption as one of the most important management issues and strives to ensure healthy management environment by identifying risks in each business and raising awareness within the Company. In so doing, we promote wide-ranging anti-corruption initiatives, such as informing and thoroughly enforcing our policy on anti-corruption at corporate trainings, as well as signing the UN Global Compact which upholds the principle of “Businesses should work against corruption in all its forms, including extortion and bribery.”

Tax transparency

The Company, in the spirit of the law, complies with the tax laws of every country in which it conducts business activities, and strives to maintain the impartiality of taxation. The Company is also aware of its responsibility to pay taxes as an entity engaged in corporate activities, and it contributes to society by paying appropriate taxes commensurate with the scale of its business operations, which is the aim of the Action Plan on Base Erosion and Profit Shifting (BEPS).

The Company periodically receives reports from each subsidiary on the performance of duties including the status of business execution and the financial condition including tax matters. It provides proper instructions on such reports, and the corporate auditors and the Internal Audit Department perform audits when necessary, to supervise and control the operation regarding tax.

Risk Management

Issue awareness and action plans

The Company recognizes that it is important for corporate management to take measures to prevent, mitigate and avoid various business risks, as well as respond to emergencies that are expected to have a significant impact on corporate activities, based on an understanding of the various risks involved in business. In addition to risk management by each business department, the Company strives to stabilize its business activities and enhance corporate value by understanding, analyzing and appropriately dealing with risks associated with management and businesses through the establishment of cross-sectional organizations.

Management structure

In order to address various business risks, the Company has established the Risk Management Committee chaired by the Company’s President. Among the risks of the Company, the risks associated with the business, such as investment risk and market risk, are monitored and addressed by the respective departments and subsidiaries properly, and important matters are discussed and determined at meetings of the Board of Directors and other important meetings such as meetings of Executive Committee.

Examples of matters considered to be risks by the Company and are under the supervision of the Board of Directors

Risk related to the spread of COVID-19

The COVID-19 pandemic, which began last year worldwide, is showing no sign of being contained.

For the fiscal year ending March 31, 2022, the Group has announced its earnings forecast based on the assumption that there will not be a full recovery before the end of the fiscal year from the decline caused by COVID-19 in commercial facilities in the leasing business, such as hotels and event halls, and that the business environment will be similar to the previous year.

The Group is working to maintain sales levels while taking measures to prevent infections of customers or employees in accordance with government policies and industry guidelines.

If, in addition to the above assumption, the COVID-19 pandemic continues to ebb and flow in Japan and other major countries overseas, causing intermittent declarations of a state of emergency, which extend the period of restrictions on people’s movements and gatherings, sales at commercial facilities such as hotels and event halls may continue to decline. These factors may impact the Group’s operating results and financial position.

Risk related to finance

In the real estate leasing and sales businesses we operate, investment is made up front, and revenue is not claimed until we first purchase land and the building is completed. This means we need to secure a stable supply of operating funds by borrowing from banks or issuing bonds.

To achieve this, we strive to stabilize funding by extending the period of and promoting fixed interest rates for consolidated interest-bearing debts while working to solidify stable relationship with diverse financial institutions.

Risk related to compliance

Businesses operated by the Group are subject to wide-ranging laws and regulations, including the Building Lots and Buildings Transaction Business Act, the Construction Business Act, the Building Standards Act and the Labor Standards Act. We closely monitor any change in them and work to ensure timely and appropriate compliance. The Internal Control Meeting, subordinate to the Risk Management Committee, monitors the Group’s compliance promotion activities, while the Internal Audit Department conducts internal audit on entities including subsidiaries and operates multiple whistleblowing desk in and outside the Company, aiming to detect and deter misconduct and illegal acts.

Risk related to information security

The Group’s businesses hold large amounts of important information, including personal data. The Group has cybersecurity measures in place to prevent information leaks and trains employees on information security.

Risk related to force majeure events, including disasters

In order to be prepared for force majeure events, including disasters, the Group strives to improve its business continuity by adopting base isolation and quake-absorption structures at its properties and equipping facilities with emergency generators to ensure uninterrupted operation. We also create manuals and carry out disaster drills based on expected scenarios in our business activities in order to ensure operational sustainability.

Risk related to climate change

The Group aims to respond to physical risks associated with climate change such as storm and flood damage, as well as transition risks entailed by various systems for curbing climate change and changes in the business environment. We have established the Sustainability Committee chaired by the Company’s President to control and promote responses to environmental issues through the business activities of each department of the Group. In particular, we are promoting decarbonization to mitigate climate change, focusing on saving energy through the development of new properties with high environmental performance, raising awareness for saving energy in the operation of our properties, and renovating existing buildings to improve their environmental performance.

Risk related to suppliers

In the real estate business, many suppliers are involved in each phase of the business, including the construction companies, and personnel involved in operation after the building’s completion such as cleaning staff, service staff, security staff and operators responsible for facility maintenance and inspections. In order to mitigate the risks related to suppliers, the Group takes various initiatives such as starting new transactions with due diligence, thoroughly communicating and enforcing the Sustainable Procurement Guidelines, direct management of suppliers by our employees, safety trainings for suppliers.

Governance

Takeover Defense Measures

■ Details of and initiatives to help realize the basic policy
(1) Steadily achieving objectives of the medium-term management plans and maintaining the revenue and profit growth trajectory
With top priority placed on achieving objectives of the medium-term plans it draws up every three years, the Company has increased its corporate value as a result of having steadily carried out such initiatives.
The Company has been steadily achieving its anticipated objectives under each of the plans, having implemented seven management plans thus far, starting with the First Management Plan (April 1997 to March 2001) whose aims involved overcoming the adverse effects encountered by the Company when Japan's bubble economy burst, and achieving a rebound to record-high financial results.
The Seventh Management Plan (April 2016 to March 2019), concluded in March 2019, assumed an outlook whereby the Sixth Plan's favorable business environment was unlikely to persist into the Seventh Plan, yet the Seventh Management Plan marked the start of our stated objective of setting new record-high financial results beyond those achieved under the Sixth Plan and thereby maintaining our "revenue and profit growth trajectory." Fortunately, the Company's business environment remained favorable overall, particularly with respect to leasing office buildings in Tokyo amid a scenario of business conditions in Japan looking increasingly upbeat year by year, driven by favorable economies worldwide. As a result, the Company substantially exceeded its initial targets across the board in terms of revenue from operations, operating income and ordinary profit over the cumulative three year period. Moreover, the Company achieved record-high financial results over six consecutive fiscal years, having achieved revenue from operations and ordinary profit in the final fiscal year of the plan, the fiscal year ended March 31, 2019, respectively exceeding 1 trillion yen and 200 billion yen for the first time ever. The Seventh Management Plan ended on a successful note with the Company having achieved profit growth exceeding initial expectations.
Moreover, the Company has been taking steps to furthermore strengthen its corporate governance. This has entailed eliminating risk involving conflict of interest due to parent-subsidiary listing by having made its real estate brokerage subsidiary Sumitomo Real Estate Sales Co., Ltd., a wholly-owned subsidiary in June 2017, and building a framework for promoting increased corporate value over the medium- to long-term by optimally allocating the Group's managerial resources.
The Company's new medium-term management plan, the Eighth Management Plan (April 2019 to March 2022) released in May 2019, cites as its first objective the goal of achieving consecutive record-highs with respect to financial performance while maintaining the pace of growth attained under the previous Seventh Management Plan. Meanwhile, we remain committed to increasing the Company's corporate value by steadily implementing plans for capital investment of 2 trillion yen in leasing properties with respect to development plans that have taken shape in central Tokyo, and continuing to strengthen our platform for generating revenues over the long-term.
(2) Growth underpinned by central Tokyo office building leasing business and corporate value
The real estate leasing business primarily involving office buildings in central Tokyo has been a driving force underpinning the Company's growth thus far. Given that this business accounts for nearly 70% of the Company's operating income overall, it clearly forms the core aspect of its corporate value acting as a major pillar of operations.
The Company has been expanding its business platform by promoting development of office buildings with a specific focus on central Tokyo over roughly half a century since the early 1970s, an era that ushered in completion of the Shinjuku Sumitomo Building, often referred to as the "triangular building." The Company has experienced various change in the business environment such as unprecedented economic crises that include the bursting of Japan's bubble economy and the 2008 global financial crisis in wake of the Lehman Brothers collapse, along with Japan's bubble economy and recent business conditions under Japan's Abenomics policies. Still, the Company has consistently persisted with respect to unwaveringly implementing its management policies such that: (i) the Company will not pursue temporary gains by selling assets; (ii) the Company will hold ownerships of buildings constructed on sites it has developed; and (iii) the Company will generate stable leasing income over the long-term by owning and leasing such buildings. Having consequently grown to become a building owner professing to be "No.1 in Tokyo" with more than 230 buildings located in central Tokyo, the Company's cash flow from the leasing business has reached 200 billion yen for the fiscal year ending March 31, 2021 (operating income of the real estate leasing business + depreciation).
The office building leasing business calls for comprehensive strengths for carrying out business encompassing everything from acquisition of development sites to operations that include planning projects, marketing tenants, providing services for tenants and managing buildings. Given that acquiring development sites is the most important of these operations, the Company has been developing sites for buildings as if it were a manufacturer in terms of the approach it takes to redevelopment in terms of buying up land and coordinating rights and interests of landowners. In addition, the Company attaches importance to performing building management, tenant marketing, etc. directly, thus grasping the actual conditions of clients and sites appropriately and always eagerly working on the improvement of project planning and making operations more efficient. As a result, we have realized high profitability, and have increased the value of the property possessed as well as of the corporations. Unrealized gains from rental and other investment properties have accumulated over the years, and amounted to approximately 3.4 trillion yen by March 31, 2021, as disclosed on the financial summary for the fiscal year ended March 31, 2021.
(3) The necessity for the takeover defense measures
The Eighth Management Plan cites as its secondary objective the notion of steadily promoting new building development plans in central Tokyo to achieve gross floor area exceeding 800,000 tsubo (one tsubo is roughly 3.3 m²), which constitutes more than 50% of the 1,520,000 tsubo in gross floor area for leasing as of March 31, 2019. The Company aims to further expand its earnings base, increase its corporate value and augment shareholder returns by successively completing such developments and putting them into operation.
Such large-scale development plans involve ultimately generating revenues from the substantial amount of cumulative upfront investment made thus far.
The Company has long managed to continuously expand its business platform by developing lease buildings while avoiding exposure to vicissitudes of the real estate market and business conditions, given that it has normally been buoyed by its leasing business cash flows which have been a stable source of revenues. As such, the Company needs to maintain and further expand its cash flows from the leasing business, which have grown to around 200 billion yen, in order to confidently carry out such upfront investment without having to continually resort to interest-bearing debt. Moreover, it is likely to take another six or seven years before the Company achieves full profitability given that the focus has been on large-scale redevelopment.

Meanwhile, if the Company adopts a short-term management policy to seek temporary earnings and realizes latent gains by selling real estate holdings prior to having accomplished the objectives of the development plans formulated to contribute to higher corporate value in the future, the leasing business cash flows that act as a stable revenue source will decrease, thereby exposing the development plans to financial risk. As such, the Company is unable to rule out a possible threat of damage to the foundation of the Company's corporate value.
The Company's management policy aims to steadily increase corporate value based on a medium- to long-term outlook, and is consequently incompatible with such short-term goals. As such, if an investor seeking to orchestrate a takeover emerges, the Company must seek a mandate from its shareholders upon having ensured sufficient information and time for completing discussions. Accordingly, the Company deems that preliminary development of procedures through "the Policy on Large-Scale Purchase of Shares of the Company (Takeover Defense Measures)" (hereinafter referred to as the "Policy") aligns with the common interests of shareholders. The Policy was adopted based on the decision of the meeting of its Board of Directors dated May 17, 2007, was continued or renewed upon receiving approval from shareholders at each of the shareholders' meetings of the 74th fiscal year dated June 28, 2007, the 77th fiscal year dated June 29, 2010, the 80th fiscal year dated June 27, 2013, the 83rd fiscal year dated June 29, 2016, and the 86th fiscal year dated June 27, 2019. The term of the Policy will expire upon the conclusion of the shareholders' meeting of the 89th fiscal year scheduled to be held in June 2022.
■ The policy on measures to a large-scale purchase of shares of the Company and the Board's stance
The Company believes that if a large-scale purchase of the Company shares ("Large-Scale Purchase") is initiated, the shareholders should decide to accept or reject the Large-Scale Purchase. In order for the shareholders to correctly recognize the effect on the corporate value and common interests of shareholders, however, it is necessary that both the party making the Large-Scale Purchase (the "Large-Scale Purchaser") and the Board of Directors of the Company provide to the shareholders necessary and sufficient information, opinions, alternative proposals, etc., and necessary and sufficient time to consider them.
The Policy sets out rules on Large-Scale Purchases (hereinafter referred to as "Large-Scale Purchase Rules") and requests the Large-Scale Purchaser to comply with the Large-Scale Purchase Rules. The Large-Scale Purchase Rules state that the Large-Scale Purchaser provide the Board of Directors of the Company necessary and sufficient information regarding the Large-Scale Purchase in advance, and only commence the Large-Scale Purchase after a certain period of evaluation by the Board of Directors of the Company has elapsed. The Board of Directors shall take countermeasures that it deems necessary if the Large-Scale Purchaser does not comply with the Large-Scale Purchase Rules, or even though the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, if it is clear that the Large-Scale Purchase will cause unrecoverable damages to the Company or if the Large-Scale Purchase significantly damages the corporate value and common interests of shareholders.
Additionally, the Board of Directors of the Company shall consult with a Special Committee consisting of external academic experts, lawyers, certified public accountants, etc., and shall receive the recommendations of the Committee when taking decisions as to whether or not the Large-Scale Purchaser complies with the Large-Scale Purchase Rules, whether or not it is clear that the Large-Scale Purchase will cause unrecoverable damages to the Company, whether or not the Large-Scale Purchase will significantly damage the corporate value and common interests of shareholders, and whether or not countermeasures should be taken. The Board of Directors of the Company shall take the Special Committee's recommendations into the fullest account.
As stated above, the Policy stipulates rules to secure the necessary information and time for shareholders to deliberate on the Large-Scale Purchase, as well as countermeasures if the Large-Scale Purchaser does not comply with the Large-Scale Purchase Rules or if it is clear that the Large-Scale Purchase will cause unrecoverable damages to the Company. The purpose of the Policy is not to maintain the status of the Company's officers but to contribute to the Company's corporate value and the common interests of its shareholders.
*For more detail, please refer to "Notice of convocation of the 86th ordinary general meeting of shareholders." (Available on our website: https://english.sumitomo-rd.co.jp/ir/ir_news)

Timely and Appropriate Information Disclosure and Communication with Shareholders and Investors

■ System for information disclosure
The Company considers that it is important to ensure soundness and transparency of management by means of timely and appropriate information disclosure. In accordance with this basic policy, the Company has put in place systems that enable swift reporting to the responsible department at the head office and implementation of appropriate information management measures, if a material fact that may have an impact on investors' investment decisions arises at the Company's departments or at subsidiaries.
Upon emergence of a material fact and reporting thereof, the responsible department, the General Affairs Department, Corporate Planning Department, and other relevant departments, discuss whether there is need for timely disclosure, and if it is judged that disclosure is necessary, timely disclosure is performed without delay following the necessary internal procedures. Subsequently, the disclosure materials are posted on the Company's website for thorough information disclosure.

■ Constructive dialogue with shareholders
The Company strives to provide substantial explanation of the Company's corporate management and business activities through General Meetings of Shareholders, financial results briefing sessions, individual meetings, and other opportunities for communication with shareholders and investors.
If a shareholder requests a dialogue, the Company's policy is that the ESG promotion office respond to such request appropriately under the supervision of the responsible director, etc. depending on the objective of the dialogue, the method of communication, the number of shares held, the attributes, etc. and strive to make improvement when given constructive opinions.
Regarding dialogues with shareholders, the Company exercises due care concerning the handling of insider information, and notifies, as necessary, important meetings such as meetings of Executive Committee attended by directors and senior executives, of the details of the dialogues.

Eleven-year Financial Summary

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

		Millions of yen										Thousands of U.S. dollars*1
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2021
For the Year												
Revenue from operations	¥ 917,472	¥1,013,512	¥1,012,198	¥ 948,402	¥ 925,151	¥ 854,964	¥ 806,835	¥ 780,273	¥ 736,652	¥ 688,662	¥ 744,756	\$ 8,287,174
Leasing	398,237	395,592	381,763	353,880	337,465	313,340	289,117	283,729	278,316	271,811	292,874	3,597,128
Sales	263,394	324,928	331,751	311,192	314,299	274,760	264,207	234,093	232,149	198,153	239,709	2,379,144
Construction	188,707	218,930	221,693	209,355	203,623	199,115	188,994	201,190	171,081	165,995	162,924	1,704,525
Brokerage	65,792	71,199	71,867	69,168	66,714	61,496	58,486	57,210	50,957	49,396	46,429	594,282
Cost of revenue from operations	629,564	691,832	711,050	664,015	664,183	614,190	579,964	558,986	529,913	490,436	551,364	5,686,614
SG&A expenses	68,663	87,348	81,758	78,749	72,796	66,532	60,976	60,815	55,394	50,760	54,929	620,215
% of revenue from operations	7.5%	8.6%	8.1%	8.3%	7.9%	7.8%	7.6%	7.8%	7.5%	7.4%	7.4%	
Operating income	219,244	234,332	219,389	205,637	188,171	174,240	165,894	160,471	151,345	147,465	138,462	1,980,345
% of revenue from operations	23.9%	23.1%	21.7%	21.7%	20.3%	20.4%	20.6%	20.6%	20.5%	21.4%	18.6%	
Ordinary profit*2	209,949	220,520	203,227	186,870	167,697	148,424	139,055	130,536	114,916	107,912	106,295	1,896,396
Profit attributable to owners of parent	141,389	140,997	130,102	119,731	103,488	87,797	80,566	69,697	59,825	53,236	50,908	1,277,111
Depreciation and amortization	57,812	48,974	46,312	41,627	39,445	34,574	33,519	35,311	37,761	36,049	23,704	522,202
At Year-end												
Total assets	¥5,673,666	¥5,317,623	¥5,130,118	¥5,167,198	¥4,980,039	¥4,675,914	¥4,523,804	¥4,220,428	¥4,105,500	¥3,859,698	¥3,234,202	\$51,247,999
Shareholders' equity*3	1,503,021	1,294,998	1,202,103	1,114,975	1,007,347	888,099	832,462	707,947	627,011	553,843	526,227	13,576,199
Net interest-bearing debt	3,372,953	3,245,548	3,170,595	3,210,303	3,101,162	2,971,668	2,875,660	2,652,929	2,424,932	2,407,640	1,901,850	30,466,561
Unrealized gains on investment and rental properties	3,432,632	3,176,151	2,703,263	2,328,140	1,996,441	1,697,562	1,290,144	1,132,644	1,001,547	976,000	1,000,973	31,005,627
Per Share Amounts (Yen)												
Profit attributable to owners of parent	¥ 298.33	¥ 297.50	¥ 274.51	¥ 252.62	¥ 218.34	¥ 185.23	¥ 169.97	¥ 147.02	¥ 126.18	¥ 112.28	¥ 107.35	\$ 2.69
Shareholders' equity	3,171.34	2,732.41	2,536.40	2,352.53	2,125.36	1,873.71	1,756.25	1,493.48	1,322.52	1,168.11	1,109.78	28.65
Cash dividend applicable to the year	40.00	35.00	30.00	27.00	24.00	22.00	21.00	20.00	20.00	20.00	20.00	0.36
Key Ratios												
Equity ratio (%)	26.5	24.4	23.4	21.6	20.2	19.0	18.4	16.8	15.3	14.3	16.3	
ROE (%)	10.1	11.3	11.2	11.3	10.9	10.2	10.5	10.4	10.1	9.9	10.0	
ROA (%)	4.2	4.7	4.5	4.2	4.0	3.9	3.9	4.0	3.9	4.3	4.4	
Return on leasing business*4 (%)	5.5	6.0	5.6	5.5	5.3	4.8	4.7	4.7	4.8	5.3	5.6	
Long-term debt ratio (%)	96	96	99	98	98	98	97	95	93	93	89	
Fixed-interest rate debt ratio (%)	94	95	96	94	95	94	87	82	80	80	79	
ND/E ratio*5 (Times)	2.2	2.5	2.6	2.9	3.1	3.3	3.5	3.7	3.9	4.3	3.6	
Interest coverage ratio*6 (Times)	12.6	12.8	11.4	10.5	9.0	7.3	6.5	6.1	4.9	4.2	4.7	

*1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥110.71 = U.S. \$1, the prevailing exchange rate at March 31, 2021.

*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 referred to in the Company's English-language financial statements but is included here because it plays an important role in the calculation of incentive payments for directors.

*3. Shareholders' equity = Net assets – Non-controlling interests

*4. Return on leasing business = Cash flows from leasing business/Cash flows from leasing business/Net assets of leasing business

*5. ND/E ratio = Net interest-bearing debt (Interest-bearing debt – Cash, time and notice deposits) / Shareholders' equity

*6. Interest coverage ratio = (Operating income + Interest and dividend income) / Interest expense

Note: 1. The Company changed its accounting policy (revenue recognition standards of Sumitomo Real Estate Sales) from the beginning of the fiscal year ended March 31, 2020. The figures provided for the fiscal year ended March 31, 2019 are those after retroactive application.

2. The numbers represented in this Eleven-year Financial Summary are based on the financial statements in this report and may differ slightly from those in Japanese.

Management’s Discussion and Analysis

Business results for the consolidated fiscal year ended March 31, 2021 (fiscal 2020)

The financial results for the consolidated fiscal year under review were as follows; revenue from operations recorded ¥917.4 billion (¥96.0 billion, or 9.5% decrease year on year), operating income ¥219.2 billion (¥15.0 billion, or 6.4% decrease year on year), and ordinary profit ¥209.9 billion (¥10.5 billion, or 4.8% decrease year on year). Although revenue from operations, operating income, and ordinary profit declined from the previous year, profit attributable to owners of parent recorded ¥141.3 billion (¥0.3 billion, or 0.3% increase year on year), achieving profit increase for the tenth consecutive year, and record-high for the eighth consecutive year.

By segment, in the leasing business, the commercial facilities such as hotels and event halls were significantly affected by COVID-19. However, the mainstay office building business recorded increases in both revenue and profit by maintaining low vacancy rates, and underpinned the performance as a whole. Furthermore, due to reduced advertising and selling expenses and improvements in gross profit margin, the sales business, focusing on condominium sales, recorded double-digit growth in profit, contributing to the overall result. (Please refer to page 25 and 26 for detail of each segment)

Non-operating income recorded ¥13.8 billion (¥1.6 billion increase year on year) due to an increase in dividend income, receipt of employment adjustment subsidy, etc. while non-operating expenses decreased to ¥23.1 billion (¥2.8 billion decrease year on year) due to a decrease in interest expense, etc. As a result, non-operating income/expenses improved by ¥4.5 billion from the previous fiscal year and recorded ¥(9.2) billion yen.

Extraordinary income recorded ¥13.6 billion (¥7.1 billion increase year on year) mainly due to transferring all of its equity interest in the condominium development joint venture company in Dalian City, China. On the other hand, extraordinary loss recorded ¥13.2 billion (¥7.9 billion decrease year on year) due to loss on disposal of property and equipment accompanying renovation of existing buildings, etc. As a result, extraordinary income/loss improved by ¥15.1 billion year on year and recorded ¥409 million.

Cash Flows

Cash flows for the consolidated fiscal year under review were as follows:

- Cash flows from operating activities: ¥225,947 million (¥4,511 million decrease year on year)
- Cash flows from investing activities: ¥(336,682) million (¥46,564 million decrease year on year)
- Cash flows from financing activities: ¥102,086 million (¥19,442 million increase year on year)
- Cash and cash equivalents decreased to ¥187,281 million (¥6,167 million decrease year on year)

Cash flows from operating activities

With the ordinary profit of ¥209.9 billion, an increase in depreciation and amortization, and a slight decrease in inventories, net cash provided by operating activities amounted to ¥225.9 billion.

Cash flows from investing activities

As a result of investment in property and equipment totaling ¥355.4 billion mainly for the purpose of augmenting the leasing business, net cash used in investing activities amounted to ¥336.6 billion.

Cash flows from financing activities

Long-term loans payable amounted to ¥316.6 billion (including non-recourse loans) to further promote long-term stabilization of fund raising, while repayment of long-term loans payable at maturity totalled ¥194.1 billion (including non-recourse loans). As a result, net cash provided by financing activities amounted to ¥102.0 billion.

Financial Resources for Capital and Liquidity of Funds

Assets

Total assets as of the end of the fiscal year under review amounted to ¥5.6 trillion (¥356.0 billion increase year on year). Property and equipment increased to ¥4.0 trillion (¥271.9 billion increase year on year) due to investment in buildings for leasing.

Liabilities

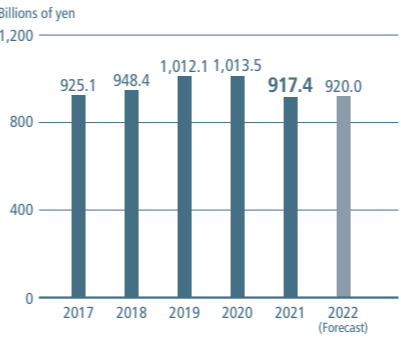
Total liabilities amounted to ¥4.1 trillion (¥148.0 billion increase year on year). Consolidated interest-bearing debt increased to ¥3.5 trillion (¥120.3 billion increase year on year). ND/E ratio continued to improve from 2.5 times at the end of previous fiscal year to 2.2 times. As of the end of the fiscal year under review, long-term debt accounted for 96% of consolidated interest-bearing debt, and fixed-interest rate debt for 94% (those number were 96% and 95%, respectively, at the end of the previous fiscal year).

Net assets

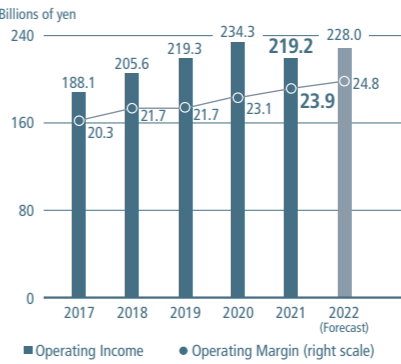
Total net assets amounted to ¥1.5 trillion (¥208.0 billion increase year on year). Profit attributable to owners of parent stood at ¥141.3 billion, and retained earnings increased. In addition, net unrealized holding gains on securities increased by ¥84.1 billion. As a result, the equity ratio improved from 24.4% at the end of the previous fiscal year to 26.5% and ROE remained at a double-digit level, 10.1%.

Furthermore, unrealized gains on investment and rental properties increased from ¥3.1 trillion at the end of the fiscal year to ¥3.4 trillion as of the end of the fiscal year under review (refer to page 94) and have been highly evaluated by rating agencies as a buffer against financial risks. JCR and R&I have issued ratings of AA– and A+, respectively.

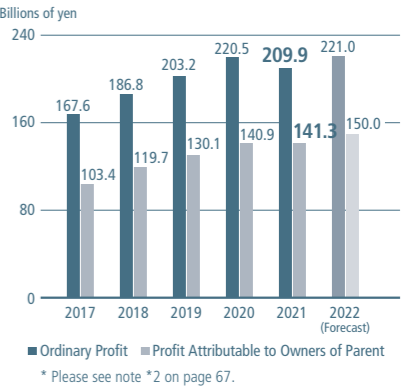
Revenue from Operations



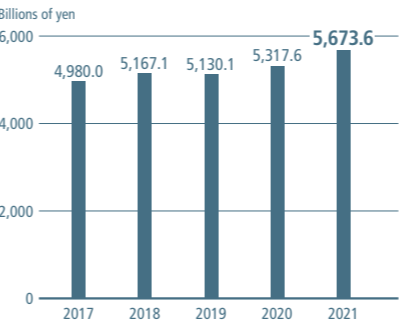
Operating Income and Operating Margin



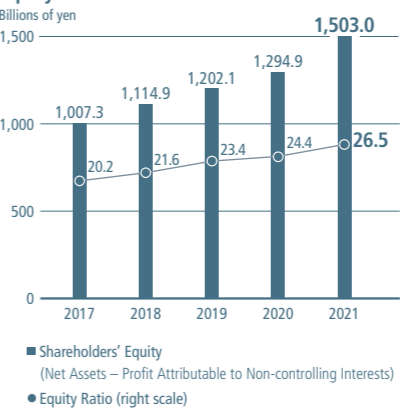
Ordinary Profit* and Profit Attributable to Owners of Parent



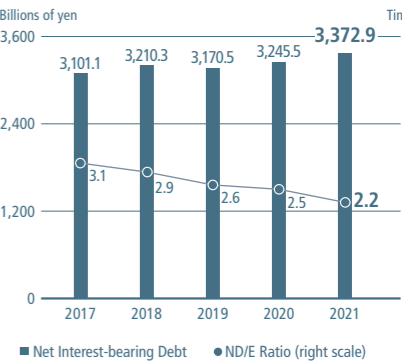
Total Assets



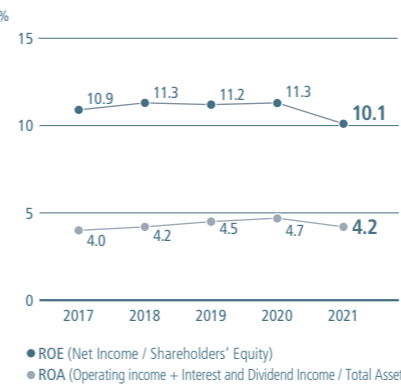
Shareholders' Equity and Equity Ratio



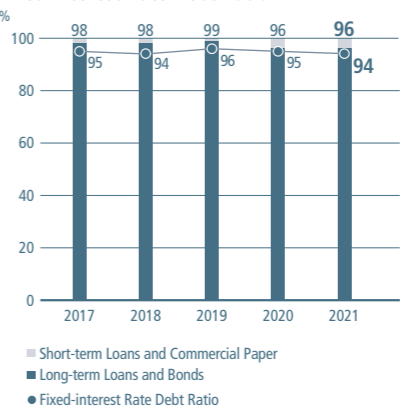
Net Interest-bearing Debt and ND/E Ratio



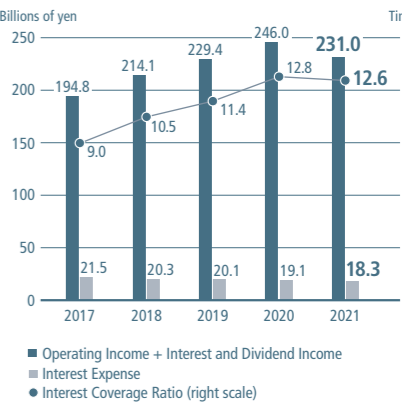
ROE and ROA



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



Interest Coverage Ratio



Consolidated Balance Sheets

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of
	2021	2020	U.S. dollars (Note 1)
Assets			2021
Current assets:			
Cash, time and notice deposits (Notes 3, 5 and 6)	¥ 188,340	¥ 195,361	\$ 1,701,201
Notes and accounts receivable—trade (Note 6)	18,714	17,406	169,036
Allowance for doubtful accounts	(38)	(61)	(343)
Inventories (Note 4)	636,803	648,881	5,751,992
Other current assets	68,377	54,447	617,622
Total current assets	912,196	916,034	8,239,508
Investments:			
Investments in unconsolidated subsidiaries and affiliates (Note 6)	68,689	100,156	620,441
Investments in securities and other (Notes 6 and 7)	510,503	372,414	4,611,173
Allowance for doubtful accounts	(2,084)	(2,082)	(18,824)
Total investments	577,108	470,488	5,212,790
Property and equipment:			
Land (Notes 4, 5 and 19)	2,778,475	2,558,356	25,096,875
Buildings and structures (Notes 4, 5 and 19)	1,705,467	1,584,047	15,404,814
Machinery and equipment (Notes 5 and 19)	44,939	40,382	405,916
Leased assets	1,915	2,054	17,297
Construction in progress (Notes 4 and 19)	107,850	133,718	974,168
	4,638,646	4,318,557	41,899,070
Accumulated depreciation and accumulated impairment losses	(626,477)	(578,302)	(5,658,721)
Net property and equipment	4,012,169	3,740,255	36,240,349
Other assets:			
Guarantee and lease deposits paid to lessors (Notes 6 and 7)	68,743	70,172	620,929
Leasehold rights and other intangible assets	62,411	57,562	563,734
Deferred income taxes (Note 12)	11,071	30,067	100,000
Other	29,968	33,045	270,689
Total other assets	172,193	190,846	1,555,352
Total assets	¥5,673,666	¥5,317,623	\$51,247,999

See accompanying notes.

	Millions of yen		Thousands of
	2021	2020	U.S. dollars (Note 1)
Liabilities and Net Assets			
Current liabilities:			
Short-term debt (Notes 6 and 8)	¥ 146,620	¥ 146,726	\$ 1,324,361
Long-term debt due within one year (Notes 5, 6 and 8)	211,446	131,471	1,909,909
Long-term non-recourse debt due within one year (Notes 5, 6 and 8)	16,344	70,373	147,629
Notes and accounts payable—trade (Note 6)	24,697	36,393	223,078
Accrued income taxes	40,742	32,344	368,007
Accrued bonuses	4,023	5,440	36,338
Deposits received (Note 13)	65,964	51,196	595,827
Other current liabilities	152,124	148,102	1,374,076
Total current liabilities	661,960	622,045	5,979,225
Long-term liabilities:			
Long-term debt due after one year (Notes 5, 6 and 8)	2,890,210	2,842,156	26,106,133
Long-term non-recourse debt due after one year (Notes 5, 6 and 8)	296,673	250,182	2,679,731
Guarantee and deposits received (Notes 6 and 13)	286,151	293,505	2,584,690
Net defined benefit liability (Note 9)	5,258	6,270	47,493
Other long-term liabilities (Note 12)	30,393	8,465	274,528
Total long-term liabilities	3,508,685	3,400,578	31,692,575
Contingent liabilities (Note 20)			
Net assets (Note 14)			
Shareholders' equity			
Common stock:			
Authorized —1,900,000 thousand shares			
Issued —476,086 thousand shares	122,805	122,805	1,109,249
Capital surplus	104,154	104,154	940,782
Retained earnings	1,126,670	1,002,634	10,176,768
Treasury stock	(4,475)	(4,473)	(40,420)
Total shareholders' equity	1,349,154	1,225,120	12,186,379
Accumulated other comprehensive income (loss)			
Net unrealized holding gains on securities	160,441	76,335	1,449,201
Net deferred losses on hedges	(2,989)	(3,560)	(26,998)
Foreign currency translation adjustments	(4,266)	(2,718)	(38,533)
Remeasurements of defined benefit plans	681	(177)	6,150
Total accumulated other comprehensive income	153,867	69,880	1,389,820
Total net assets	1,503,021	1,295,000	13,576,199
Total liabilities and net assets	¥5,673,666	¥5,317,623	\$51,247,999

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2021	2020	2019	
Revenue from operations	¥917,473	¥1,013,513	¥1,012,198	\$8,287,174
Costs and expenses:				
Cost of revenue from operations	629,565	691,832	711,050	5,686,614
Selling, general and administrative expenses	68,664	87,349	81,759	620,215
	698,229	779,181	792,809	6,306,829
Operating income	219,244	234,332	219,389	1,980,345
Other income (expenses):				
Interest expense, net	(18,043)	(18,530)	(19,589)	(162,975)
Dividend income	11,561	11,024	9,472	104,426
Gain on sale of property and equipment	536	278	75	4,841
Loss on sale of property and equipment	—	(2,131)	(3,724)	—
Loss on impairment of fixed assets (Note 10)	(3,876)	(9,660)	(8,576)	(35,010)
Loss on disposal of property and equipment	(7,890)	(1,567)	(1,280)	(71,267)
Gain on sale of investments in securities (Note 7)	13,116	1,417	12	118,472
Loss on sale of investments in securities (Note 7)	(312)	—	—	(2,818)
Loss on devaluation of investments in securities (Note 7)	(489)	(7,838)	(1,105)	(4,417)
Loss related to COVID-19	(629)	—	—	(5,682)
Reversal of allowance for doubtful accounts	—	4,824	—	—
Other, net	(2,859)	(6,339)	(6,115)	(25,825)
	(8,885)	(28,522)	(30,830)	(80,255)
Income before income taxes	210,359	205,810	188,559	1,900,090
Income taxes (Note 12):				
Current	64,930	68,180	62,823	586,487
Deferred	4,040	(3,367)	(4,367)	36,492
Total	68,970	64,813	58,456	622,979
Profit	141,389	140,997	130,103	1,277,111
Profit attributable to non-controlling interests	—	—	—	—
Profit attributable to owners of parent	¥141,389	¥ 140,997	¥ 130,103	\$1,277,111

	Yen			U.S. dollars (Note 1)
	2021	2020	2019	
Amounts per share of common stock:				
Profit attributable to owners of parent:				
—Basic	¥298.33	¥297.50	¥274.51	\$2.69
—Diluted	—	—	—	—
Cash dividend applicable to the year	40.00	35.00	30.00	0.36

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2021	2020	2019	
Profit	¥141,389	¥140,997	¥130,103	\$1,277,111
Other comprehensive income (loss) (Note 18)				
Net unrealized holding gains (losses) on securities	84,106	(32,875)	(21,905)	759,697
Net deferred gains (losses) on hedges	571	412	(1,923)	5,158
Foreign currency translation adjustments	(1,548)	(366)	(259)	(13,982)
Remeasurements of defined benefit plans	858	(103)	(234)	7,749
Total other comprehensive income (loss)	83,987	(32,932)	(24,321)	758,622
Comprehensive income	¥225,376	¥108,065	¥105,782	\$2,035,733
Comprehensive income attributable to:				
Owners of the parent	¥225,376	¥108,065	¥105,782	\$2,035,733
Non-controlling interests	—	—	—	—

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, 2021, 2020 and 2019

	Thousands	Millions of yen									
	Number of shares of common stock	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 gains (losses) on hedges	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income (loss)
Balance at April 1, 2018	476,086	¥122,805	¥104,154	¥ 765,326	¥(4,443)	¥ 987,842	¥131,115	¥(2,049)	¥(2,093)	¥ 160	¥127,133
Cumulative effects of changes in accounting policies	—	—	—	(5,299)	—	(5,299)	—	—	—	—	(5,299)
Restated balance	476,086	122,805	104,154	760,027	(4,443)	982,543	131,115	(2,049)	(2,093)	160	127,133
Profit attributable to owners of parent	—	—	—	130,103	—	130,103	—	—	—	—	130,103
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(259)	—	(259)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(21,905)	—	—	—	(21,905)
Acquisition of treasury stock	—	—	—	—	(27)	(27)	—	—	—	—	(27)
Disposal of treasury stock	—	—	0	—	0	0	—	—	—	—	0
Change in scope of consolidation	—	—	—	(57)	—	(57)	—	—	—	—	(57)
Cash dividends paid:											
Final for prior year (¥14 per share)	—	—	—	(6,635)	—	(6,635)	—	—	—	—	(6,635)
Interim for current year (¥14 per share)	—	—	—	(6,635)	—	(6,635)	—	—	—	—	(6,635)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	(1,923)	—	—	(1,923)
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(234)	(234)
Balance at April 1, 2019	476,086	¥122,805	¥104,154	¥ 876,803	¥(4,470)	¥1,099,292	¥109,210	¥(3,972)	¥(2,352)	¥ (74)	¥102,812
Profit attributable to owners of parent	—	—	—	140,997	—	140,997	—	—	—	—	140,997
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(366)	—	(366)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(32,875)	—	—	—	(32,875)
Acquisition of treasury stock	—	—	—	—	(3)	(3)	—	—	—	—	(3)
Disposal of treasury stock	—	—	0	—	0	0	—	—	—	—	0
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:											
Final for prior year (¥16 per share)	—	—	—	(7,583)	—	(7,583)	—	—	—	—	(7,583)
Interim for current year (¥16 per share)	—	—	—	(7,583)	—	(7,583)	—	—	—	—	(7,583)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	412	—	—	412
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(103)	(103)
Balance at April 1, 2020	476,086	¥122,805	¥104,154	¥1,002,634	¥(4,473)	¥1,225,120	¥ 76,335	¥(3,560)	¥(2,718)	¥(177)	¥ 69,880
Profit attributable to owners of parent	—	—	—	141,389	—	141,389	—	—	—	—	141,389
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(1,548)	—	(1,548)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	84,106	—	—	—	84,106
Acquisition of treasury stock	—	—	—	—	(2)	(2)	—	—	—	—	(2)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	657	—	657	—	—	—	—	657
Cash dividends paid:											
Final for prior year (¥19 per share)	—	—	—	(9,005)	—	(9,005)	—	—	—	—	(9,005)
Interim for current year (¥19 per share)	—	—	—	(9,005)	—	(9,005)	—	—	—	—	(9,005)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	571	—	—	571
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	858	858
Balance at March 31, 2021	476,086	¥122,805	¥104,154	¥1,126,670	¥(4,475)	¥1,349,154	¥160,441	¥(2,989)	¥(4,266)	¥ 681	¥153,867

	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 gains (losses) on hedges	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income (loss)	Total net assets
Balance at April 1, 2020	\$1,109,249	\$940,782	\$ 9,056,400	\$(40,403)	\$11,066,028	\$ 689,504	\$(32,156)	\$(24,551)	\$(1,599)	\$ 631,198	\$11,697,226
Profit attributable to owners of parent	—	—	1,277,111	—	1,277,111	—	—	—	—	—	1,277,111
Foreign currency translation adjustments	—	—	—	—	—	—	—	(13,982)	—	(13,982)	(13,982)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	759,697	—	—	—	759,697	759,697
Acquisition of treasury stock	—	—	—	(17)	(17)	—	—	—	—	—	(17)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	5,935	—	5,935	—	—	—	—	—	5,935
Cash dividends paid:											
Final for prior year (\$0.17 per share)	—	—	(81,339)	—	(81,339)	—	—	—	—	—	(81,339)
Interim for current year (\$0.17 per share)	—	—	(81,339)	—	(81,339)	—	—	—	—	—	(81,339)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	5,158	—	—	5,158	5,158
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	7,749	7,749	7,749
Balance at March 31, 2021	\$1,109,249	\$940,782	\$10,176,768	\$(40,420)	\$12,186,379	\$1,449,201	\$(26,998)	\$(38,533)	\$ 6,150	\$1,389,820	\$13,576,199

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2021	2020	2019	2021
Cash flows from operating activities:				
Income before income taxes	¥ 210,359	¥ 205,810	¥ 188,559	\$ 1,900,090
Depreciation and amortization	57,813	48,974	46,313	522,202
Loss on impairment of fixed assets (Note 10)	3,876	9,660	8,576	35,010
Provision for (Reversal of) allowance for doubtful accounts	(21)	(4,848)	(309)	(190)
Increase (Decrease) in net defined benefit liability	226	60	(242)	2,041
Loss (Gain) on sale of property and equipment, net	(536)	1,853	3,649	(4,841)
Loss on disposal of property and equipment	7,890	1,567	1,280	71,267
Loss (Gain) on sale of investments in securities, net	(12,803)	(1,417)	(12)	(115,644)
Loss (Gain) on devaluation of investments in securities	489	7,838	1,105	4,417
Interest and dividend income	(11,836)	(11,680)	(10,067)	(106,910)
Interest expense	18,318	19,186	20,184	165,459
Decrease (Increase) in notes and accounts receivable—trade	(1,185)	4,637	2,233	(10,704)
Decrease (Increase) in inventories	7,304	46,767	65,981	65,974
Increase (Decrease) in notes and accounts payable—trade	(12,041)	(18,543)	26,189	(108,762)
Increase (Decrease) in advances received	(4,922)	(416)	(12,073)	(44,458)
Other, net	26,434	(6,117)	(1,800)	238,770
Total	289,365	303,331	339,566	2,613,721
Proceeds from interest and dividend income	11,836	11,680	10,066	106,910
Payments for interest	(18,224)	(19,334)	(20,147)	(164,610)
Payments for income tax and other taxes	(57,030)	(65,218)	(69,427)	(515,130)
Net cash provided by operating activities	225,947	230,459	260,058	2,040,891
Cash flows from investing activities:				
Payments for purchases of property and equipment	(355,432)	(270,347)	(188,573)	(3,210,478)
Proceeds from sale of property and equipment	1,659	11,307	6,617	14,985
Payments for purchases of investments in securities	(20,500)	(46,695)	(31,281)	(185,168)
Proceeds from sale and redemption of investments in securities	49,141	2,676	334	443,871
Payments for guarantee and lease deposits paid to lessors	(748)	(1,121)	(738)	(6,756)
Proceeds from guarantee and lease deposits paid to lessors	1,954	804	4,475	17,650
Payments for guarantee and lease deposits received	(16,549)	(10,950)	(14,324)	(149,481)
Proceeds from guarantee and lease deposits received	24,264	29,525	35,664	219,167
Other, net	(20,471)	(5,318)	(21,387)	(184,907)
Net cash used in investing activities	(336,682)	(290,119)	(209,213)	(3,041,117)
Cash flows from financing activities:				
Increase (Decrease) in short-term debt, net	(106)	121,083	(35,773)	(957)
Redemption of bonds	—	(40,000)	(60,000)	—
Proceeds from non-recourse bonds	6,000	2,000	4,900	54,196
Redemption of non-recourse bonds	(8,000)	(2,000)	(4,900)	(72,261)
Proceeds from long-term loans payable	259,500	153,300	198,300	2,343,962
Repayment of long-term loans payable	(131,471)	(129,619)	(225,752)	(1,187,526)
Proceeds from long-term non-recourse loans	57,140	93,720	37,110	516,123
Repayment of long-term non-recourse loans	(62,678)	(100,363)	(44,611)	(566,146)
Decrease (Increase) in treasury stocks, net	(2)	(3)	(27)	(18)
Cash dividends paid	(18,005)	(15,163)	(13,269)	(162,632)
Other, net	(292)	(310)	(2,036)	(2,638)
Net cash provided by (used in) financing activities	102,086	82,645	(146,058)	922,103
Effect of exchange rate changes on cash and cash equivalents	(1,088)	(244)	243	(9,827)
Net increase (decrease) in cash and cash equivalents	(9,737)	22,741	(94,970)	(87,950)
Cash and cash equivalents at beginning of year	193,448	170,707	262,046	1,747,340
Increase in cash and cash equivalents of newly consolidated subsidiaries	3,570	—	3,631	32,246
Cash and cash equivalents at end of year (Note 3)	¥ 187,281	¥ 193,448	¥ 170,707	\$ 1,691,636

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
As of March 31, 2021 and 2020, and for the years ended March 31, 2021, 2020 and 2019

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 Act 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 (“IFRS”).

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 Act. 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, 2021, which was ¥110.71 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.

(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 the units are delivered and customers accepted the delivery. Revenues from leasing operations of office buildings, residences and other properties are recognized as rent accrues over the lease term.

The Company’s consolidated subsidiary, Sumitomo Real Estate Sales Co., Ltd. recognizes brokerage fees as revenue at the delivery of the property. However, the amount received of the brokerage fees was previously recognized as revenue on the date it was received in case of which the brokerage fees are received after the conclusion of the sales contracts and before the delivery of property. From the year ended March 31, 2020, its revenue recognition has been changed and the total amount received of the brokerage fees are recognized as revenue at the timing of the delivery of the property.

This change was made as a result of reviewing the revenue recognition policy of Sumitomo Real Estate Sales Co., Ltd. to be aligned with the policy of the Company, after it was delisted and became a wholly owned subsidiary to the Company, and implemented as the Company completed the preparation of the operation system to accommodate the change at the timing of formulating the Eighth Management Plan starting from the year ended March 31, 2020.

The consolidated financial statements for the year ended March 31, 2019 have been adjusted reflecting the retroactive application of the new accounting policy.

As a result, revenue from operations decreased by ¥1,032 million, operating income and income before income taxes decreased by ¥1,030 million respectively. In addition, the balance of retained earnings at April 1, 2018 decreased by ¥5,299 million reflecting cumulative effects to net assets at the beginning of the year ended March 31, 2019.

As the effect of the change on amounts per share of common stock, earnings per share decreased by ¥1.51 for the year ended March 31, 2019.

(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.

Preferred equity 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 Act, are accounted for in a

manner similar to the equity method based on the 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 the 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 (excluding facilities attached to buildings and structures acquired on or after April 1, 2016) 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.

In addition, the Company and its consolidated domestic subsidiaries depreciate facilities attached to buildings and structures acquired on or after April 1, 2016 using the straight-line method.

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

Estimated useful lives used in the computation of depreciation are generally as follows:

Buildings and structures.....	6 to 60 years
Machinery and equipment	2 to 20 years
Leased assets	Lease periods

(8) Software costs

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

(9) Allowance for doubtful accounts

The Company and its consolidated subsidiaries (“The Group”) 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.

(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 its certain 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.

For the calculation of retirement benefit obligations, the estimated amount of retirement benefits is allocated to the respective fiscal years by the straight-line method.

Some of the Company’s consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which retirement benefit obligations are equal to the amount that would be paid if all employees resigned voluntarily at the end of the fiscal year.

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) 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.

(14) Derivative transactions and hedge accounting

The Group states 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 Group defers recognition of gains or losses resulting from changes in fair value of the derivative financial instruments until the related gains or losses on the hedged items are recognized.

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

(15) Amounts per share of common stock

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

Diluted earnings per share is computed based on the amount of profit attributable to owners of parent on common stock 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 earnings per share is not presented as there are no potential shares.

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

(16) Significant accounting estimates

Evaluation of real estate for sale, etc.

(1) Carrying amounts in the consolidated financial statements for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
Real estate for sale	¥260,825	\$2,355,930
Real estate for sale in process	366,597	3,311,327

(2) Information on the nature of significant accounting estimates for identified items

Real estate for sale is stated at cost on the consolidated financial statements. In case the net realizable value is lower than its cost, the profitability is regarded to have declined, and the net realizable value is used as the carrying amount. The difference between the cost and the net realizable value is recognized as a loss for the current fiscal year.

The net realizable value is estimated based on business plans with the consideration of expected selling price, construction cost trend, etc. The estimation is based on the assumption of unit sales price in its sales area and construction cost per unit on the basis of the Company’s past results.

In case a loss on devaluation of the real estate for sale is to be recognized due to the change of the above-mentioned assumption, the impact on the consolidated financial statements may be significant.

Loss on impairment of fixed assets

(1) Carrying amounts in the consolidated financial statements for the year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
Property and equipment	¥4,012,169	\$36,240,349
Leasehold rights	60,162	543,420

(2) Information on the nature of significant accounting estimates for identified items

The amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition costs is used as the carrying amount. When a property’s profitability has declined and an impairment indicator exists, the Group is required to determine whether an impairment loss should be recognized. Impairment indicators include recurring operating losses, a significant adverse change that could affect the recoverable amount, a significant deterioration of business environment and a significant decrease in the market prices. Such market prices are calculated by the Company using income approach, and future cash flow and discount rate is estimated based on the assumption of current rent per unit, rent level in the market, occupancy rate, discount rate, etc.

For fixed assets of which the impairment indicator exists, the impairment loss is recognized if the total amount of their future cash flow before discount is lower than the book value.

The carrying amounts of fixed assets of which the impairment loss is to be recognized, have been reduced to the recoverable amounts, and the amount of the reduction is recognized as impairment loss for the current fiscal year. The recoverable amounts are determined based

on the appraisal value by a real estate appraiser, the amounts equivalent to the publicly notified land price and the amounts calculated by discounting the future cash flow.

In case the impairment indicator exists, and an impairment loss is to be recognized due to the change of the above-mentioned assumption, the impact on the consolidated financial statements may be significant.

(17) New accounting pronouncements (Accounting standards and guidance issued but not yet effective)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

The standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

- Step 1: Identify contract(s) with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Effective date

Effective from the beginning of the year ending March 31, 2022

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to enhance comparability with internationally recognized accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (together, hereinafter referred to as “Fair Value Accounting Standards”) were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- * Financial instruments in “Accounting Standard for Financial Instruments”; and
- * Inventories held for trading purposes in “Accounting Standard for Measurement of Inventories.”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised, and items of notes such as the breakdown by the fair value level of financial instruments are required.

- (2) Effective date
- Effective from the beginning of the year ending March 31, 2022
- (3) Effects of the application of the standards
- The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(18) Changes in presentation methods

(Consolidated statements of cash flows)

“Receipts of deposits from partnership investors” and “Restitution of deposits from partnership investors” which were previously separately presented in “Cash flows from investing activities” were included in “Other, net” from the year ended March 31, 2021, because the significance of these amounts decreased. Reflecting this change in presentation, the consolidated statements of cash flows for the years ended March 31, 2020 and 2019 were reclassified, respectively.

As a result, the following amounts were reclassified to “Other, net” for respective years: “Receipts of deposits from partnership investors” of ¥23 million and “Restitution of deposits from partnership investors” of ¥22,208 million for the year ended March 31, 2020, and “Receipts of deposits from partnership investors” of ¥1,004 million and “Restitution

3 Cash and cash equivalents

Cash and cash equivalents at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash, time and notice deposits	¥188,340	¥195,361	\$1,701,201
Time deposits	(1,059)	(1,913)	(9,565)
Cash and cash equivalents	¥187,281	¥193,448	\$1,691,636

4 Inventories

Inventories at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Real estate for sale	¥260,825	¥351,369	\$2,355,930
Real estate for sale in process	366,597	286,254	3,311,327
Costs on uncompleted construction contracts	8,638	10,370	78,024
Other	743	888	6,711
Total	¥636,803	¥648,881	\$5,751,992

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Inventories:			
Transferred to property and equipment	¥(5,759)	¥(6,785)	\$(52,019)
Transferred from property and equipment	6,164	3,523	55,677
Net increase (decrease)	¥ 405	¥(3,262)	\$ 3,658

of deposits from partnership investors” of ¥10,442 million for the year ended March 31, 2019.

(Adoption of “Accounting Standard for Disclosure of Accounting Estimates”)

The Group adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the year ended March 31, 2021, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The information for the previous fiscal year is not included in the note, in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

(19) Additional information

(Accounting estimates regarding the impact of COVID-19 pandemic)

The accounting estimates such as the valuation of real estate for sale and the loss on impairment of fixed assets are calculated reasonably based on data available at the time of preparing the consolidated financial statements.

The Group calculated the accounting estimates based on the assumption that the impact of COVID-19 shall be temporary.

5 Pledged assets

Assets pledged as collateral at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash, time and notice deposits	¥ 2,087	¥ 2,091	\$ 18,851
Buildings and structures	98,200	108,863	887,002
Land	404,372	418,971	3,652,534
Machinery and equipment	107	127	966
Total	¥504,766	¥530,052	\$4,559,353

Secured liabilities at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term debt due within one year	¥ 190	¥ 190	\$ 1,716
Long-term non-recourse debt due within one year	16,344	70,373	147,629
Long-term debt due after one year	104,620	94,810	944,991
Long-term non-recourse debt due after one year	296,673	250,182	2,679,731
Total	¥417,827	¥415,555	\$3,774,067

Specified assets for non-recourse debts at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash, time and notice deposits	¥ 2,995	¥ 3,261	\$ 27,053
Buildings and structures	77,088	86,741	696,306
Land	258,725	273,324	2,336,961
Machinery and equipment	85	96	768
Total	¥338,893	¥363,422	\$3,061,088

(Note) “Specified assets for non-recourse debts” includes a portion of the amount of “Assets pledged as collateral” for the years ended March 31, 2021 and 2020.

6 Financial instruments

1. Policy for financial instruments

The Group has 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 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 continues 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 and corporate bonds.

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 16 “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, 2021 and 2020 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2).)

For 2021

	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	¥ 188,340	¥ 188,340	¥ —	\$ 1,701,201	\$ 1,701,201	\$ —
(2) Notes and accounts receivable—trade	18,714	18,714	—	169,036	169,036	—
(3) Investments in securities						
Available-for-sale securities	503,108	503,108	—	4,544,377	4,544,377	—
(4) Guarantee and lease deposits						
Held-to-maturity securities	—	—	—	—	—	—
Available-for-sale securities	535	535	—	4,833	4,833	—
Total assets	¥ 710,697	¥ 710,697	¥ —	\$ 6,419,447	\$ 6,419,447	\$ —
Liabilities:						
(1) Notes and accounts payable—trade	¥ 24,697	¥ 24,697	¥ —	\$ 223,078	\$ 223,078	\$ —
(2) Short-term debt	146,620	146,620	—	1,324,361	1,324,361	—
(3) Long-term debt (including due within one year)	3,101,656	3,137,030	35,374	28,016,042	28,335,561	319,519
(4) Long-term non-recourse debt (including due within one year)	313,017	317,321	4,304	2,827,360	2,866,237	38,877
Total liabilities	¥3,585,990	¥3,625,668	¥39,678	\$32,390,841	\$32,749,237	\$358,396
Derivative transactions*:						
Hedge accounting	¥ (4,310)	¥ (4,310)	¥ —	\$ (38,931)	\$ (38,931)	\$ —
Total derivative transactions	¥ (4,310)	¥ (4,310)	¥ —	\$ (38,931)	\$ (38,931)	\$ —

For 2020

	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	¥ 195,361	¥ 195,361	¥ —
(2) Notes and accounts receivable—trade	17,406	17,406	—
(3) Investments in securities			
Available-for-sale securities	366,734	366,734	—
(4) Guarantee and lease deposits			
Held-to-maturity securities	200	200	0
Available-for-sale securities	747	747	—
Total assets	¥ 580,448	¥ 580,448	¥ 0
Liabilities:			
(1) Notes and accounts payable—trade	¥ 36,393	¥ 36,393	¥ —
(2) Short-term debt	146,726	146,726	—
(3) Long-term debt (including due within one year)	2,973,627	3,026,438	52,811
(4) Long-term non-recourse debt (including due within one year)	320,555	325,637	5,082
Total liabilities	¥3,477,301	¥3,535,194	¥57,893
Derivative transactions*:			
Hedge accounting	¥ (5,134)	¥ (5,134)	¥ —
Total derivative transactions	¥ (5,134)	¥ (5,134)	¥ —

* 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 on securities classified by purpose of holding, please see Note 7 “Securities.”

Derivative transactions:

Please see Note 16 “Derivative transactions.”

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

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 are applicable to some long-term debts with floating interest rates (please see Note 16 “Derivative transactions”). The fair value of these items is calculated by discounting the combined total of interest and principal, with which the interest rate swap has been accounted for, at an interest rate rationally estimated for similar borrowings.

The fair value of corporate bonds issued by the Company (included in (3) Long-term debt (including due within one year)) is based on the market price.

(4) 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 has not 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 16 “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.

	Carrying amount		Thousands of U.S. dollars
	Millions of yen		
	2021	2020	2020
Investments in subsidiaries and affiliates* ¹	¥ 41,879	¥ 74,468	\$ 378,277
Unlisted equity securities* ¹	2,338	2,338	21,118
Preferred equity securities, etc.* ¹	26,810	25,688	242,164
Investments in limited partnerships, etc.* ¹	2	2	18
Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities)* ²	68,208	69,224	616,096
Guarantee and deposits received* ³	258,219	247,610	2,332,391

*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 their remaining terms cannot be determined and the assessment of their fair value is deemed extremely difficult.

*³ The fair value of guarantee and deposits received (mainly consisting of lease deposits) are not disclosed because their remaining terms cannot be determined and the assessment of their fair value is deemed extremely difficult.

(Note 3) Redemption schedule of pecuniary claims and securities with maturities
For 2021

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥188,340	¥ —	¥—	¥—
Notes and accounts receivable—trade	18,714	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	—	—	—	—
Available-for-sale securities with maturities (National government bonds)	117	409	—	—
Total	¥207,171	¥409	¥—	¥—

For 2020

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥195,361	¥ —	¥—	¥—
Notes and accounts receivable—trade	17,406	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	200	—	—	—
Available-for-sale securities with maturities (National government bonds)	206	483	43	—
Total	¥213,173	¥483	¥43	¥—

For 2021

	Thousands of U.S. dollars			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	\$1,701,201	\$ —	\$—	\$—
Notes and accounts receivable—trade	169,036	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	—	—	—	—
Available-for-sale securities with maturities (National government bonds)	1,057	3,694	—	—
Total	\$1,871,294	\$3,694	\$—	\$—

(Note 4) Repayment schedule of corporate bonds, long-term debt, long-term non-recourse debt and other interest-bearing debt
For 2021

	Millions of yen					
	2022	2023	2024	2025	2026	2027 and thereafter
Year ending March 31						
Short-term debt	¥146,620	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	211,446	237,386	289,472	379,415	293,855	1,690,082
Long-term non-recourse debt (including due within one year)	16,344	4,786	4,640	4,374	52,007	230,866
Total	¥374,410	¥242,172	¥294,112	¥383,789	¥345,862	¥1,920,948

For 2020

	Millions of yen					
	2021	2022	2023	2024	2025	2026 and thereafter
Year ending March 31						
Short-term debt	¥146,726	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	131,471	211,446	237,386	289,472	379,414	1,724,438
Long-term non-recourse debt (including due within one year)	70,373	15,404	3,846	3,700	3,434	223,798
Total	¥348,570	¥226,850	¥241,232	¥293,172	¥382,848	¥1,948,236

For 2021

	Thousands of U.S. dollars					
	2022	2023	2024	2025	2026	2027 and thereafter
Year ending March 31						
Short-term debt	\$1,324,361	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt (including due within one year)	1,909,909	2,144,215	2,614,687	3,427,107	2,654,277	15,265,847
Long-term non-recourse debt (including due within one year)	147,629	43,230	41,911	39,509	469,759	2,085,322
Total	\$3,381,899	\$2,187,445	\$2,656,598	\$3,466,616	\$3,124,036	\$17,351,169

7 Securities

For 2021

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2021:

(a) Held-to-maturity securities:

Not applicable

(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	¥460,551	¥217,650	¥242,901	\$4,159,977	\$1,965,948	\$2,194,029
Debt securities*	535	526	9	4,832	4,751	81
Other	423	409	14	3,821	3,694	127
Subtotal	461,509	218,585	242,924	4,168,630	1,974,393	2,194,237
Securities whose carrying amount does not exceed acquisition cost:						
Equity securities	41,474	53,019	(11,545)	374,618	478,900	(104,282)
Debt securities	—	—	—	—	—	—
Other	660	677	(17)	5,962	6,115	(153)
Subtotal	42,134	53,696	(11,562)	380,580	485,015	(104,435)
Total	¥503,643	¥272,281	¥231,362	\$4,549,210	\$2,459,408	\$2,089,802

* 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 impairment loss on investments in securities of ¥489 million (\$4,417 thousand) related to equity securities in available-for-sale securities.

B. Total sales of available-for-sale securities sold in the year ended March 31, 2021 amounted to ¥3,743 million (\$33,809 thousand) and the related gains and losses amounted to ¥1,243 million (\$11,228 thousand) and ¥312 million (\$2,818 thousand), respectively.

C. Gain on sale of investments in securities of ¥13,116 million (\$118,472 thousand) is consisted mainly of gain on sale of the equity interests of Dalian Qingyun Sky Realty and Development Co., Ltd, amounted to ¥11,873 million (\$107,244 thousand).

For 2020

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2020:

(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.	¥200	¥200	¥ 0
Securities whose fair value does not exceed carrying amount:			
National and local government bonds, etc.	—	—	—
Total	¥200	¥200	¥ 0

(b) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥257,807	¥124,727	¥133,080
Debt securities*	747	732	15
Other	—	—	—
Subtotal	258,554	125,459	133,095
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	108,045	130,965	(22,920)
Debt securities	—	—	—
Other	882	891	(9)
Subtotal	108,927	131,856	(22,929)
Total	¥367,481	¥257,315	¥110,166

* 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 impairment loss on investments in securities of ¥7,838 million related to equity securities in available-for-sale securities.

B. Total sales of available-for-sale securities sold in the year ended March 31, 2020 amounted to ¥2,302 million and the related gains amounted to ¥1,417 million.

8 Short-term debt and long-term debt

Short-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2021	Average interest rate (%)	2020	Average interest rate (%)	2021
Loans, principally from banks	¥ 26,620	0.28	¥ 26,726	0.27	\$ 240,448
Commercial paper	120,000	(0.04)	120,000	0.00	1,083,913
Total	¥146,620		¥146,726		\$1,324,361

The interest rates represent weighted-average rates in effect at March 31, 2021 and 2020, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2021and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
1.098% domestic straight bonds, due 2023	¥ 10,000	¥ 10,000	\$ 90,326
0.950% domestic straight bonds, due 2023	10,000	10,000	90,326
0.968% domestic straight bonds, due 2023	10,000	10,000	90,326
0.987% domestic straight bonds, due 2024	20,000	20,000	180,652
0.914% domestic straight bonds, due 2024	20,000	20,000	180,652
0.904% domestic straight bonds, due 2024	20,000	20,000	180,652
0.884% domestic straight bonds, due 2024	20,000	20,000	180,652
0.836% domestic straight bonds, due 2024	20,000	20,000	180,652
0.809% domestic straight bonds, due 2024	20,000	20,000	180,652
0.429% domestic straight bonds, due 2021	10,000	10,000	90,326
0.392% domestic straight bonds, due 2022	10,000	10,000	90,326
0.670% domestic straight bonds, due 2025	10,000	10,000	90,326
0.826% domestic straight bonds, due 2025	20,000	20,000	180,652
0.992% domestic straight bonds, due 2025	20,000	20,000	180,652
0.400% domestic straight bonds, due 2026	10,000	10,000	90,326
0.230% domestic straight bonds, due 2026	10,000	10,000	90,326
0.400% domestic straight bonds, due 2027	30,000	30,000	270,979

Loans, principally from banks and insurance companies, with interest at weighted-average rates of 0.30% in 2021 and 0.31% in 2020:

Secured	104,810	95,000	946,708
Unsecured	2,726,846	2,608,627	24,630,531
Subtotal	3,101,656	2,973,627	28,016,042
Amount due within one year	(211,446)	(131,471)	(1,909,909)
Total	¥2,890,210	¥2,842,156	\$26,106,133

Non-recourse debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Non-recourse bonds, with interest at weighted-average rates of 0.09% in 2021 and 2020, respectively:			
Due within one year	¥ 1,500	¥ 8,000	\$ 13,549
Due after one year	35,600	31,100	321,561
Subtotal	37,100	39,100	335,110
Non-recourse loans, with interest at weighted-average rates of 0.12% in 2021 and 0.11% in 2020:			
Due within one year	14,844	62,373	134,080
Due after one year	261,073	219,082	2,358,170
Subtotal	275,917	281,455	2,492,250
Total	¥313,017	¥320,555	\$2,827,360
Secured	¥313,017	¥320,555	\$2,827,360
Unsecured	—	—	—
Total	¥313,017	¥320,555	\$2,827,360

The aggregate annual maturities of long-term debt at March 31, 2021 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 211,446	\$ 1,909,909
2023	237,386	2,144,215
2024	289,472	2,614,687
2025	379,415	3,427,107
2026	293,855	2,654,277
2027 and thereafter	1,690,082	15,265,847
Total	¥3,101,656	\$28,016,042

The aggregate annual maturities of non-recourse debt at March 31, 2021 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 16,344	\$ 147,629
2023	4,786	43,230
2024	4,640	41,911
2025	4,374	39,509
2026	52,007	469,759
2027 and thereafter	230,866	2,085,322
Total	¥313,017	\$2,827,360

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 Group has 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 except for the cases using the simplified method.

For 2021 and 2020

1. Defined benefit plan

(1) Adjustment table of retirement benefit obligations between the beginning and the end of the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations at beginning of year	¥12,069	¥11,876	\$109,014
Service costs	754	732	6,811
Interest costs	49	48	443
Actuarial differences	(194)	(64)	(1,752)
Retirement benefits paid	(525)	(523)	(4,743)
Retirement benefit obligations at end of year	¥12,153	¥12,069	\$109,773

(2) Adjustment table of plan assets between the beginning and the end of the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at beginning of year	¥5,799	¥5,857	\$52,380
Expected return on plan assets	116	117	1,048
Actuarial differences	786	(321)	7,100
Employer contributions	366	380	3,306
Retirement benefits paid	(172)	(234)	(1,554)
Plan assets at end of year	¥6,895	¥5,799	\$62,280

(3) Adjustment table of retirement benefit obligations and plan assets at the end of the fiscal year and net defined benefit liability on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Obligations under retirement benefit plans (funded)	¥ 6,328	¥ 6,307	\$ 57,158
Fair value of plan assets	(6,895)	(5,799)	(62,280)
	(567)	508	(5,122)
Obligations under retirement benefit plans (unfunded)	5,825	5,762	52,615
Net amount of liabilities on the consolidated balance sheets	¥ 5,258	¥ 6,270	\$ 47,493
Net defined benefit liability	¥ 5,258	¥ 6,270	\$ 47,493
Net amount of liabilities on the consolidated balance sheets	¥ 5,258	¥ 6,270	\$ 47,493

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service costs	¥ 754	¥ 732	\$ 6,811
Interest costs	49	48	443
Expected return on plan assets	(116)	(117)	(1,048)
Actuarial differences	257	66	2,321
Retirement benefit expenses	¥ 944	¥ 729	\$ 8,527

(5) Remeasurements of defined benefit plans (before deducting tax effect)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial differences	¥(1,237)	¥191	\$(11,173)
Total	¥(1,237)	¥191	\$(11,173)

(6) Components of remeasurements of defined benefit plans (before deducting tax effect)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial differences	¥(980)	¥257	\$(8,852)
Total	¥(980)	¥257	\$(8,852)

(7) Major breakdown of plan assets

	2021	2020
Debt securities	27.9%	29.7%
Equity securities	35.9	29.1
General life insurance accounts	34.8	39.5
Other	1.4	1.7
Total	100.0%	100.0%

(8) Actuarial assumptions

	2021	2020
Discount rate	0.4%	0.4%
Rate of expected return on plan assets	2.0	2.0

2. Defined contribution plan

The required contribution amount for a defined contribution plan that one of the Company's consolidated subsidiaries adopted is ¥388 million (\$3,505 thousand) and ¥394 million for the years ended March 31, 2021 and 2020, respectively.

10 Loss on impairment of fixed assets

The Group recognized impairment losses on the following assets for the years ended March 31, 2021, 2020 and 2019, respectively.

For 2021

Use	Location	Number of properties
Assets leased to others	Tokyo, etc.	4

For 2020

Use	Location	Number of properties
Assets leased to others	Tokyo	2

For 2019

Use	Location	Number of properties
Asset leased to others	Tokyo	1

The Group recognized losses on the impairment of certain properties, which are generally assessed individually for impairment. The Company's houses are treated as common assets.

The carrying value of assets have been reduced to their recoverable amounts by ¥3,578 million (\$32,319 thousand) since the total amount of the future cash flow is estimated to be lower than the carrying value for the year ended March 31, 2021. The recoverable amounts are calculated by discounting the future cash flow at 3.6%.

Loss on sales of property and equipment of ¥299 million (\$2,701 thousand) and ¥9,660 million were recognized by a consolidated

subsidiary due to restructuring of assets within the Group for the years ended March 31, 2021 and 2020, respectively. The selling price of the assets for the year ended March 31, 2021 is based on the amount equivalent to the publicly notified land price, and that of the assets for the year ended March 31, 2020 is based on evaluation by a real estate appraiser. These amounts were determined as their recoverable amounts, and loss on sales of property and equipment of the assets was recognized as impairment losses in other expenses for the years ended March 31, 2021 and 2020, respectively.

11 Asset retirement obligations

Even though removing asbestos is required for some buildings the Group operates 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, 2021 and 2020, 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, 2021 and 2020, asset retirement obligations related to such a case are not recorded (except for the asset retirement obligations recorded on the financial statements).

12 Income taxes

The normal effective statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants’ taxes was approximately 30.62% for the years ended March 31, 2021, 2020 and 2019 respectively.

Details of deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Loss on devaluation of real estate for sale	¥ 18,807	¥ 18,582	\$ 169,876
Loss on impairment of fixed assets	15,001	13,899	135,498
Loss on adjustment of profit and loss on transfer	11,632	11,633	105,067
Net operating loss carryforwards	7,977	3,136	72,053
Depreciation and amortization of consolidated adjustment	6,306	6,312	56,960
Accrued enterprise tax and business office tax	2,728	2,284	24,641
Loss on devaluation of investments in securities	2,101	1,951	18,978
Net defined benefit liability	1,917	1,847	17,316
Loss on devaluation of investments in SPEs’ holding properties for sale	1,413	1,413	12,763
Net deferred losses on hedges	1,319	1,571	11,914
Accrued bonuses	1,304	1,742	11,779
Allowance for doubtful accounts	1,167	1,290	10,541
Elimination of unrealized profit	897	909	8,102
Other	12,646	17,495	114,226
Subtotal of deferred tax assets	85,215	84,064	769,714
Valuation allowance	(19,785)	(14,613)	(178,710)
Total deferred tax assets	¥ 65,430	¥ 69,451	\$ 591,004
Deferred tax liabilities:			
Net unrealized holding gains on securities	¥(70,728)	¥(33,756)	\$(638,858)
Retained earnings appropriated for tax allowable reserves	(3,731)	(3,731)	(33,701)
Other	(2,648)	(1,908)	(23,919)
Total deferred tax liabilities	¥(77,107)	¥(39,395)	\$(696,478)
Net deferred tax assets	¥(11,677)	¥ 30,056	\$(105,474)
(Note 1) Valuation allowance increased by ¥5,173 million (\$46,726 thousand) for the year ended March 31, 2021, as a result of the additional recognition of valuation allowance related to loss carryforwards of ¥4,840 million (\$43,718 thousand).			
(Note 2) Net deferred tax assets are included in the following items on the consolidated balance sheets for the years ended March 31, 2021 and 2020.			
	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Other assets—Deferred income taxes	¥11,071	¥30,067	\$100,000
Long-term liabilities—Other long-term liabilities	22,748	11	205,474

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2021 is as follows:

	2021
Statutory tax rate	30.62%
Adjustment:	
Valuation Allowance	2.45
Inhabitant tax on per capita basis	0.14
Dividends and other income not taxable permanently	(0.35)
Other	(0.08)
Effective tax rate	32.78%

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2020 and 2019 was insignificant and not presented.

13 Deposits received with interest rate

Guarantee and deposits received at March 31, 2021 and 2020 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2021	Average interest rate (%)	2020	Average interest rate (%)	2021
Short-term deposits and long-term deposits due within one year:					
Non-interest-bearing	¥ 65,964		¥ 51,196		\$ 595,827
Interest-bearing	—	—	—	—	—
	65,964		51,196		595,827
Guarantee and lease deposits from tenants:					
Non-interest-bearing	258,219		247,610		2,332,391
Interest-bearing	—	—	—	—	—
Long-term deposits:					
Non-interest-bearing	27,932		45,895		252,299
Interest-bearing	—	—	—	—	—
	286,151		293,505		2,584,690
Total	¥352,115		¥344,701		\$3,180,517

14 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.

15 Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2021, 2020 and 2019 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Operating leases:				
Future lease payments:				
Due within one year	¥ 1,574	¥ 1,526	¥ 1,526	\$ 14,217
Due after one year	41,880	39,395	42,211	378,286
Total	¥ 43,454	¥ 40,921	¥ 43,737	\$ 392,503
Future lease receipts:				
Due within one year	¥ 91,310	¥ 89,154	¥ 95,607	\$ 824,767
Due after one year	140,152	122,544	142,321	1,265,938
Total	¥231,462	¥211,698	¥237,928	\$2,090,705

16 Derivative transactions

Hedge accounting was applied to all derivative transactions for the years ended March 31, 2021 and 2020.

The summary of these transactions is as follows:

(1) Foreign currency-related derivatives

Not applicable

(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	¥ 348,900	¥ 347,400	¥(4,310)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,440,247	1,271,549	— (*)

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	\$ 3,151,477	\$ 3,137,928	\$(38,931)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	13,009,186	11,485,403	— (*)

For 2020

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	¥ 342,900	¥ 302,900	¥(5,134)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,474,995	1,333,990	— (*)

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

(*) Interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or 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.

17 Segment information

The Group mainly operates their business in five segments: (1) Leasing business consists of leasing and management of office buildings, rental apartments, etc., and operation and management of hotels, event halls, retail facilities, etc.; (2) Sales business consists of sales of condominium units, detached houses, etc.; (3) Construction business consists of construction and remodeling of detached houses, condominiums, etc.; (4) Brokerage business consists of brokerage of real estate sales and sales agent of residential properties; and (5) Other businesses including fitness business and restaurant business.

In accordance with partial reviews of segments for performance management among the Group, the financial results of Sumitomo Real Estate Sales, which were previously allocated to Sales business,

Brokerage business and Adjustments, have been changed to be consolidated into Brokerage business from the year ended March 31, 2021. The segment information for the year ended March 31, 2020 has been adjusted retroactively.

The calculation method for segment profit/loss has been changed reflecting the change of the revenue recognition method of brokerage fees as stated in (4) “Recognition of revenue” in Note 2 “Accounting policies”. The segment information for the year ended March 31, 2019 has been adjusted retroactively, and as a result, revenue from operations from customers decreased by ¥1,032 million and segment profit decreased by ¥1,030 million, respectively, compared to the amount before its application.

Information by business segment for the years ended March 31, 2021, 2020 and 2019 is summarized as follows:

For 2021	Millions of yen							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 395,288	¥263,303	¥187,564	¥ 64,026	¥ 7,292	¥ 917,473	¥ —	¥ 917,473
Intersegment	2,950	92	1,144	1,767	979	6,932	(6,932)	—
Total	398,238	263,395	188,708	65,793	8,271	924,405	(6,932)	917,473
Segment profit	¥ 155,246	¥ 53,932	¥ 15,566	¥ 11,480	¥ (49)	¥ 236,175	¥ (16,931)	¥ 219,244
Segment assets	¥4,226,734	¥658,010	¥ 23,460	¥179,632	¥71,731	¥5,159,567	¥514,099	¥5,673,666
Other:								
Depreciation and amortization	¥ 54,332	¥ 97	¥ 1,209	¥ 673	¥ 330	¥ 56,641	¥ 1,172	¥ 57,813
Loss on impairment of fixed assets	3,876	—	—	—	—	3,876	—	3,876
Increase in property and equipment, and intangible assets	363,798	2,262	341	550	663	367,614	107	367,721

For 2020

For 2020	Millions of yen							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 392,110	¥324,661	¥216,622	¥ 69,158	¥10,962	¥1,013,513	¥ —	¥1,013,513
Intersegment	3,482	267	2,309	2,041	1,135	9,234	(9,234)	—
Total	395,592	324,928	218,931	71,199	12,097	1,022,747	(9,234)	1,013,513
Segment profit	¥ 169,416	¥ 46,490	¥ 20,583	¥ 14,593	¥ 775	¥ 251,857	¥ (17,525)	¥ 234,332
Segment assets	¥3,922,764	¥673,420	¥ 25,053	¥170,884	¥72,476	¥4,864,597	¥453,026	¥5,317,623
Other:								
Depreciation and amortization	¥ 45,421	¥ 113	¥ 1,283	¥ 658	¥ 314	¥ 47,789	¥ 1,185	¥ 48,974
Loss on impairment of fixed assets	9,660	—	—	—	—	9,660	—	9,660
Increase in property and equipment, and intangible assets	273,245	2,904	1,553	816	608	279,126	248	279,374

For 2019	Millions of yen							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	¥ 378,091	¥331,516	¥219,776	¥71,490	¥11,325	¥1,012,198	¥ —	¥1,012,198
Intersegment	3,673	236	1,917	377	1,419	7,622	(7,622)	—
Total	381,764	331,752	221,693	71,867	12,744	1,019,820	(7,622)	1,012,198
Segment profit	¥ 149,933	¥ 47,115	¥ 20,407	¥20,978	¥ 1,528	¥ 239,961	¥ (20,572)	¥ 219,389
Segment assets	¥3,737,136	¥713,300	¥ 30,057	¥14,074	¥32,545	¥4,527,112	¥603,008	¥5,130,120
Other:								
Depreciation and amortization	¥ 43,201	¥ 145	¥ 1,182	¥ 458	¥ 227	¥ 45,213	¥ 1,100	¥ 46,313
Loss on impairment of fixed assets	8,576	—	—	—	—	8,576	—	8,576
Increase in property and equipment, and intangible assets	179,872	590	2,015	920	1,001	184,398	397	184,795

For 2021	Thousands of U.S. dollars							
	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	\$ 3,570,481	\$2,378,313	\$1,694,192	\$ 578,322	\$ 65,866	\$ 8,287,174	\$ —	\$ 8,287,174
Intersegment	26,647	831	10,333	15,960	8,843	62,614	(62,614)	—
Total	3,597,128	2,379,144	1,704,525	594,282	74,709	8,349,788	(62,614)	8,287,174
Segment profit	\$ 1,402,276	\$ 487,147	\$ 140,602	\$ 103,694	\$ (443)	\$ 2,133,276	\$ (152,931)	\$ 1,980,345
Segment assets	\$38,178,430	\$5,943,546	\$ 211,905	\$1,622,545	\$647,918	\$46,604,344	\$4,643,655	\$51,247,999
Other:								
Depreciation and amortization	\$ 490,760	\$ 876	\$ 10,920	\$ 6,079	\$ 2,981	\$ 511,616	\$ 10,586	\$ 522,202
Loss on impairment of fixed assets	35,010	—	—	—	—	35,010	—	35,010
Increase in property and equipment, and intangible assets	3,286,045	20,432	3,080	4,968	5,989	3,320,514	966	3,321,480

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 its certain consolidated subsidiaries to corporate expenses for the years ended March 31, 2021, 2020 and 2019.

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 its certain consolidated subsidiaries to corporate assets for the years ended March 31, 2021, 2020 and 2019.

18 Comprehensive income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income (loss) for the years ended March 31, 2021, 2020 and 2019 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Unrealized holding gains (losses) on securities:				
Increase (Decrease) during the fiscal year	¥133,468	¥(53,788)	¥(32,668)	\$ 1,205,564
Reclassification adjustments	(12,272)	6,434	1,088	(110,848)
Amounts before tax effects	121,196	(47,354)	(31,580)	1,094,716
Tax effects	(37,090)	14,479	9,675	(335,019)
Total	¥ 84,106	¥(32,875)	¥(21,905)	\$ 759,697
Deferred gains (losses) on hedges:				
Increase (Decrease) during the fiscal year	¥ (112)	¥ (349)	¥ (3,628)	\$ (1,012)
Reclassification adjustments	935	942	876	8,446
Amounts before tax effects	823	593	(2,752)	7,434
Tax effects	(252)	(181)	829	(2,276)
Total	¥ 571	¥ 412	¥ (1,923)	\$ 5,158
Foreign currency translation adjustments:				
Increase (Decrease) during the fiscal year	¥ (1,548)	¥ (366)	¥ (259)	\$ (13,982)
Remeasurements of defined benefit plans:				
Increase (Decrease) during the fiscal year	¥ 980	¥ (257)	¥ (66)	\$ 8,852
Reclassification adjustments	257	66	(229)	2,321
Amounts before tax effects	1,237	(191)	(295)	11,173
Tax effects	(379)	88	61	(3,424)
Total	¥ 858	¥ (103)	¥ (234)	\$ 7,749
Total other comprehensive income (loss)	¥ 83,987	¥(32,932)	¥(24,321)	\$ 758,622

19 Investment and rental properties

The Company and its certain consolidated subsidiaries own some rental properties such as office buildings and residences in Tokyo and other areas. The carrying amount on the consolidated balance sheets for the year ended March 31, 2021 is ¥3,838,536 million (\$34,671,990 thousand). Certain domestic office buildings are not recognized as rental properties but as a portion used as investment and rental properties since the Company or its certain 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, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment and rental properties	Balance at beginning of fiscal year	¥3,415,982	\$30,855,225
	Changes during the fiscal year	289,550	2,615,392
	Balance at end of fiscal year	3,705,532	33,470,617
	Fair value at end of fiscal year	6,873,990	62,090,055
A portion used as investment and rental properties	Balance at beginning of fiscal year	¥ 139,090	\$ 1,256,345
	Changes during the fiscal year	(6,086)	(54,972)
	Balance at end of fiscal year	133,004	1,201,373
	Fair value at end of fiscal year	397,179	3,587,562

(Notes)
* Carrying amounts on the consolidated balance sheets are the amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition costs.
* Fair values as of March 31, 2021 and 2020 are calculated by the Company primarily based on their fair values according to Real Estate Appraisal Standards.

Significant changes during the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Increase:			
Acquired real estate	¥337,931	¥181,035	\$3,052,398
Transferred from real estate for sale in process, etc.	5,759	6,785	52,019
Decrease:			
Depreciation and amortization	¥ (46,944)	¥ (42,436)	\$ (424,027)
Transferred to real estate for sale, etc.	(6,164)	(1,940)	(55,677)
Loss on impairment of fixed assets	(3,741)	(9,660)	(33,791)
Transferred to owner-occupied properties, etc.	—	(67,244)	—

Income and expenses for investment and rental properties for the years ended March 31, 2021 and 2020 are as follows:

Income and expenses for investment and rental properties for the years ended March 31, 2021 and 2020 are as follows:				Thousands of U.S. dollars
		Millions of yen		
		2021	2020	2021
Investment and rental properties	Income	¥298,596	¥291,163	\$2,697,101
	Expenses	146,879	135,568	1,326,700
	Balance	151,717	155,595	1,370,401
	Other income (expenses)	(10,084)	(12,197)	(91,085)
A portion used as investment and rental properties	Income	¥ 18,960	¥ 18,536	\$ 171,258
	Expenses	11,321	8,869	102,258
	Balance	7,639	9,667	69,000
	Other income (expenses)	(0)	(45)	(0)

(Notes)
* As a portion used as investment and rental properties includes a portion used by the Company or its certain consolidated subsidiaries for providing services as well as management and administration, income for these are not recorded above. The expenses primarily consist of rent, depreciation, taxes and dues, and others.
* Other income (expenses) for investment and rental properties and Other income (expenses) for a portion used as investment and rental properties is mostly the loss on disposal of property and equipment.

20 Contingent liabilities

The Group was contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥11,305 million (\$102,114 thousand) and ¥9,407 million at March 31, 2021 and 2020, respectively.

21 Subsequent events

(Dividends)
On June 29, 2021, the shareholders of the Company approved payments of a year-end cash dividend of ¥21 (\$0.19) per share or a total of ¥9,953 million (\$89,902 thousand) to shareholders of record at March 31, 2021. Such appropriations are recognized in the period in which they are approved by the shareholders.



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

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Realty & Development Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2021, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management’s judgment concerning the identification of an impairment indicator for the Properties

The key audit matter	How the matter was addressed in our audit
<p>Office buildings and residences owned by the Group (the “Properties”) were recognized in the consolidated balance sheet of the Group as of March 31, 2021. As described in Note 19, “Investment and rental properties” to the consolidated financial statements, the total of such Properties amounted to ¥3,838,536 million and accounted for approximately 67% of the consolidated total assets in the consolidated financial statements. Of such Properties, we determined the Properties whose profitability had declined were a key audit matter.</p> <p>As described in Note 2 (16), “Significant accounting estimates” to the consolidated financial statements, when a Property’s profitability has declined and an impairment indicator exists, the Group is required to determine whether an impairment loss should be recognized. Impairment indicators include recurring operating losses, a significant adverse change that could affect the recoverable amount, a significant deterioration of business environment and a significant decrease in the market prices.</p> <p>Economic trends, corporate performance, trends in land prices, financial market situations, taxation system and other social aspects have a large impact on the following:</p> <ul style="list-style-type: none">• the judgment of whether there is significant deterioration of business environment or significant adverse change that could affect the recoverable amount due to cancellation or long delay of development plans, a change in usage or a significant decline in rents and occupancy rates; and• estimating the future cash flows and discount rates which were used as a basis for calculating the market prices of the Properties. <p>Accordingly, these estimates involved a high degree of uncertainty, as well as significant subjectivity in management’s judgments.</p> <p>In addition, in case the impairment indicator exists, and an impairment loss is to be recognized, the impact on the consolidated financial statements may be significant.</p> <p>We, therefore, determined that the appropriateness of management’s judgment concerning the identification of an impairment indicator for the Properties was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to evaluate whether management’s judgment concerning the identification of an impairment indicator for the Properties was appropriate included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to management’s judgment concerning the identification of an impairment indicator for the Properties.</p> <p>(2) Evaluation of the appropriateness of management’s judgment concerning the identification of an impairment indicator for the Properties.</p> <ul style="list-style-type: none">• We inquired management and the personnel in the responsible divisions, inspected relevant materials and observed certain Properties to determine if there was significant deterioration of business environment or significant adverse change that could affect the recoverable amount due to cancellation or long delay of development plans, a change in usage or a significant decline in rents or occupancy rates.• In order to evaluate the reasonableness of the Properties’ estimated market prices used to determine whether an impairment indicator exists, we performed the following procedures regarding the estimates of the future cash flows and discount rates which were used as a basis for calculating the market prices of the Properties.• We evaluated the appropriateness of the valuation method selected to calculate the market prices in light of the requirements including those in the accounting standards;• We evaluated the reasonableness of the future rents, a significant assumption for estimating future cash flows, by taking into consideration future economic conditions including the spread of COVID-19 infection, and by comparing them with actual rents; and• We evaluated the reasonableness of the discount rates by comparing them with information published by external organizations and also with the assistance of our own real-estate valuation specialists.

The reasonableness of the valuation of Real Estate for Sale

The key audit matter	How the matter was addressed in our audit
<p>The Group recognized real estate for sale of ¥260,825 million and real estate for sale in process of ¥366,597 million as described in Note 4, “Inventories” to the consolidated financial statements (collectively, the “Real Estate for Sale”), and their total amount accounted for approximately 11% of the consolidated total assets in the consolidated financial statements. Of the Real Estate for Sale, we determined the Real Estate for Sale whose profitability had declined was related to a key audit matter.</p> <p>As described in Note 2 (16), “Significant accounting estimates” to the consolidated financial statements, Real Estate for Sale is stated at cost. In case the net realizable value is lower than its cost, the profitability is regarded to have declined, and the net realizable value is used as the carrying amount. The difference between the cost and the net realizable value is recognized as a loss for the current fiscal year.</p> <p>Economic trends, trends in personal income, trends in land prices, financial market situations, taxation system and other social aspects have a large impact on the following:</p> <ul style="list-style-type: none">• determining the probability of achieving the development plans of real estate for sale in progress; and• estimating the selling price of the Real Estate for Sale, which is used to calculate the net realizable value. <p>Accordingly, these estimates involved a high degree of uncertainty, as well as significant subjectivity in management’s judgments. In addition, in case a loss on devaluation of the Real Estate for Sale is to be recognized, the impact on the consolidated financial statements may be significant.</p> <p>We, therefore, determined that the reasonableness of the valuation of the Real Estate for Sale was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to evaluate whether the valuation of the Real Estate for Sale was reasonable included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to the valuation of the Real Estate for Sale.</p> <p>(2) Evaluation of the reasonableness of the valuation of the Real Estate for Sale</p> <ul style="list-style-type: none">• We inquired management and the personnel in the responsible divisions, inspected relevant materials and observed certain real estate for sale in progress to evaluate the probability of achieving the development plans.• In order to evaluate the reasonableness of the net realizable value, with the assistance of our own real-estate valuation specialists, as necessary, we performed the following procedures.• We evaluated the appropriateness of the valuation method selected to calculate the net realizable value in light of the requirements including those in the accounting standards.• We obtained an understanding of profitability of the Real Estate for Sale and evaluated the reasonableness of the estimated selling price, a significant assumption for estimating the net realizable value, by taking into consideration future economic conditions including the spread of COVID-19 infection, and by comparing them with the actual selling price.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Atsuji Maeno
Designated Engagement Partner
Certified Public Accountant

/S/ Hidekazu Takahashi
Designated Engagement Partner
Certified Public Accountant

/S/ Masako Kanno
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
July 29, 2021

Notes to the Reader of Independent Auditor’s Report:
This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

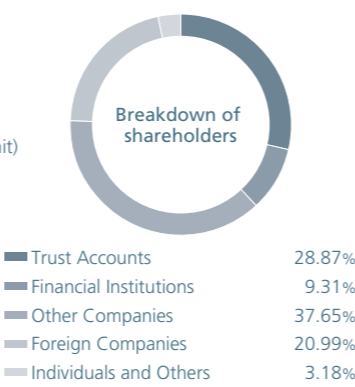
Corporate Data / Investor Information (As of March 31, 2021)

Corporate Data

Corporate Name Sumitomo Realty & Development Co., Ltd.
Head Office Shinjuku NS Building, 4-1, Nishi-Shinjuku 2-chome
Shinjuku-ku, Tokyo 163-0820, Japan
Date of Establishment December 1, 1949
Paid-in Capital ¥122,805 million
Number of Employees 13,530 (Consolidated)
Corporate Website <https://www.sumitomo-rd.co.jp/english/>

Investor Information

Number of Common Stock
Authorized: 1,900,000,000 shares
Issued: 476,085,978 shares
Number of Shareholders 11,869
(of which 10,978 holding share unit)



Major Consolidated Subsidiaries

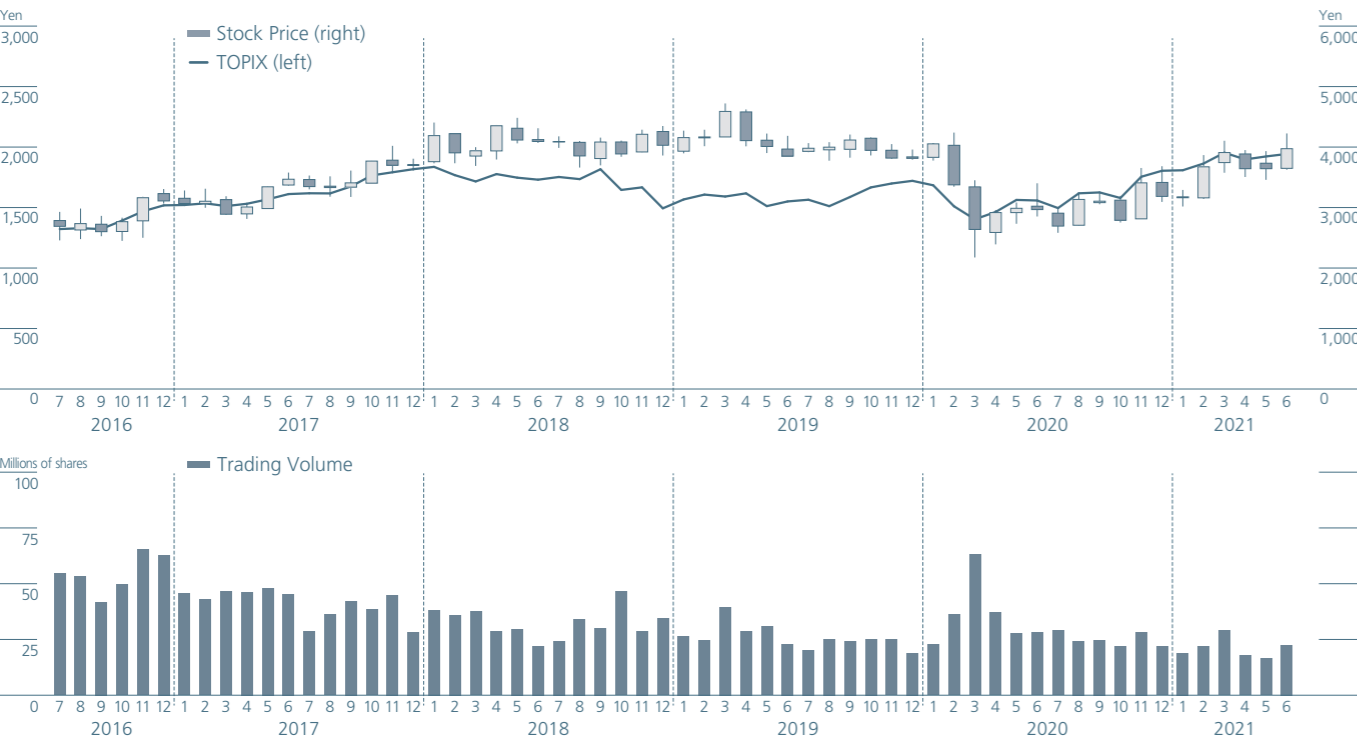
Sumitomo Real Estate Sales Co., Ltd.
Sumitomo Fudosan Tatemono Service Co., Ltd.
Sumitomo Fudosan Syscon Co., Ltd.
Sumitomo Fudosan Villa Fontaine Co., Ltd.
Sumitomo Fudosan Bellesalle Co., Ltd.
Sumitomo Fudosan Retail Management Co., Ltd.
Sumitomo Fudosan Esforta Co., Ltd.
Sumitomo Fudosan Finance Co.,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

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust account)	51,645	10.90
Custody Bank of Japan, Ltd.(Trust account)	24,778	5.23
Sumitomo Mitsui Banking Corporation	11,990	2.53
Custody Bank of Japan, Ltd.(Trust account 4)	10,768	2.27
STICHTING PGGM DEPOSITARY PGGM LISTED REAL ESTATE PF FUND	10,030	2.12
Taisei Corporation	9,550	2.02
Daikin Industries, Ltd.	8,367	1.77
Shimizu Corporation	7,500	1.58
Obayashi Corporation	7,090	1.50
Custody Bank of Japan, Ltd.(Trust account 5)	6,799	1.43

Note: 1. Number of shares have been rounded down to the nearest thousand shares.
2. Percentage of shares held has been calculated by excluding treasury stock.

Stock Price and Trading Volume on Tokyo Stock Exchange



History

1949	Izumi Real Estate Co., Ltd. established to succeed real estate business of the Sumitomo Honsha Ltd. 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	Opened Osaka Branch. Entered condominium sales business with Hama-Ashiya Mansion in Kobe, Hyogo Prefecture.
1970	Listed on the Second section of the Tokyo Stock Exchange and Osaka Securities Exchange.
1971	Listed on the First section of the Tokyo Stock Exchange and Osaka Securities Exchange.
1972	Established Sumitomo Realty & Development CA., Inc., a consolidated subsidiary.
1973	Established Sumitomo Fudosan Tatemono Service Co., Ltd., a consolidated subsidiary.
1974	Completed construction of Shinjuku Sumitomo Building in Shinjuku, Tokyo (in March); moved Company headquarters there from Tokyo Sumitomo Building in Marunouchi, Tokyo (in June).
1975	Established Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary.
1978	Established Biwako Resort Club Co., Ltd. (currently Sumitomo Fudosan Villa Fontaine Co., Ltd.), a consolidated subsidiary.
1980	Established Sumitomo Fudosan Syscon Co., Ltd., a consolidated subsidiary.
1982	Completed construction of Shinjuku NS Building in Shinjuku, Tokyo (in September); moved Company headquarters there from Shinjuku Sumitomo Building (in October). Started sales of Hiroo Garden Hills in Shibuya, Tokyo (a joint project).
1984	Established Sumitomo Fudosan Finance Co., Ltd., a consolidated subsidiary.
1986	Established Sumitomo Fudosan Fitness Co., Ltd. (currently Sumitomo Fudosan Esforta Co., Ltd.), a consolidated subsidiary.
1995	Commenced American Comfort custom home construction business.
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. The Samquest bond issuance, which was the first public offering of commercial real estate securitization in Japan.
2001	The number of STEP brokerage offices managed by Sumitomo Real Estate Sales Co., Ltd. exceeded 200.
2002	Completed construction of Izumi Garden Tower in Minato Ward, Tokyo.
2003	Commenced sales of J-URBAN urban-style housing series.
2004	Commenced sales of World City Towers in Minato Ward, Tokyo. Completed construction of Shiodome Sumitomo Building in Minato Ward, Tokyo.
2008	Established Sumitomo Fudosan Bellesalle Co., Ltd., a consolidated subsidiary. Commenced sales of City Towers Toyosu The Twin (Koto Ward, Tokyo).
2010	Completed construction of Shinjuku Central Park City in Shinjuku Ward, Tokyo.
2011	Opened "Grand Mansion Gallery" in Tokyo metropolitan areas (Akihabara, Shinjuku, Shibuya, Ikebukuro, Tamachi). Completed construction of Sumitomo Fudosan Shinjuku Grand Tower in Shinjuku Ward, Tokyo.
2014	Number of condominium units brought to market over full year was the highest in Japan for the first time.
2015	Completed construction of Tokyo Nihombashi Tower in Chuo Ward, Tokyo. Cumulative units contracted reached 100,000 in Shinchiku Sokkurisan remodeling operations.
2016	Completed construction of Sumitomo Fudosan Roppongi Grand Tower in Minato Ward, Tokyo.
2017	Sumitomo Real Estate Sales Co., Ltd. delisted as it became a wholly owned subsidiary.
2019	Number of condominium units brought to market over the full year was the highest in Japan for the sixth consecutive year.
2020	Completed renovation of Shinjuku Sumitomo Building / Completed "Sankaku Hiroba," an all-weather atrium in Shinjuku Ward, Tokyo. Fully opened Ariake Garden, a large-scale complex in Koto Ward, Tokyo.

Global Events

1964
Tokyo Olympic Games

1973
First oil crisis

1978
Second oil crisis

1985
The Plaza Accord

1987
Black Monday

1989
Collapse of Berlin Wall
Nikkei Stock Average all-time high

1999
Introduction of euro

2001
September 11 terrorist attacks

2007-2008
The Global Financial Crisis (Lehman crisis)

2011
The Great East Japan Earthquake
European sovereign debt crisis
Record-high yen against the U.S. dollar

2015
China stock market crash

2016
Brexit referendum

2020
COVID-19 Pandemic

2021
Tokyo Olympic Games



Shinjuku NS Building, 4-1, Nishi-Shinjuku 2-chome,
Shinjuku-ku, Tokyo 163-0820, Japan
<https://www.sumitomo-rd.co.jp/english/>