



Integrated Report
2020

Continue creating new value with "Integrity and Innovation"

Placing top priority on Integrity, we will go beyond
pursue value creation through our innovative and

simple development and relentlessly
challenging spirit.

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Sumitomo's Business Philosophy

The Sumitomo Realty Group, as the heir of Sumitomo Honsha, Ltd., has developed into a comprehensive real estate enterprise of the Sumitomo Group with a history of 400 years. The business philosophy—"Placing prime importance on integrity and sound management in the conduct of its business" and "Under no circumstances, shall it pursue easy gains"—which have been handed down as a guiding principle throughout the Sumitomo's history, live on in the form of our corporate slogan, "Integrity and Innovation."



Photograph by Sumitomo Historical Archives

Fundamental Mission

"Create even better social assets for the next generation."

We have set forth our fundamental mission as to "create even better social assets for the next generation" through our businesses closely associated with people's daily lives. Based on this fundamental stance, the Sumitomo Realty Group is engaging in business with the aim of creating cities and urban spaces that are resilient to disasters, friendly to people and the environment, and harmonious with history and culture.

Editorial Policy

This report was compiled based on this focus with consideration paid to the disclosure framework of the International Integrated Reporting Council (IIRC).

Cautionary Statement with Respect to Forward-looking Statements

Statements made in this annual report with respect to plans, targets and future performance that are not historical fact are forward-looking statements. These statements are based on management's assumptions and beliefs in light of the information currently available. Sumitomo Realty & Development Co., Ltd. cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include but are not limited to macroeconomic conditions, supply and demand in the real estate market and interest rate trends.

Sustainable Growth as Tokyo's No.1 Office Owner

History of Corporate Value Creation by "Land Innovation"

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 operations and the core of its corporate value.

We have been expanding our business platform by promoting 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, 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.

As a result, we have grown to become Tokyo's No. 1 office building owner with more than 230 buildings for lease in central Tokyo. Acquisition of development sites is the most important aspect of the office building leasing business. We have been redeveloping sites, in other words innovating land, through purchasing and assembling land by coordinating rights and interests of landowners. These capabilities of "Land Innovation" constitute our greatest strength and are 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 earnings base and increase corporate value.



1974 Shinjuku Sumitomo Building
1998 Shibuya Infoss Tower
2002 Izumi Garden Tower
2004 Shiodome Sumitomo Building
2011 Sumitomo Fudosan Shinjuku Grand Tower

Ordinary Profit / Gross Floor Area

■ Ordinary Profit ● Gross Floor Area

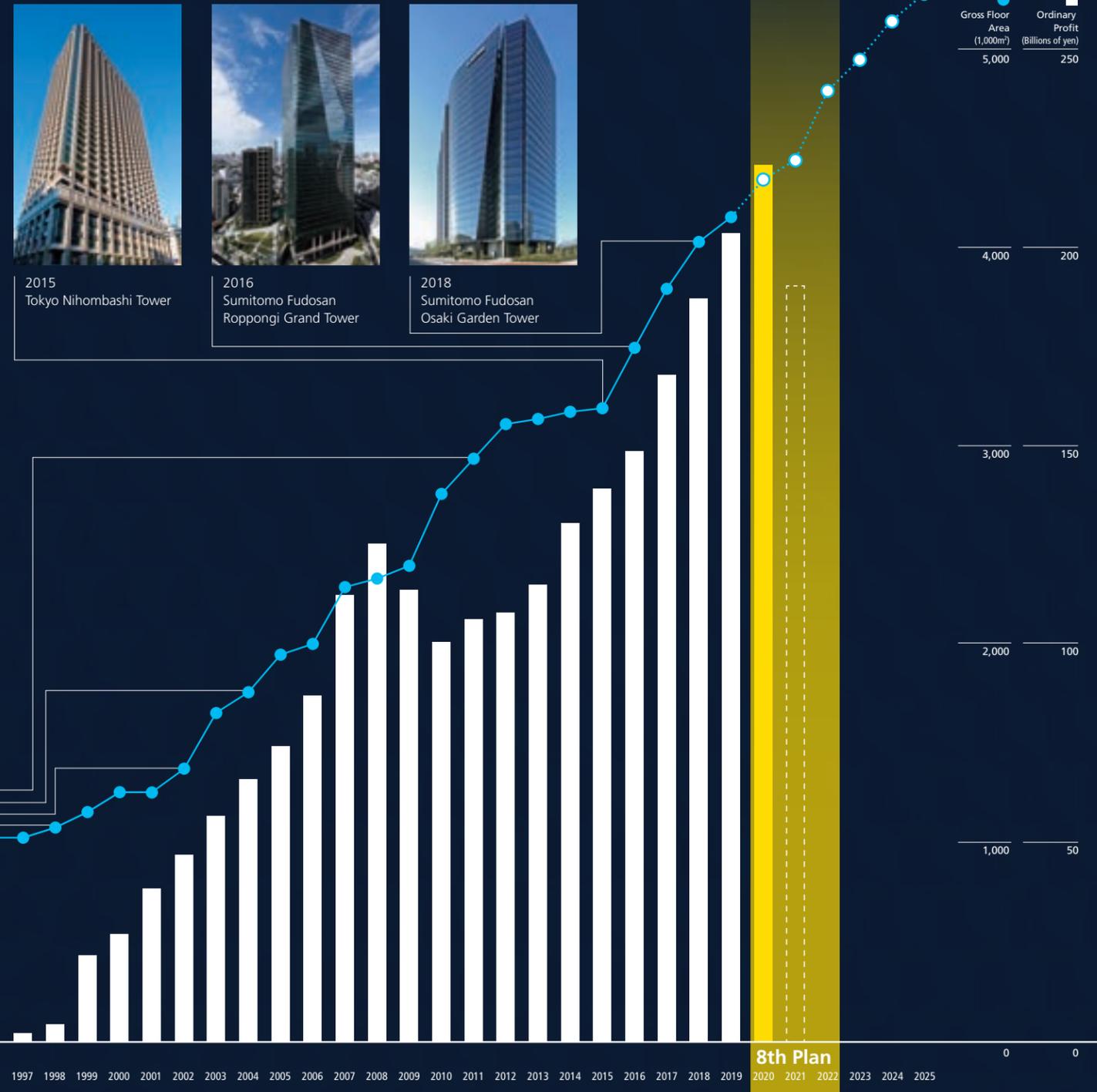
Non-consolidated figures
(Years ended / ending March 31)

Listed on the Tokyo Stock Exchange and Osaka Securities Exchange.

Major Building Development Projects



1998 Chiyoda First Building East
2000 Sumitomo Fudosan Iidabashi First Building
2000 Sumitomo Fudosan Shibakoen First Building
2003 Shinjuku Oak Tower
2004 Chiyoda First Building West
2005 Tokyo Shiodome Building



8th Plan



2006 Sumitomo Fudosan Mita Twin Building West
2009 Sumitomo Fudosan Aobadai Tower
2010 Shinjuku Central Park City
2010 Sumitomo Fudosan Iidabashi First Tower
2012 Sumitomo Fudosan Shibuya Garden Tower
2016 Sumitomo Fudosan Shinjuku Garden Tower
2019 Sumitomo Fudosan Shinjuku Central Park Tower

Capabilities of "Land Innovation"

Unlike our competitors, we did not own real property in Tokyo when we started our business, and we had to purchase land for developing buildings. Therefore, instead of reconstructing buildings we owned or purchasing sites through competitive bidding and constructing new buildings, which tends to be expensive, we focused on redevelopment by integrating multiple small parcels of land into a larger scale through persistent, long-term efforts to maximize the site value. In this way, we continued to develop superior assets and enhance our corporate value.

The capabilities of "Land Innovation" that we cultivated through engagement in redevelopment over many years are our greatest strength. They are also the driving force enabling us to undertake many large development projects in central Tokyo, an area where it is difficult to acquire excellent large sites.

We have an industry-leading track record in urban redevelopment in central Tokyo, including Roppongi, Nishishinjuku, and Iidabashi, pursuant to the Urban Renewal Act, which involves achieving an agreement with many landowners and consultation with the authorities. Through redevelopment, we are improving central Tokyo's infrastructure, including enhancement of disaster prevention, such as eliminating densely built-up areas of wooden houses and widening narrow streets, and are contributing significantly to vitalization of communities. As a result, our projects enjoy benefits of deregulation, such as increased floor-area ratios, which contributes to greater profitability.

Urban Redevelopment under the Urban Renewal Act of Japan

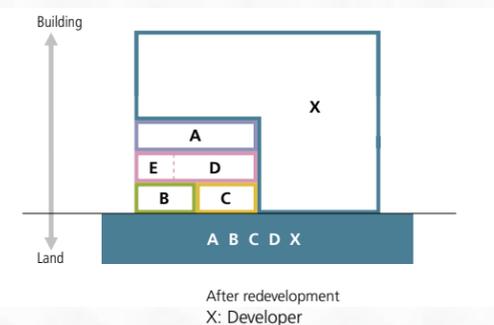
Before



After

Equal value exchange

Through the conversion of the rights of the rights holders, sites can be acquired with equal value exchanges.



Major Flagship Buildings Mainly Comprising Redevelopment Projects

As of March 31, 2020

Name	Location (Tokyo CBD*)	No. of floors (above ground/below ground)	Completion	Gross floor area (m ²)
1. Izumi Garden Tower	Minato Ward	43/4	Oct 2002	204,536
2. Sumitomo Fudosan Roppongi Grand Tower	Minato Ward	43/2	Oct 2016	202,630
3. Sumitomo Fudosan Osaki Garden Tower	Shinagawa Ward	24/2	Jan 2018	201,925
4. Shinjuku Sumitomo Building	Shinjuku Ward	52/4	Mar 1974	177,467
5. Sumitomo Fudosan Shinjuku Grand Tower	Shinjuku Ward	40/3	Dec 2011	168,407
6. Sumitomo Fudosan Shinjuku Garden Tower	Shinjuku Ward	37/2	Mar 2016	143,372
7. Shinjuku Central Park City	Shinjuku Ward	44/2	Feb 2010	130,741
8. Shinjuku Oak City	Shinjuku Ward	38/2	Jan 2003	117,606
9. Tokyo Nihombashi Tower	Chuo Ward	35/4	Apr 2015	105,837
10. Shiodome Sumitomo Building	Minato Ward	25/3	Jul 2004	99,913
11. Sumitomo Fudosan Mita Twin Building West	Minato Ward	43/2	Sep 2006	98,338
12. Tokyo Shiodome Building	Minato Ward	37/4	Jan 2005	95,128
13. Shinjuku NS Building	Shinjuku Ward	30/3	Sep 1982	75,046
14. Sumitomo Fudosan Iidabashi First Tower	Bunkyo Ward	34/3	Apr 2010	68,682
15. Sumitomo Fudosan Shibakoen First Building	Minato Ward	35/2	Jun 2000	63,822
16. Chiyoda First Building West	Chiyoda Ward	32/2	Jan 2004	61,274
17. Sumitomo Fudosan Shinjuku Central Park Tower	Shinjuku Ward	33/2	Aug 2019	60,093
18. Sumitomo Fudosan Shibuya Garden Tower	Shibuya Ward	24/3	Jun 2012	59,417
19. Sumitomo Fudosan Aobadai Tower	Meguro Ward	33/3	Aug 2009	55,773
20. Sumitomo Fudosan Iidabashi First Building	Bunkyo Ward	14/2	Mar 2000	53,587

Redevelopment projects * Tokyo CBD(Central Business District)

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

Example 1

Iidabashi Redevelopment Project

(two major redevelopment buildings, Sumitomo Fudosan Iidabashi First Building and Sumitomo Fudosan Iidabashi First Tower)

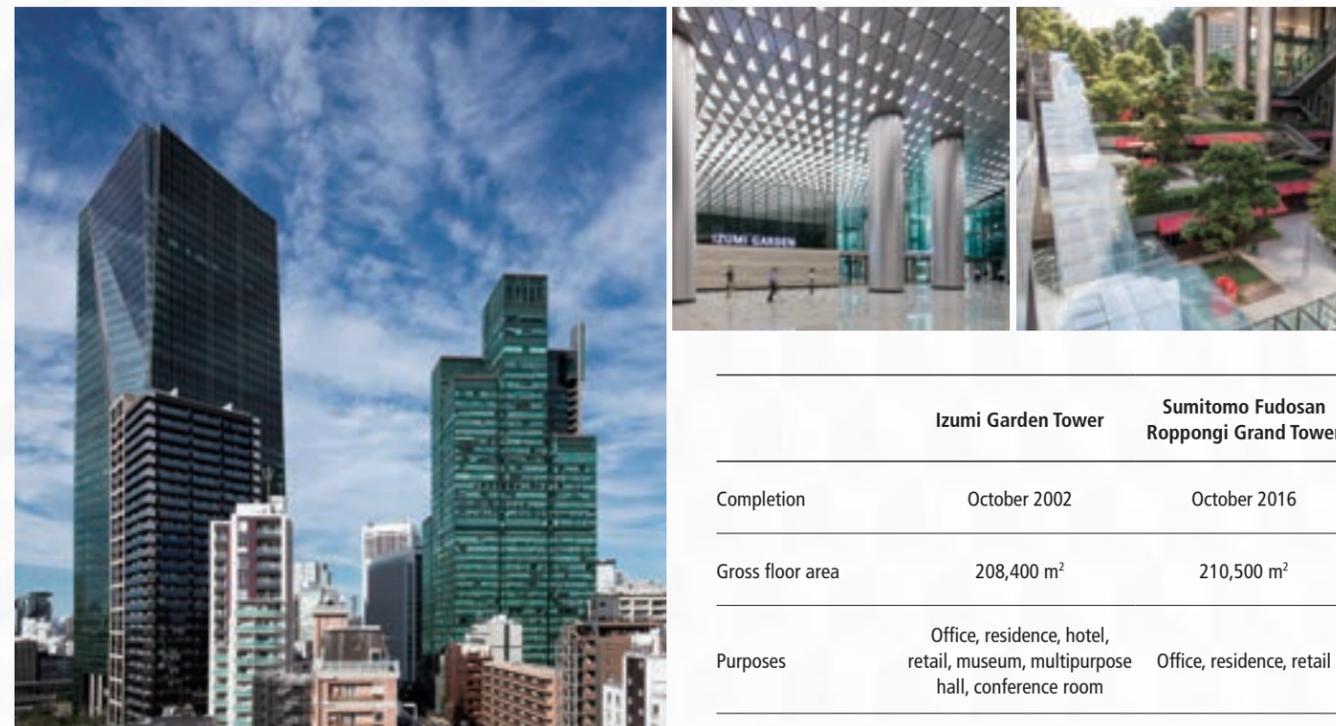


	Sumitomo Fudosan Iidabashi First Building	Sumitomo Fudosan Iidabashi First Tower
Completion	March 2000	April 2010
Gross floor area	63,000 m ²	78,400 m ²
Purposes	Office, residence, retail	Office, residence, retail, multipurpose hall

Example 2

Izumi Garden

(two major redevelopment buildings, Izumi Garden Tower and Sumitomo Fudosan Roppongi Grand Tower) [Refer to page 38.](#)



	Izumi Garden Tower	Sumitomo Fudosan Roppongi Grand Tower
Completion	October 2002	October 2016
Gross floor area	208,400 m ²	210,500 m ²
Purposes	Office, residence, hotel, retail, museum, multipurpose hall, conference room	Office, residence, retail



Positioning redevelopment and leasing of office buildings in central Tokyo as growth drivers, we will continue creating new value.

K. Nishima

Kojun Nishima
President

Business Results for the Fiscal Year

Results for the fiscal year ended March 31, 2020 are as shown in the table below. Although the hotels and multipurpose halls businesses were directly affected by the unexpected spread of coronavirus disease (COVID-19) toward the end of the fiscal year, the mainstay office building leasing business, which accounts for two-thirds of operating income, was buoyed by a tight market, with office building vacancy rates remaining in the 1% range in Tokyo. With results steadily exceeding targets, supported by higher rent for existing buildings and contribution of the full-year operation of buildings completed in the previous year, ordinary profit reached ¥220 billion and profit amounted to ¥140 billion, both in line with the initial targets. We were thus able to achieve record-high results for the seventh consecutive year.

	FY '18 Results	FY '19 Results	YoY change
Revenue from operations	1,012.2	1,013.5	+1.3
Operating income	219.4	234.3	+14.9
Ordinary profit	203.2	220.5	+17.3
Profit	130.1	141.0	+10.9

We have been operating under the Eighth Management Plan, launched in April 2019. In the fiscal year ended March 31, 2020, the initial year of the plan, we were able to achieve record-high results for the seventh consecutive year, as stated above. As a result, as shown in the table below, revenue from operations, operating income and ordinary profit all reached about one-third of their respective cumulative target levels set for the three-year period of the management plan, appearing to place us on a path to once again renew the record highs for the said period. However, the spread of COVID-19 has triggered stagnancy in the current economic activity, making the outlook very uncertain.

	Three-year cumulative earnings targets* (Apr 2019 – Mar 2022)	FY '19 Results	Progress
Revenue from operations	3,100.0	1,013.5	33%
Operating income	740.0	234.3	32%
Ordinary profit	700.0	220.5	32%

* Announced on May 16, 2019

Outlook for the Next Fiscal Year

In May 2020, we announced our business forecasts for the fiscal year ending March 31, 2021. In incorporating potential impact of COVID-19 on our earnings in these figures, we assumed that economic activity would gradually go back onto a recovery path starting from the second quarter but would not return to the previous year's level by the end of the fiscal year.

	FY '19 Results	FY '20 Forecast*	YoY change
Revenue from operations	1,013.5	880.0	(133.5)
Operating income	234.3	204.0	(30.3)
Ordinary profit	220.5	190.0	(30.5)
Profit	141.0	130.0	(11.0)

* Announced on May 14, 2020

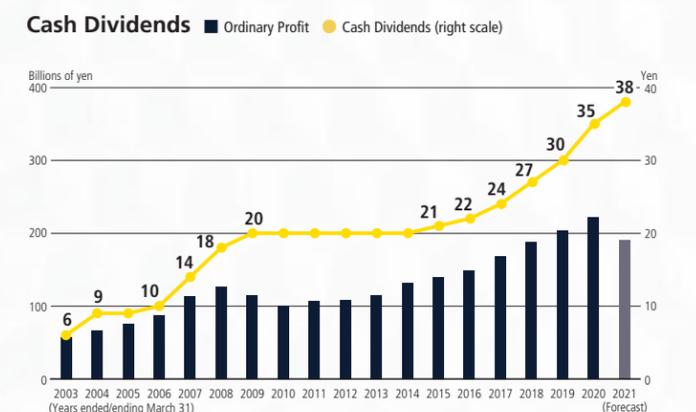
Specifically, we expect both revenue and profit to continue increasing for the core office building business as the market remains tight currently and we have long-term contracts with tenants. We also expect the condominium sales business, our second mainstay, to achieve forecast levels for the next fiscal year, as sale contracts for 80% of the units for which we expect to book sales in the year were already signed at the beginning of the fiscal year. On the other hand, we incorporated a total negative impact of about ¥30 billion on profit in the forecasts for the hotels and multipurpose halls businesses, which were affected by significant restrictions on people's movement and gathering, and the Shinchiku Sokkurisan remodeling, custom-home construction and brokerage businesses, which suffered from restrictions on customer-attracting events and face-to-face marketing activities. As we expect the building and condominium businesses to remain solid, we intend to achieve at least ¥190 billion in ordinary profit by all means.

Policy for Shareholder Returns

Our dividend policy is to prioritize allocations to investment in buildings for lease with an aim to strengthen the earnings base over a long term, and based on the mottoes of "stable dividends and dividend increases reflecting sustainable growth" and "no decrease in dividends even if profit decreases." This remains unchanged.

As shown in the graph, we maintained dividends of ¥20 per share even when our profit decreased temporarily amid the Global Financial Crisis.

For the next fiscal year, we forecast profit to decrease, if temporarily, as it is difficult to estimate the impact of COVID-19. But we plan to maintain ¥19 per share each for interim and year-end dividends, for a total annual dividend of ¥38 per share, up ¥3 over the previous year. Depending on how business may recover from the COVID-19 impact, we hope to consider a ¥5 increase in annual dividends, as we did in the previous year.



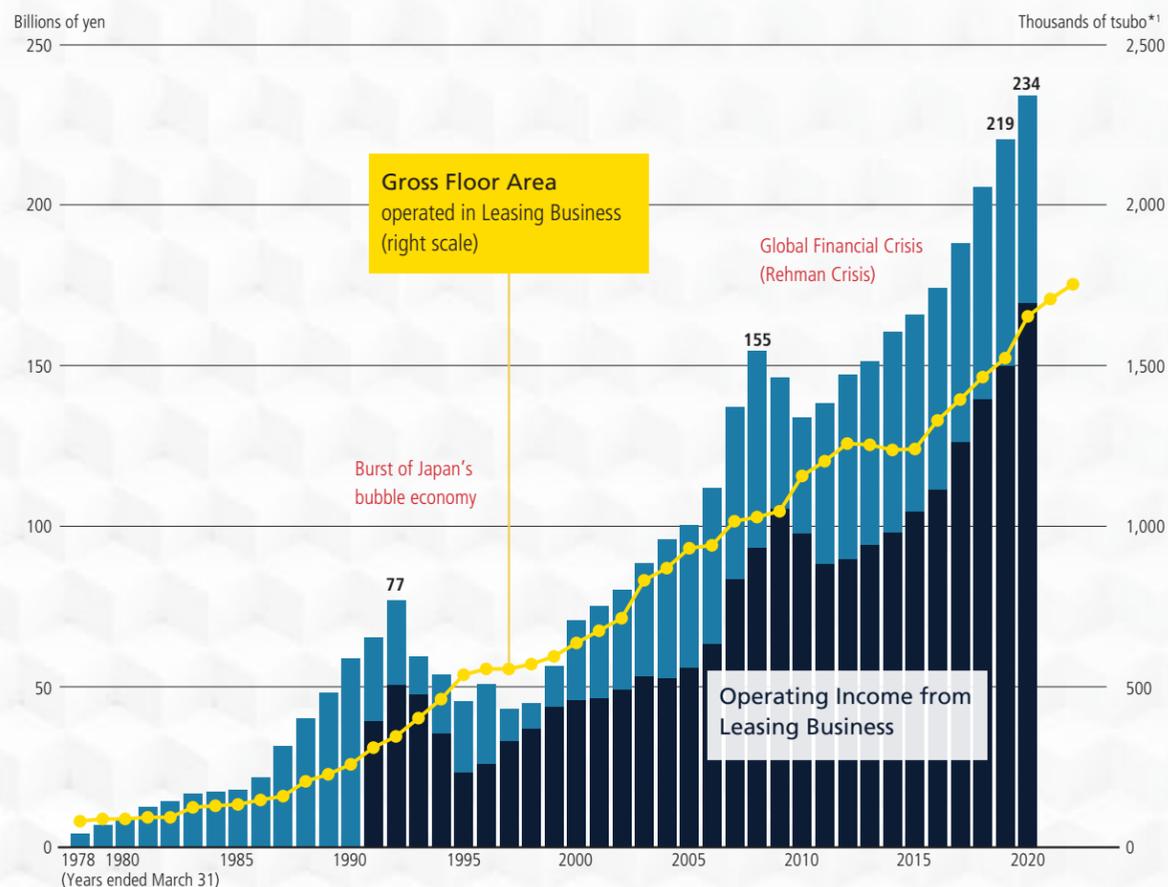
Continued Promotion of Investment in Leasing Office Assets

Our mainstay is the office building business in central Tokyo. Tokyo is not just a place for work but an attractive city rich in culture, food, wellness, to name a few. That is why the number of office workers is growing there. In Tokyo, there is a stock of 28 million tsubo (one tsubo is roughly 3.3m²) in office floor area, but most buildings are old and do not have sufficient specifications, thus more new buildings are needed with high specifications such as high-level earthquakes resistance and emergency power supply features, as the buildings we have developed. The spread of COVID-19 has caused office usage and work styles to diversify, as businesses introduce telecommuting and satellite offices to distribute

risks. As our strength is in the diversity of our portfolio, which includes 230 buildings in varied locations and sizes, we see opportunities in the current situation, assuming we will make the right proposals.

Therefore, although we are by no means overly optimistic, and will definitely remain cautious about the ongoing impact of COVID-19, we will continue investment in leasing office assets in central Tokyo of over 800 thousand tsubo in gross floor area, equivalent to over 50% of the gross floor area for leasing currently available, as projected in the Eighth Management Plan aiming to strengthen the earnings base to secure sustainable growth in the future.

Consolidated Operating Income and Gross Floor Area

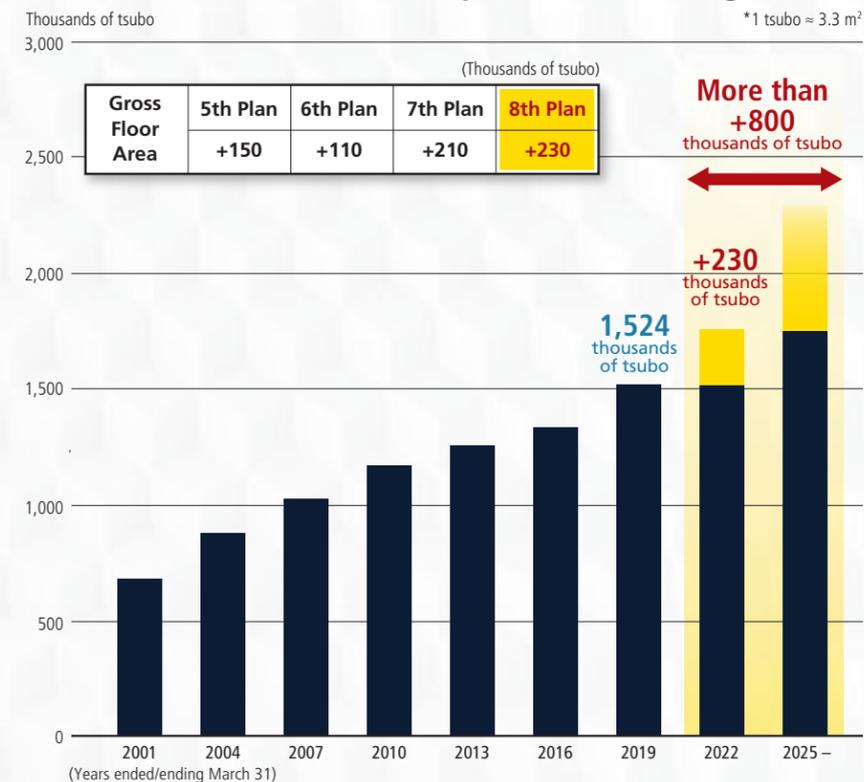


*1 1 tsubo = 3.3 m²

*2 Segment information has been disclosed since the March 1991 fiscal year

* 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.

Pace of Gross Floor Area Development from the Eighth Management Plan (announced on May 16, 2019)



Tokyo Mita Redevelopment Project
Expected Completion: Jan 2023

Principal New Office Building Projects

Project Name	Location	Gross Floor Area (Tsubo*)	Expected 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	14,500	May 2020
Sumitomo Fudosan Ochanomizu Building	Bunkyo Ward	3,800	Jan 2021
Sumitomo Fudosan Tamachi Building East	Minato Ward	3,900	Apr 2021
Sumitomo Fudosan Kanda Izumicho Building	Chiyoda Ward	3,000	Aug 2021
Osaki Higashi Project	Shinjuku Ward	14,400	Jan 2022
Others		45,100	
8th Plan Total		211,700	
Tokyo Mita Redevelopment Project (Mita 3- and 4-chome Project)	Minato Ward	60,400	Jan 2023
Nishi-shinjuku 5-chome Kita Project	Shinjuku Ward	41,300	Mar 2023
Nakano 2-chome Project	Nakano Ward	30,000	Feb 2024

* 1 Tsubo = 3.3m²

Major New Building Development Projects



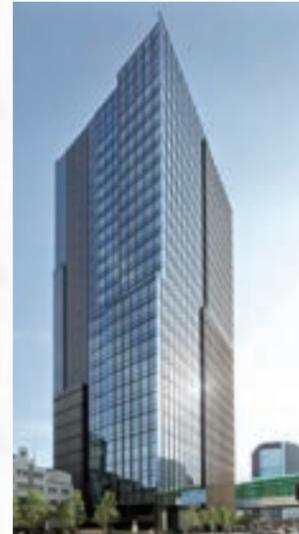
Sumitomo Fudosan Shinjuku Central Park Tower
Completion: Aug 2019



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



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



Nakano 2-chome Project
Expected Completion: Feb 2024



Haneda Airport Garden
Completion: Mar 2020



Ariake Garden
Completion: Mar 2020

Addressing Social Issues through Business Activities

We have been working to contribute to solving social issues through our business activities under our fundamental mission of “create even better social assets for the next generation.”

The themes we have tackled in this endeavor are diverse, including “disaster prevention,” one of the major social issues for the Japanese society, “environmental protection,” such as climate-change countermeasures and waste reduction, and “vitalization of communities” in city development efforts.

In our mainstay office and home redevelopment business, we have helped improve regional disaster prevention significantly by turning wooden houses in areas overcrowded with them into sturdy, fireproof structures and working with local governments to make such areas into disaster-prevention bases. In the Shinchiku Sokkurisan remodeling business, we have actively worked to promote safe and secure homes since its launch in 1996, by including earthquake-reinforcement work as a standard specification of the remodeling service, at the same time significantly reducing the amount of waste compared to rebuilding home.

In June 2020, a large-scale renovation project of the Shinjuku Sumitomo Building, one of the early skyscrapers in Japan, was completed, creating the “Sankaku Hiroba” (triangular plaza) all-weather atrium. The facility not just adds to the vibrancy of the Shinjuku district, a major center of business, commerce and culture, but contributes to the region as a disaster-prevention base, providing shelter for people unable to return home when a disaster hits. We expect this project to become a

model for efforts to work with local communities to realize sustainable urban development.

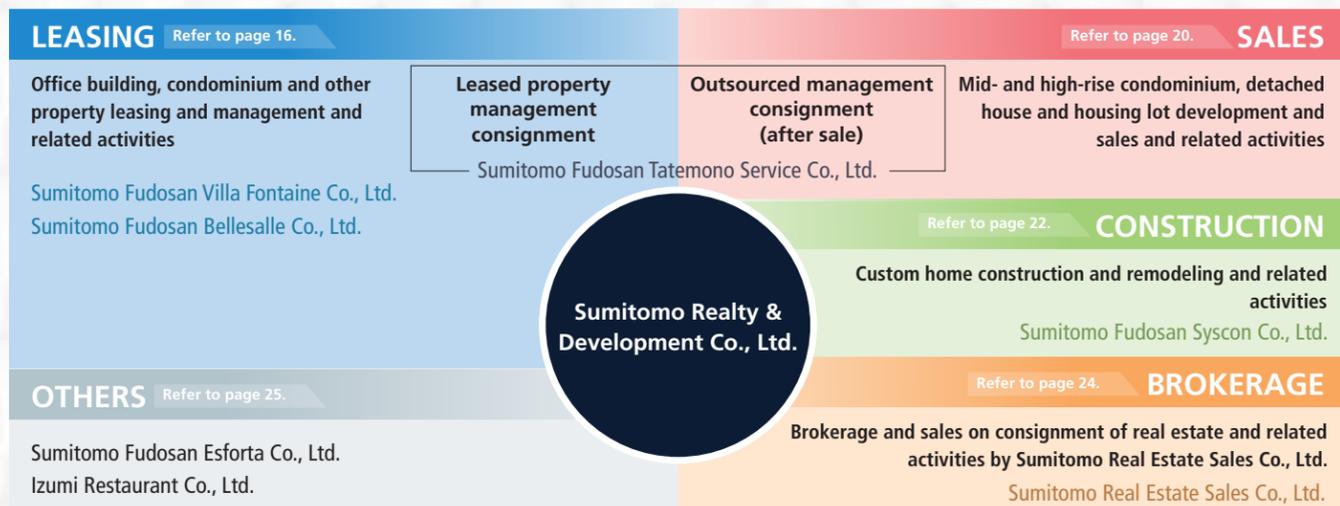
In recent years, companies have come to be evaluated from a long-term viewpoint, hence the increased awareness for SDGs and ESG. The Sumitomo Realty Group, which carries on the business philosophy of the “Sumitomo” brand whose history goes back 400 years, has been growing under a slogan of “Integrity and Innovation.” We have strived, and will continue to strive, to further increase corporate value by actively committing to “addressing social issues through business activities.”

We would like to thank our stakeholders, including customers and business partners, for their continued support and understanding.



The Sumitomo Realty Group will redouble our efforts to reach the targets set out in the Eighth Management Plan and continue moving forward to achieve sustainable growth. We would like to express our gratitude to our shareholders, investors and all our stakeholders, and ask for their continuous, long-term support.

June, 2020



Business Portfolio



LEASING Unique Features and Competitive Advantages

- Vigorous promotion of redevelopment projects in central Tokyo and an extensive track record
- No. 1 office building owner in Tokyo with a portfolio of over 230 high-performance buildings with cutting-edge exterior, equipped with latest facilities and specifications, characterized by newest, large-scale, and location in central Tokyo
- Strong market competitiveness due to a portfolio with buildings in various sizes, distributed in areas with excellent transportation convenience, which flexibly meets diverse needs of tenants
- Active promotion of BCP compliance through introduction of seismic isolation/vibration control structures at 80% of the buildings we own as well as by implementing uninterrupted power supply systems implementing uninterrupted power supply systems

SALES Unique Features and Competitive Advantages

- No. 1 supplier of condominiums units for six consecutive years both nationwide and in the Tokyo metropolitan area
- Operating in major cities throughout Japan. Stable supply with 80% of the portfolio in the Tokyo metropolitan area
- Strong product planning to maintain the future asset value, such as signature stylish exteriors, elegant entrances, rich array of facilities in common areas, standardized disaster-resistant high specifications, and latest household appliances
- Operating Grand Mansion Gallery that offers wide-ranging information on selecting condominiums and enables customers to review all the properties available at a single location

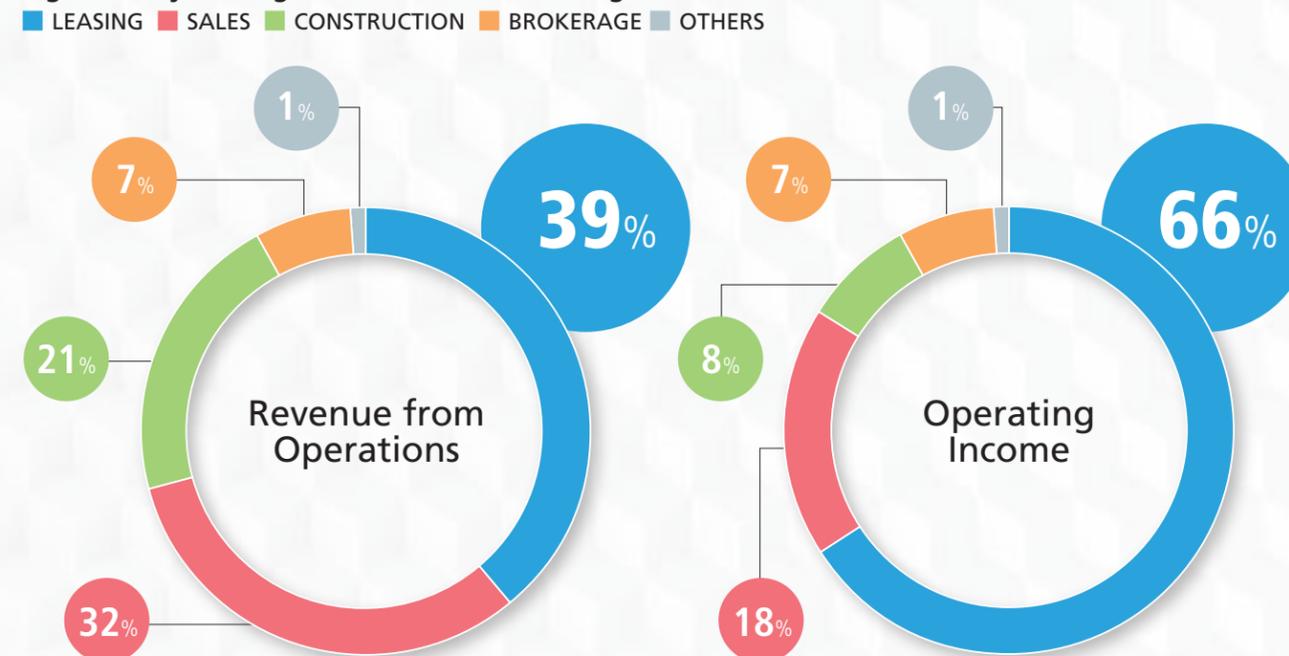
CONSTRUCTION Unique Features and Competitive Advantages

- Remodeling—Shinchiku Sokkurisan**
- No. 1 in the industry with an innovative “full remodeling package” system for detached houses, with 50-70% of the rebuilding cost, worry-free fixed pricing system, and seismic reinforcement for houses of all ages
 - Featuring a system in which a dedicated sales engineer manages the entire project and a dedicated master carpenter with proven knowledge and skills oversees the construction
 - No. 1 for six consecutive years nationwide in the industry of skeleton reform for exclusively owned areas of condominiums
- Custom Homes**
- Model home exhibitions at 123 locations primarily in major cities throughout Japan (As of March 31, 2020)
 - Offering advanced functional homes with attractive design utilizing expertise in condominium development
 - Emphasizing product planning to enhance safety of homes, including development of proprietary earthquake-resistant technologies, such as “seismic control systems” and “power panels” (patented)

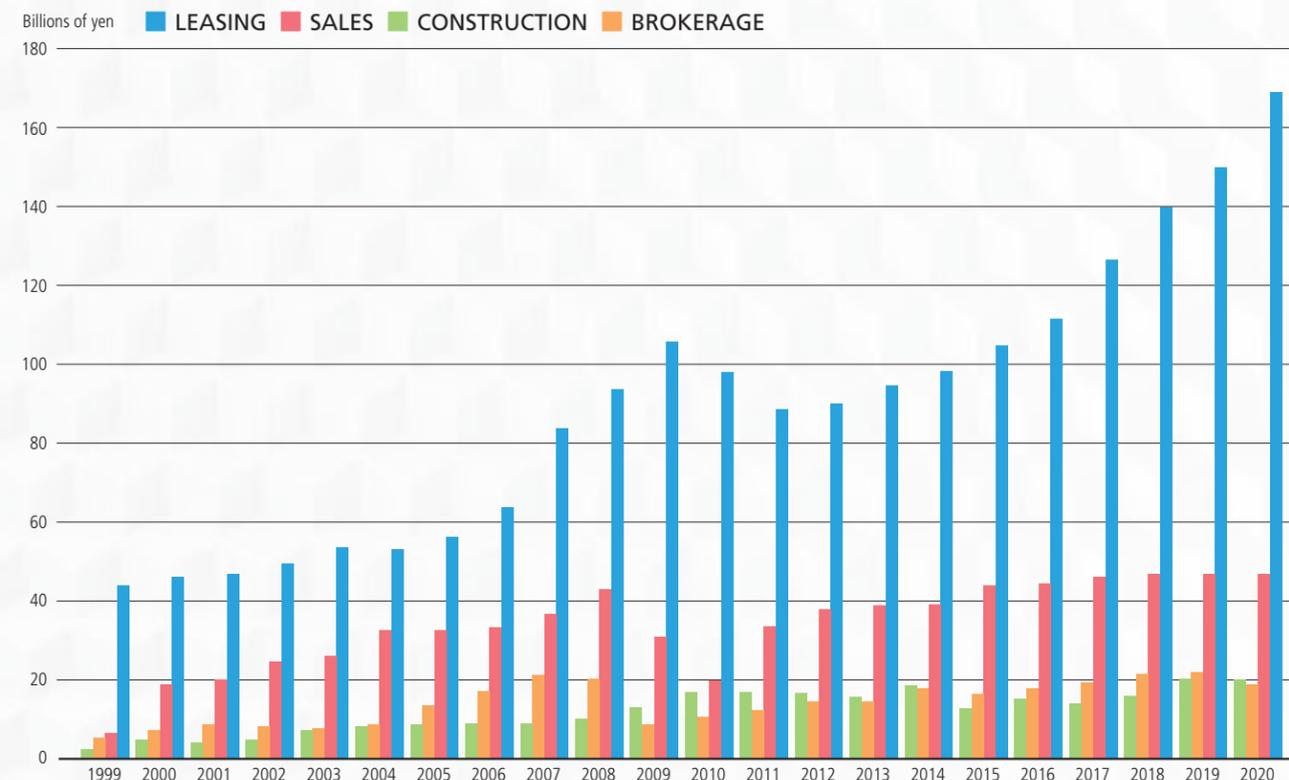
BROKERAGE Unique Features and Competitive Advantages

- A network of 276 directly operated brokerage offices nationwide with a leading track record in the industry (As of March 31, 2020)
- Sales system rooted in the community based on the customer-first principle
- Operating Mansion Plaza, a brokerage office specialized in premium condominiums, strengthening initiatives to capture new needs in the expanding market for pre-owned condominiums margins — It expanded from 5 locations last year to 21 locations involving Tokyo and Kansai areas (As of March 31, 2020)

Significantly Driving Growth with the Leasing Business



Operating Income (Years ended March 31)



* 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 composition of business portfolios and the fiscal year ended March 31, 2019 are those after retroactive application.

* From the beginning of March 2021 fiscal year, the business segments for revenue and income from Sumitomo Real Estate Sales have been changed, from the allocation to “Sales”, “Brokerage” and “Adjustments (not presented in the document)”, to be consolidated into “Brokerage”. Financial results for March 2020 fiscal year have been adjusted retroactively.

Business activities to support value creation

Review of Operations

LEASING

No.1 office buildings owner in Tokyo with more than 230 buildings

Sumitomo Realty made its full-scale entry into the office building leasing business in the latter half of the 1970s. Ever since, we have continued to develop excellent office buildings focusing on redevelopment projects in central Tokyo. We weathered the bursting of Japan's economic bubble in the 1990s and The Global Financial Crisis in the 2000s without selling off buildings we own and steadily increased the number of buildings. As a result, Sumitomo Realty has become the No.1 owner of office buildings in Tokyo with more than 230 building in the central Tokyo.

Our major new building development projects under way

- 1 Tokyo Mita Redevelopment Project:** It is located at the core of the metropolitan area, centering on a large office tower with 42 floors above ground and 4 floors below ground, 215m in height and 60,400 tsubo in gross floor area. It is designed for multiple uses, including office, home, commerce, education and culture. The facility will provide a comfortable environment with a rich green space of 15,000m² by designing to give it a continuity with squares and green tracts located in the adjacent facility we own. It also bolsters disaster-prevention functions and improve disaster preparedness of the area, and provides spaces for relaxation and communal events for local residents to revitalize the local community.
- 2 Nishi-Shinjuku 5-chome Kita Project:** The district is designated as a disaster-prevention and redevelopment district, where rebuilding of aged wooden homes and improvement of their disaster resistance, as well as enhancing their living environment are called for. In this project, we aim to improve disaster resistance and enhance living convenience by developing a safe and comfortable urban district that has multiple functions as home, work and commerce, designed to harmonize with the local environment, achieve effective use of resources and energy conservation, and to control the heat island phenomenon.
- 3 Nakano 2-chome Project:** It aims to revitalize the southern side of Nakano Station through simultaneous execution of an urban-redevelopment and a land-readjustment projects, developing and expanding a station square, developing traffic routes to encourage movements of people around the station, and creating a space for people to relax and socialize.



1 Tokyo Mita Redevelopment Project
(Expected completion: Jan 2023)
Location: Minato Ward, Tokyo
Gross floor area: 60,400 tsubo
No. of floors: 42 above / 4 below ground

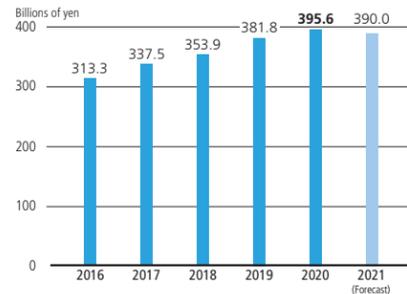


2 Nishi-Shinjuku 5-chome Kita Project
(Expected completion: Mar 2023)
Location: Shinjuku Ward, Tokyo
Gross floor area: 41,300 tsubo
No. of floors: 33 above / 2 below ground

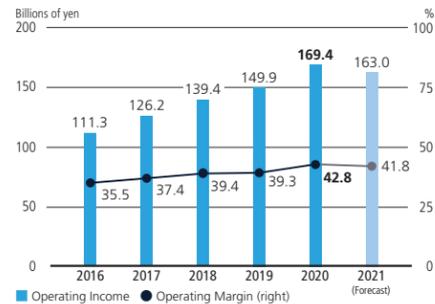


3 Nakano 2-chome Project
(Expected completion: Feb 2024)
Location: Nakano Ward, Tokyo
Gross floor area: 30,000 tsubo
No. of floors: 37 above / 2 below ground

Revenue from Operations



Operating Income and Operating Margin



Gross Floor Area



Overview of the Fiscal Year

In the Tokyo office building market, where more than 90% of our leasing portfolio is concentrated, strong demand continued. Vacancy rates remained at record-low levels, while rent levels of both new and renewed contracts remained on an uptrend.

Under the favorable circumstances, the segment was able to increase both revenue and profit, driven by lower vacancy rates for existing buildings and higher rent, and as Sumitomo Fudosan Onarimon Tower and Sumitomo Fudosan Kojimachi First Building started to contribute to earnings for the full fiscal year after their completion in the previous year. The segment's revenue from operations and operating income both reached record highs for the fifth consecutive year.

Vacancy rate of existing buildings was 1.4%, falling year-on-year once again, from 2.8% at the end of the previous fiscal year. Tenant-seeking activity for new buildings proceeded briskly, with most available units being occupied in buildings to be completed in the fiscal year, including Sumitomo Fudosan Shinjuku Central Park Tower and Sumitomo Fudosan Akihabara First Building, as well as those planned to be completed in the next fiscal year or later, including Sumitomo Fudosan Kojimachi Garden Tower and Sumitomo Fudosan Tamachi Building East. Nearly all units have already been occupied for the buildings to be completed this fiscal year, while about 90% of the units of those scheduled to be completed in the next fiscal year have found tenants.



Sumitomo Fudosan Shinjuku Central Park Tower
(Completion: Aug 2019)
Location: Shinjuku Ward, Tokyo
Gross floor area: 18,200 tsubo
No. of floors: 33 above / 2 below ground

Sumitomo Fudosan Akihabara First Building
(Completion: Oct 2019)
Location: Chiyoda Ward, Tokyo
Gross floor area: 8,200 tsubo
No. of floors: 23 above / 1 below ground

Outlook

For the fiscal year ending March 2021, we expect revenue from operations to total ¥390.0 billion, a 1.4% decrease year on year, while operating income will come to ¥163.0 billion, a 3.8% decrease year on year.

The mainstay office building business is expected to increase both revenue and profit, supported by revenue growth on existing buildings, due to lower vacancy rates and higher rents, and with full-year contribution from Sumitomo Fudosan Shinjuku Central Park Tower and Sumitomo Fudosan Akihabara First Building completed in the year ended March 2020.

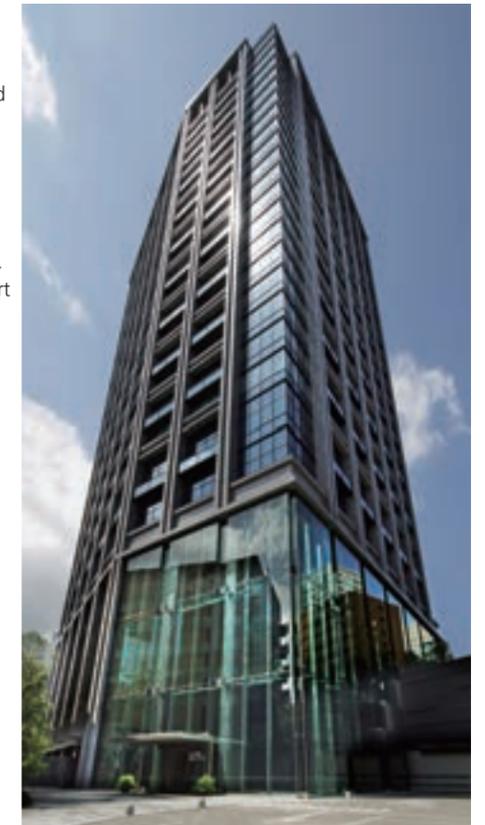
However, as people's movement and gathering was significantly restricted following declaration of the state of emergency prompted by spread of new coronavirus infections, revenue from operations dropped sharply from previous-year levels for the hotel and multipurpose hall businesses. Furthermore, we were compelled to postpone opening of the Ariake Garden and the Haneda Airport Garden, commercial complexes completed in March 2020 (refer to page 19). Earnings forecast for the leasing business, including the office building business, incorporates expected impact from falling sales of the divisions operating these facilities.



Sumitomo Fudosan Ochanomizu Building
(Expected completion: Jan 2021)
Location: Bunkyo Ward, Tokyo
Gross floor area: 3,800 tsubo
No. of floors: 12 above / 1 below ground



Sumitomo Fudosan Tamachi Building East
(Expected completion: Apr 2021)
Location: Minato Ward, Tokyo
Gross floor area: 3,900 tsubo
No. of floors: 8 above ground



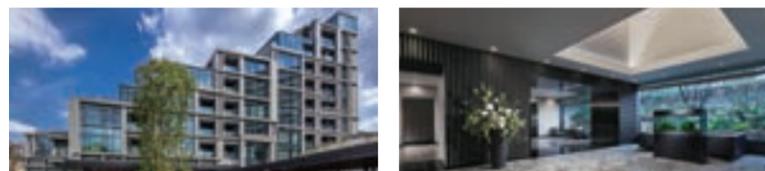
Sumitomo Fudosan Kojimachi Garden Tower
(Completion: May 2020)
Location: Chiyoda Ward, Tokyo
Gross floor area: 14,500 tsubo
No. of floors: 22 above ground

Review of Operations **LEASING**

Condominium Leasing La Tour series

We manage and operated about 5,300 condominium units for leasing primarily in the 23 wards of Tokyo. Of these, 3,400 units of 25 buildings are the La Tour series of premium residences for leasing in central Tokyo, such as Daikanyama, Roppongi, Shibuya and Shinjuku. Offering good views, high-grade specifications and facilities, hotel-style bilingual concierge services, and advanced security systems, the La Tour series is well received by affluent clients worldwide. (As of March 31, 2020)

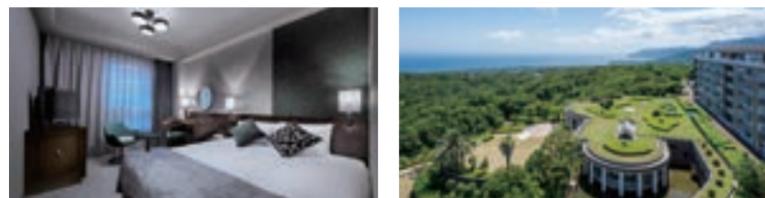
In 2019, La Tour Kyoto Higashiyama received Good Design Awards by Japan Institute of Design Promotion.



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 / 2,749 rooms, including 13 Villa Fontaine hotels in central Tokyo and one each in Osaka and Kobe, and 2 Village series hotels in Izukogen and Kyoto targeting resort customers and tourists. (As of March 31, 2020)

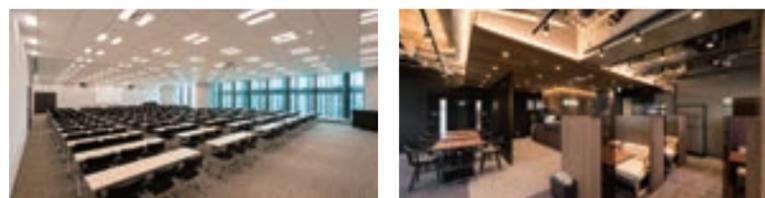
In August 2020, we opened Villa Fontaine Grand Tokyo Ariake with 749 rooms, reaching 18 hotels / 3,498 rooms in total.



Multipurpose Halls Sumitomo Fudosan Bellesalle Co., Ltd.

We operate 29 event halls/conference centers mainly in central Tokyo. Customers can select from a wide choice of venues and packages according to their purpose and preferences. All our venues are easily accessible and have an array of equipment and fixture to meet diverse needs of events ranging from large events such as exhibitions and entertainment, seminars such as academic conferences and lectures, to outdoor events. We also operate 8 belle salles LOUNGES, which offer shared office spaces available from 15 minutes. With many private rooms suitable for web conferences, they also cater for remote working. (As of March 31, 2020)

In June 2020, Tokyo Garden Theater opened in Ariake Garden, and Shinjuku Sumitomo Hall in Shinjuku reopened after renovation.



Ariake Garden A large complex consisting of retail, a hotel, a hall, residences, and a theater, etc.



The Ariake Garden complex opened in June 2020, on a vast 10.7 hectare tract in central Ariake district along the Tokyo Bay.

The integrated facility aims at revitalizing the local community by enhancing living, improving convenience of visiting and creating liveliness in this region. It is comprised of a large shopping mall with over 200 tenants, a multipurpose hall with capacity of about 8,000 people, a theater* for the Shiki Theatre Company, large spa facility with a natural hot spring, a high-grade hotel with 749 rooms, and triple high-rise condominiums with combined total of 1,539 units.

* Scheduled opening in 2021

Project outline

Location	Ariake 2-chome, Koto Ward, Tokyo	No. of floors	Commercial building: 5 above ground, 1 below ground
Site area	Approx. 107,000 m ²	Annex:	6 above ground, 1 below ground
Gross floor area	Commercial district: approx. 172,500 m ²	Hotel:	16 above ground, 1 below ground
	Residential district: approx. 161,000 m ²	Hall:	5 above ground, 1 below ground
Open	June 2020	Residential towers:	33 above ground, 1 below ground



Haneda Airport Garden

The Haneda Airport Garden is a complex consisting of a hotel, retail, a bus terminal, a spa, and other facilities with direct access to Haneda Airport International Terminal, the gateway to Japan. With 1,717 rooms, this will be one of the largest* airport hotels in Japan, meeting the diverse needs of inbound and outbound tourists and business people as well as VIPs.

On the top floor of the hotel, travelers will be able to relieve their fatigue at a natural hot spring offering a view of Mt. Fuji, the first such facility at an airport hotel in Japan.

* The number of rooms, 1,717 rooms, is the largest among hotels located within airport sites in Japan (as of January 2019, based on research by Sumitomo Realty)

Project outline

Location	Haneda Airport 2-chome, Ota ward, Tokyo
Site area	43,035 m ²
Gross floor area	91,680 m ²
Completion	March 2020 (opening postponed*)

* As of August 2020



Business activities to support value creation

Review of Operations

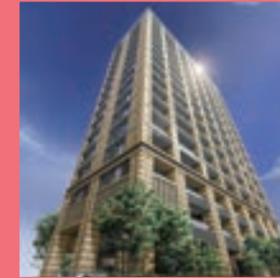
SALES

No.1 supplier of condominiums in Japan for 6 consecutive years

Having entered the condominium sales business in the first half of the 1960s, Sumitomo Realty is a pioneer in the domestic market for condominium development and sales. We have become a leading company for condominium sales in Japan by staying ahead of our competitors, strategically focusing on city centers and proactively developing large, high-rise properties. We have been the No.1 supplier of condominium units both nationwide and in the Tokyo Metropolitan area for six consecutive years.

Key condominium projects (delivery planned in years ending March 2022 or later)

In 2019, Sumitomo Realty renewed its position as the No.1 supplier of condominium units both nationwide and in the Tokyo Metropolitan area for the 6th consecutive year. In addition to the condominiums scheduled to be delivered this fiscal year, more projects are scheduled for the coming fiscal years, including City Tower Musashi Koyama, City House Shimomeguro, Grand Hills Minamiaoyama, City house Koganei Koen, City Tower Osaka Honmachi, and City Terrace Yokohama.



Grand Hills Minami Aoyama
Location: Minato Ward, Tokyo
No. of units for sale: 105
No. of floors: 18 above / 2 below ground



City Tower Musashi-koyama
Location: Shinagawa Ward, Tokyo
No. of units for sale: 318
No. of floors: 41 above / 2 below ground



City Tower Osaka Honmachi
Location: Osaka City, Osaka
No. of units for sale: 855
No. of floors: 48 above / 1 below ground



City House Shimomeguro
Location: Meguro Ward, Tokyo
No. of units for sale: 195
No. of floors: 5 above ground

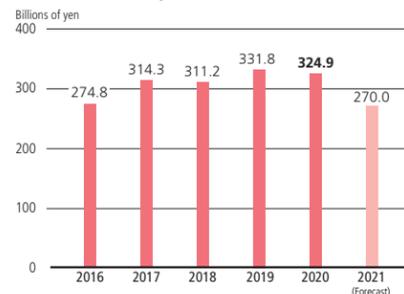


City House Koganei Koen
Location: Kodaira City, Tokyo
No. of units for sale: 740
No. of floors: 9 above ground



City Terrace Yokohama
Location: Yokohama City, Kanagawa
No. of units for sale: 313
No. of floors: North-10 / South-15 above ground

Revenue from Operations



Overview of the Fiscal Year

In the condominium sale market, which represents at least 90% of the segment, the sales environment continued to be favorable with low interest rates, whether in urban or suburban areas, as supply of new properties was limited and sales prices remained stable.

Under such an environment, condominiums, including City Tower Ginza Higashi, City Tower Ebisu and City Towers Tokyo Bay, started handing over units to buyers in the fiscal year under review, recording sales for a total of 5,431 units (including condominium units, detached houses and land lots), down 539 from the previous year. While the segment's revenue decreased due to a fall in the number of units delivered, it successfully increased operating income to a record high for the sixth consecutive year by improving margins.

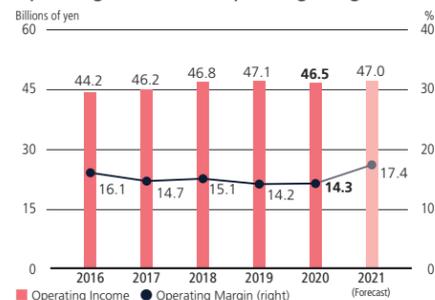
The number of condominium units sold totalled 4,865, down 246 year-on-year, but the figure

was in line with the target as contracts were signed for about 80% of the units at the beginning of the year (vs. about 80% a year earlier) vis-a-vis the 4,500 units whose sales are expected to be booked in the next fiscal year.

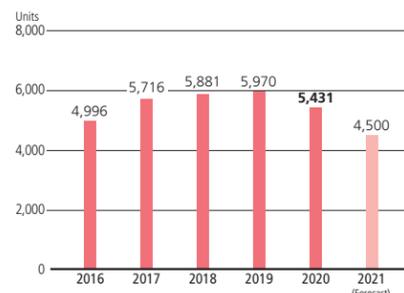
Outlook

Although sales activity was restricted after the state of emergency was declared in early April 2020, about 80% of the 4,500 units planned to be delivered in the year ending March 2021 were sold by the end of March 2020. We expect revenue from operations to fall 16.9% year on year to ¥270.0 billion as the number of delivered units will fall, but operating income to increase 1.3% to ¥48.0 billion, largely in line with the level in the previous year, as margins are expected to improve.

Operating Income and Operating Margin



Units Delivered (Including condominium units, detached houses and land lots)



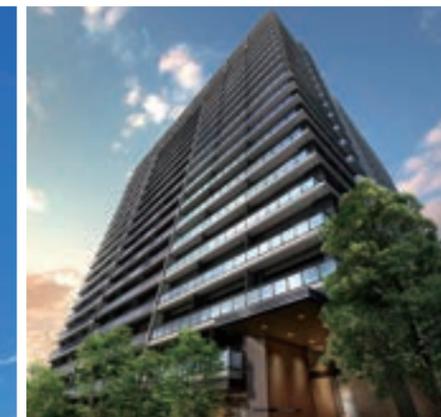
City Tower Ebisu (Delivery from Apr 2019)
Location: Shibuya Ward, Tokyo
No. of units for sale: 310
No. of floors: 23 above / 2 below ground



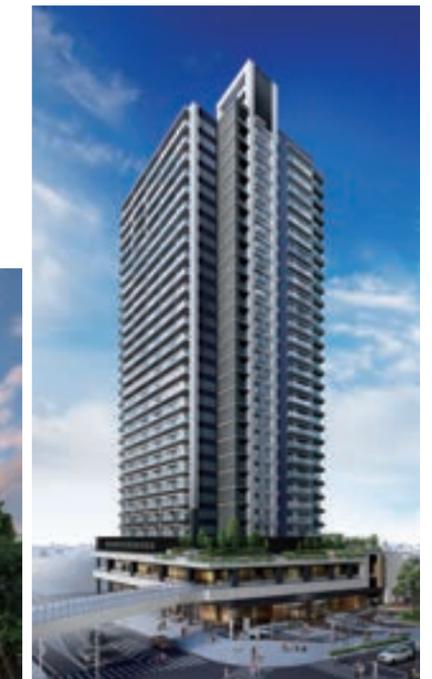
City Tower Ginza Higashi (Delivery from Jun 2019)
Location: Chuo Ward, Tokyo
No. of units for sale: 492
No. of floors: 22 above / 1 floor below ground



City Tower Oimachi (Delivery from Apr 2020)
Location: Shinagawa Ward, Tokyo
No. of units for sale: 493
No. of floors: 29 above / 1 below ground



City Tower Aoi (Scheduled delivery from Mar 2021)
Location: Nagoya City, Aichi
No. of units for sale: 354
No. of floors: 20 above ground



City Tower Tokorozawa Classy
(Scheduled delivery from Jan 2021)
Location: Tokorozawa City, Saitama
No. of units for sale: 277
No. of floors: 29 above / 2 below ground

* From the beginning of March 2021 fiscal year, the business segments for revenue and income from Sumitomo Real Estate Sales have been changed, from the allocation to "Sales", "Brokerage" and "Adjustments (not presented in the document)", to be consolidated into "Brokerage". Financial results for March 2020 fiscal year and financial forecasts for March 2021 fiscal year have been adjusted retroactively.

Business activities to support value creation

Review of Operations

CONSTRUCTION

Remodeling—Shinchiku Sokkurisan

Sumitomo Realty launched the Shinchiku Sokkurisan, an innovative, first-of-its-kind full remodeling package in the industry, in 1996. Rolled out nationwide step-by-step, it has become the top brand in the market with a cumulative total of more than 140,000 units contracted. Furthermore, we started skeleton renovation business for condominiums in 2000, ahead of industry peers, and have been No. 1 in revenue from condominium remodeling six years running.

Custom Homes

In 1972 Sumitomo Realty established a subsidiary in the U.S. where platform wood-frame construction is widely used, subsequently introducing technology cultivated in the U.S. to a business in Japan. We launched American Comfort custom home construction business in 1995, followed by the debut of J-URBAN urban-style housing series in 2003, and their urban exteriors were well received. Aiming for further expansion of the business, we added the "wood panel method" to our lineup in 2014 to strengthen the appeal of our products.

Solution to Rapid Increase in Disused Detached Houses: Remodeling for Repurposing

As an initiative to address the issue of a rapid increase of disused detached houses, Sumitomo Realty started in February 2020 to accept orders for a remodeling service aimed at repurposing existing homes to be used as social welfare facilities (group homes), dormitories (shared houses) and lodging facilities (vacation rental facilities), at Shinchiku Sokkurisan offices located in Tokyo and all prefectures except for Okinawa.

A survey by the Ministry of Land, Infrastructure, Transport and Tourism estimates there are about 480,000 vacant and abandoned disused homes across Japan that are located within 1 kilometer from their nearest stations and require only minor repairs or renovation to be used for meaningful purposes. There are concerns that even these homes, if left disused for many years, may pose the risk of undermining surrounding living environment, exposing nearby residents to the danger of potential collapse, threatening significantly deteriorated hygiene or undermining scenic integrity of their areas. To create safe and sustainable towns, we support efforts to utilize existing properties, which are part of social infrastructure, by demonstrating that such disused homes can be utilized in variable ways other than just renting them.

A Project the Company has undertaken

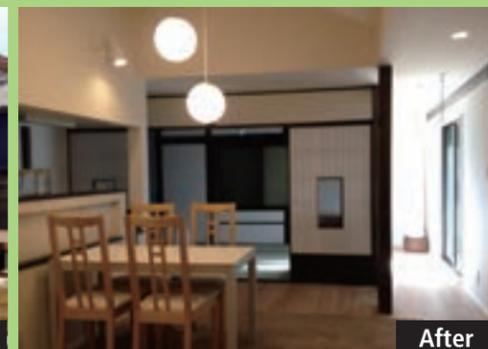
A 64-year-old Japanese-style house remodeled into a vacation rental facility



Before

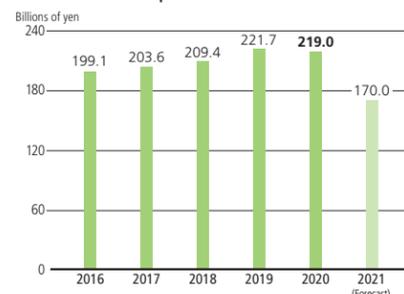


After



After

Revenue from Operations



Overview of the Fiscal Year

The number of units contracted decreased for both the Shinchiku Sokkurisan remodeling and custom-home construction businesses in the fiscal year under review as economic sentiment somewhat stagnated in the second half of the fiscal year, in which consumption tax was raised. However, both the number of units delivered and revenue from operations for the Shinchiku Sokkurisan remodeling service reached record highs, thanks to the revenue contribution from back orders accumulated in a period of solid demand that lasted until the previous fiscal year.

The segment's revenue decreased due to a fall in the number of custom-home construction units delivered, but it successfully increased operating income to a record high through improved margins.

Operating Income and Operating Margin



Remodeling-Shinchiku Sokkurisan

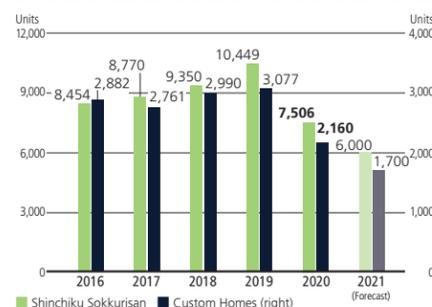


Before



After

Shinchiku Sokkurisan and Custom Home Units Contracted



Before



After

Outlook

For the next fiscal year, we expect revenue from operations to total ¥170.0 billion, a 22.3% decrease year on year, while operating income will come to ¥10.0 billion, a 51.4% decrease year on year.

In the construction business, we significantly restricted solicitation activity for new customer orders or purchase contracts after the state of emergency was declared. Measures included cancellation of a large event held annually during the long holiday and introduction of a requirement for customers to make prior reservation for meetings with sales personnel at model houses. We incorporated expected impact from this and expect both revenue and profit to fall due to a drop in the number of orders for homes.

Custom Homes



J-URBAN



J-URBAN



PREMIUM-J



PREMIUM-J



J-RESIDENCE

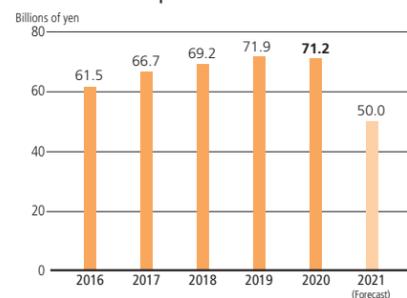


J-RESIDENCE



Sumitomo Real Estate Sales Co., Ltd. was established in 1975 to conduct sales of condominiums developed by Sumitomo Realty. Sumitomo Real Estate Sales entered the real estate brokerage sector in 1979, gaining a listing on the Tokyo Stock Exchange in 1998 and achieving significant success. To achieve further growth as the Sumitomo Realty Group, Sumitomo Real Estate Sales delisted in 2017 and became a wholly owned subsidiary of Sumitomo Realty. We will strive to use our sales network more effectively so as to further increase market share.

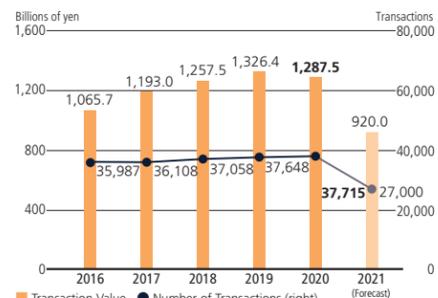
Revenue from Operations



Operating Income and Operating Margin



Number of Transactions and Transaction Value



Overview of the Fiscal Year

In the existing home market, the number of purchase contracts signed for existing condominium units remained at high levels in the Tokyo metropolitan area.

Under such an environment, the segment achieved a record high number of transactions for the fifth consecutive year, with 37,715, up 72 from the previous year as the brokerage business saw existing condominium transactions increase, thanks in part to the opening of Mansion Plaza brokerage offices, which exclusively handle premium condominiums in central Tokyo. On the other hand, both revenue and profit of the segment decreased as a result of a total transaction value decrease due mainly to a decline in land transactions.

The number of directly operated brokerage offices increased by six, bringing the nationwide total to 276 at the end of the fiscal year.

Outlook

For the next fiscal year, we expect revenue from operations to decrease 27.9% year on year to ¥50.0 billion and operating income to decrease 48.3% to ¥10.0 billion.

Incorporating the impact from restricted sales activity and other significant restrictions due to the spread of new coronavirus infections, we expect revenue to decrease due to a fall in the number of contracts.



Mansion Plazas

Since June 2019, Sumitomo Real Estate Sales Co., Ltd. has opened Mansion Plaza brokerage offices focused on premium condominiums that have high asset value in terms of location, scale, management, etc. The number of Mansion Plaza grew from 5 locations in central Tokyo to 21 locations in various cities in the Capital area and the Kansai area. (As of March 31, 2020)

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. We trained them to acquire thorough knowledge of areas and properties so that they can offer brokerage services based on precise assessment of asset value of properties.

Topics



GROUP COMPANIES

Sumitomo Fudosan Tatemono Service Co., Ltd.

Sumitomo Fudosan Tatemono Service Co., Ltd. conducts property management for about 173,000 units nationwide centering on Sumitomo Realty's condominiums. In pursuit of comfortable, safe and secure living environments for customers, offering 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), the company responds to various customer needs based on abundant know-how and solid technological capabilities. Residents of condominiums managed by the company can use professional housecleaning services, housekeeping services, and other useful lifestyle-related services and benefits.



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 constructs Mansion Gallery and carries out interior design and finishing for hotels and commercial facilities, as well as offers proposals for effective land use, such as car park operation.



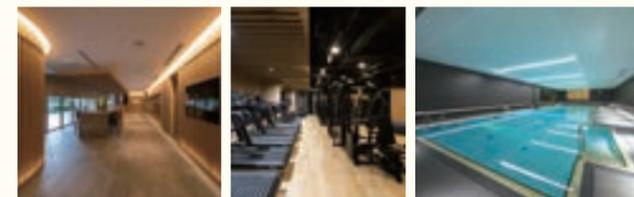
Izumi Restaurant Co., Ltd.

Izumi Restaurant Co., Ltd. provides catering services for social gatherings and various parties. It runs several restaurants such as Azabu Tansumachi Tenryoan (Japanese restaurant) and DELTAZURE (cafeteria). It also runs Rieven House convenience stores within Sumitomo Realty's office buildings in Tokyo, offering a product mix geared to the needs of office workers.



Sumitomo Fudosan Esforta Co., Ltd.

Sumitomo Fudosan Esforta Co., Ltd. directly manages six ésforta 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 municipalities to operate and manage public sports facilities (as of April 1, 2020).



Sumitomo Realty & Development CA., Inc.

Sumitomo Realty & Development CA., Inc. owns and manages InterContinental Los Angeles Century City, a luxury hotel that boasts excellent quality.



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

Refer to page 18.

* From the beginning of March 2021 fiscal year, the business segments for revenue and income from Sumitomo Real Estate Sales have been changed, from the allocation to "Sales", "Brokerage" and "Adjustments (not presented in the document)", to be consolidated into "Brokerage". Financial results for March 2020 fiscal year and financial forecasts for March 2021 fiscal year have been adjusted retroactively.
* 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.

Sustainability

Addressing Social Issues through Business Activities

The Sumitomo Realty Group is engaged in a range of businesses, closely related to people's daily lives, such as office buildings, condominiums, remodeling, custom homes and brokerage. Thus, to achieve sustainable development of the Group, it is indispensable to create even better social assets and pass them down to the next generation through these businesses.

By accurately responding to changes in the social environment, we are committed to development of safe and secure communities that will continue to deliver value far into the future and contribute to the attainment of SDGs.

Our Mission:
"Create even better social assets for the next generation"

Social Issues

Earthquakes

Aging population and population decline

Healthy life expectancy

Environmental problems

Human rights issues

etc...



Our initiatives

Feature

The Reborn Project of Shinjuku Sumitomo Building and "Sankaku Hiroba"p.28

Highlight 1

Sustainable Urban Redevelopment—Osaki Garden City—p.30

Highlight 2

Remodeling—Shinchiku Sokkurisan.p.32

For Disaster-Resistant Community Developmentp.34

For Environmentally Friendly Community Developmentp.36

Urban Development that Contributes to the Community.....p.38

Human Rights and Diversityp.40

Health and Safetyp.42

Together with the Stakeholdersp.44

COVID-19 Prevention Measures.....p.45

Development of safe and secure communities that will continue to deliver value far into the future



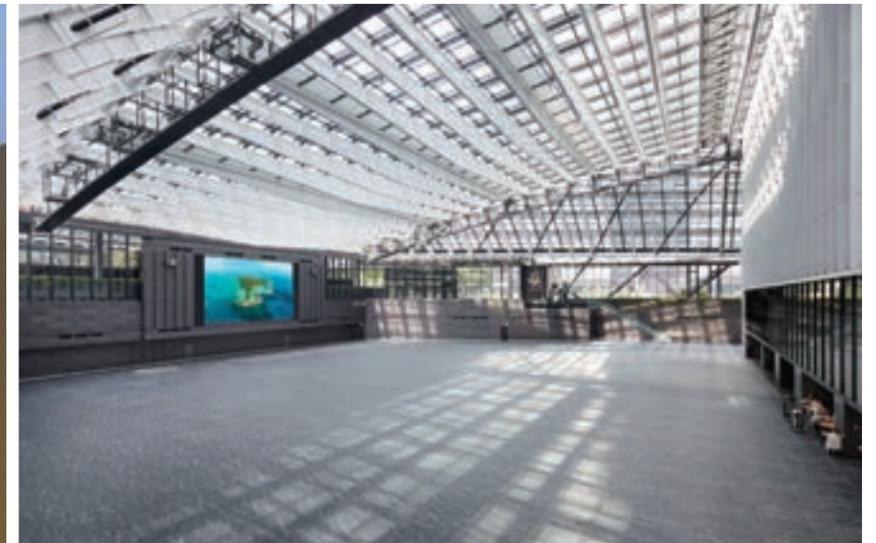
Feature **The Reborn Project of Shinjuku Sumitomo Building and “Sankaku Hiroba”**



Sumitomo Realty implemented an extensive renovation of Shinjuku Sumitomo Building, an office-use skyscraper originally completed in 1974, in a period from September 2017 to June 2020, and opened a large space for public events, “Sankaku Hiroba” (triangular plaza), on July 1, 2020. Sankaku Hiroba is an all-weather atrium created by building a gigantic glass roof over an open public space incorporated into the building’s design. Not only does it add liveliness to Shinjuku area, where wide-ranging functions are highly concentrated, the facility provides disaster preparedness function as an emergency shelter in case of large-scale disasters. Having been renovated using a method that does not require rebuilding, it serves as a model embodying how an office building can achieve sustainability.



An exterior view of Shinjuku Sumitomo Building



Interior view of “Sankaku Hiroba,” one of the largest all-weather event spaces in Japan

Shinjuku’s new hub for liveliness

The Nishishinjuku district, where Shinjuku Sumitomo Building is located, was developed on the former Yodobashi water purification plant ground under an extensive city planning after Shinjuku was designated a subcenter of Tokyo in 1958. It is not only a business center where approximately 200,000 people work, but also an area where there is high concentration of a variety of functions, including large hotels, commercial facilities, universities, hospitals and residential areas on the periphery. On the other hand, a two-layered structure and open spaces representing 80% of the district’s area interrupted continuity of the city scape and flow of pedestrians and dispersed locations of liveliness.

The local community and the government place a high expectations for the Sankaku Hiroba project, as a major joint public-private project, to enhance the function of the district as a whole, rather than a single building, and increase liveliness in 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 model embodying how an office building can achieve sustainability

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 Sankaku Biru, a key landmark in the district, the project created a sophisticated interior space as fresh as a newly constructed building through an 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 used resources more effectively. We also introduced water-saving equipment and lighting system satisfying standards on a par with those for new buildings to reduce environmental load. Furthermore, the remodeled building enhances barrier-free feature of the region by designing pedestrian routes that resolves height gaps in surrounding areas.

The project has become a model that embodies efforts to achieve “sustainability of an office-use skyscraper that coexists with the local community.”

Counter-disaster facility for the district

In 2011, while the project was under way, the Great East Japan Earthquake inflicted unprecedented damage to areas across Japan. As the damage highlighted the importance of disaster preparedness in urban areas, we designed Sankaku Hiroba so that it can shelter temporarily up to 2,850 stranded commuters after disasters, such as earthquakes, taking advantage of its vast space measuring about 3,250 m² with a roof up to 25 m high protecting them from rain or winds.

In the remodeling work to the main building, which was carried out during the construction of the new large roof, we enhanced measures for business continuity planning (BCP) for the further safety of tenants including reinforcement to quake-absorption functions to enhance earthquake resistance, improvement to earthquake resistance of elevators and escalators, and expansion of oil tanks and generators.



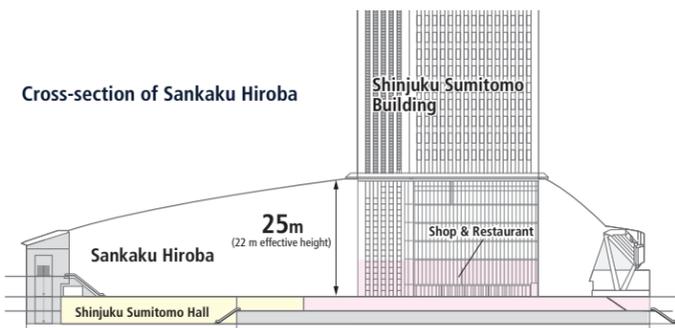
A lively view of the west area of “Sankaku Hiroba”



An exterior view of the entrance to Shinjuku Sumitomo Building



Before the renovation



An event on the street in front of Shinjuku Sumitomo Building

Chronology

1974	Construction of Shinjuku Sumitomo Building completed
2016	Designated as national strategic special zone; city planning of specified district changed
2017	Large-scale renovation started – certified private-sector city revitalization project plan
2020	Large-scale remodeling work completed – “Sankaku Hiroba” opened

Gross floor area: 180,195.16m² / atrium area: approx. 6,500m²

Highlight 1

Sustainable Urban Redevelopment –Osaki Garden City–

Osaki Garden City, completed in October 2018, is a large complex development project with a total floor area of about 220,000 m² consisting of an office tower, a residential tower, and spacious green open public spaces. The site used to be characterized by a densely built-up area with wooden houses, an elevated land creating steep slopes, and narrow streets preventing emergency vehicles from approaching. In addition to these challenges for disaster response, the area had no linkage with the downtown area adjacent to Osaki Station. The completion of Osaki Garden City improved the area's linkage with the downtown area adjacent to the station and helped to tackle the challenges it had faced, contributing to development of the community and enhancing its disaster-prevention.



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

Key points of the Osaki Garden City Redevelopment Project

- Formulation of urban functions and a complex urban area to promote development of the area around the station
- Development of a safe and secure community with enhanced disaster-prevention functions, including elimination of a densely built-up area of wooden houses and widening of narrow streets
- Promotion of universal design of the community, including elimination of the large difference in elevation of the site
- Spacious green open public spaces covering some 8,000 m² to facilitate community building and serve as a disaster-prevention base
- Widen and improve a transportation route connecting Shinagawa City Hall, which will serve as the disaster control center in the event of a major disaster, with the surrounding area (roads to be cleared in the event of an emergency)

Redevelopment project that coexists with the local community



Ceremony for planting cherry trees from Washington D.C.



Osaki Garden City Cherry Blossom Festival

Revitalizing the local community after the building's completion is an important aspect of a redevelopment project. Osaki Garden Tower hosts wide-ranging events, taking advantage of its vast open space. The first Osaki Garden City Cherry Blossom Festival, which took place in March 2019,

provided an opportunity for people from the local community to socialize while enjoying the cherry blossoms. As part of the event, home-coming cherry trees from Washington D.C., which have historic significance in the area, were planted as additions to the existing cherry trees.

City development to tackle the challenges facing the community

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

This area 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. As a result of the redevelopment project, roads around the site were improved and a fireproof condominium building was constructed, realizing a safe and secure community.



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 Widening sidewalks to ensure pedestrian safety

Sidewalks in the area, indispensable infrastructure for daily activities of residents, used to be so narrow that safety of pedestrians was at risk. The project widened sidewalks in the area and ensured that pedestrians can walk without fear.



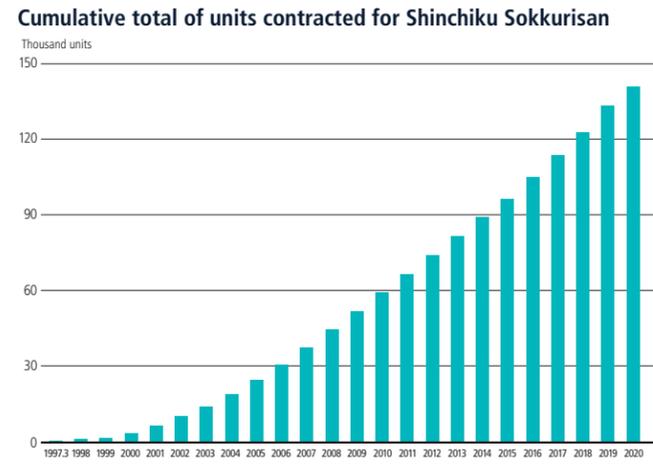
Highlight 2 Remodeling—Shinchiku Sokkurisan

The Shinchiku Sokkurisan remodeling business based on our concept of safe and secure housing has the industry's foremost track record for full remodeling with seismic reinforcement as a standard package. It was launched in 1996 after the Great Hanshin Awaji Earthquake of 1995, with the desire to renovate houses with seismic reinforcement without high cost of rebuilding. In addition to providing highly sustainable houses in which people can live for longer period of time in comfort, it also addresses various social issues concerning houses in Japan, by increasing earthquake-resistant houses, extending lives of houses in Japan, which are typically much shorter than those in Europe and the U.S., realizing efficient utilization of limited resources, as well as reducing industrial waste due to demolition and reconstruction of houses.



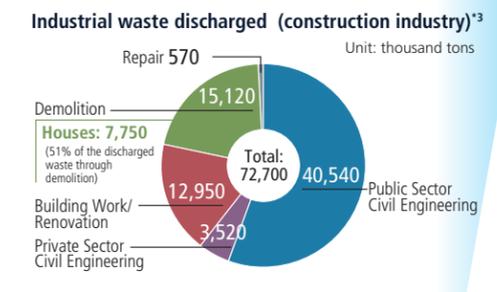
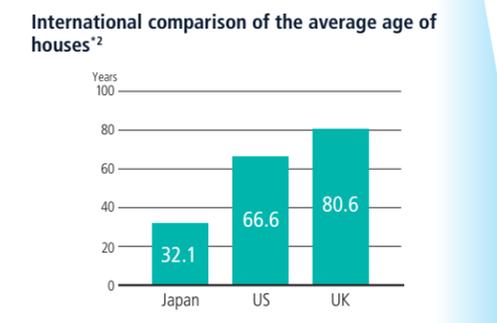
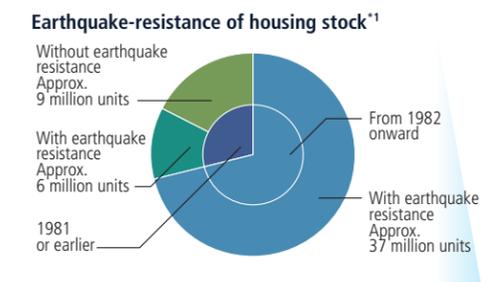
Conventional remodeling	Remodeling—Shinchiku Sokkurisan
Principally remodeling certain parts of the house	New system: neither conventional remodeling nor rebuilding
Seismic reinforcement by remodeling not considered	Full remodeling with a price roughly 50% of rebuilding
unclear pricing	Seismic reinforcement as standard specification
Additional charges incurred due to unexpected circumstances	Clear fixed-price system
	No additional charges

Shinchiku Sokkurisan has met with a positive response among customers with its remodeling proposals corresponding to the lifestyles of individual households as well as fixed-price system based on floor area and Sumitomo Realty's unique business model of appointing dedicated sales engineer from the first consultation to delivery. The cumulative total of units contracted for Shinchiku Sokkurisan reached 140,000 units (as of March 31, 2020).



Social issues concerning houses in Japan

Although the penetration rate of earthquake resistant house 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 the U.S. and the short rebuilding cycle has emerged as an issue in contemporary Japan. Waste from 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 stock type society where houses could be used by successive generations.



Sources:
^{*1} "Progress of Earthquake Proofing of Houses" Ministry of Land, Infrastructure, Transport and Tourism (data as of 2013)
^{*2} "International Comparison of the Average Age of Houses Deregistered in 2018" Ministry of Land, Infrastructure, Transport and Tourism
^{*3} Reference Material 7 of "Residential Land Session, Panel on Infrastructure Development (36th)" Ministry of Land, Infrastructure, Transport and Tourism

Shinchiku Sokkurisan initiatives concerning social issues

Seismic reinforcement

The launch of Shinchiku Sokkurisan remodeling is the expression of our desire to renovate houses, endowing them with earthquake resistance without incurring the high cost of rebuilding. This idea was prompted by the collapse of many aged houses in the Great Hanshin Awaji Earthquake of 1995. We introduced a clear fixed-price system with a price roughly 50% of that of normal rebuilding and seismic reinforcement based on earthquake resistance diagnosis as a standard specification.

Subsequently, in the Kumamoto Earthquake of 2016, a series of powerful tremors caused collapse of houses previously considered not to need seismic reinforcement. In view of such circumstances, we developed a proprietary method to counter such 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.

Environmentally friendly

In Shinchiku Sokkurisan remodeling, the life of the house is extended through earthquake resistance reinforcement while the principal structural elements of the house are retained, thus minimizing industrial waste discharge, CO₂ emissions, and waste of resources.

Moreover, customers can continue living in the house while remodeling work is executed, therefore reducing waste from packing for moving to temporary accommodation.

People friendly

Another aspect of Shinchiku Sokkurisan is people-friendly remodeling. Thermal insulation, waterproofing, and barrier-free design, in addition to seismic reinforcement, offer comfort to the residents. Furthermore, in response to change of family structures and aging population, we offer solutions customized for the lifestyles without rebuilding, such as layout change, extension, downsizing, transformation of a two-story house to a one-story house, or to a two-family house.

Lower cost than rebuilding

The cost of Shinchiku Sokkurisan remodeling is about 50-70% of that of rebuilding. Responding to customers' various needs, lifestyles, and budgets, in addition to conventional "partial reform", we offer "full remodeling" to transform the house into earthquake-resistant one while utilizing the existing structures and "renovation" to completely refurbish both the interior and the exterior enabling flexible layout change.

Types of remodeling Shinchiku Sokkurisan covers

Solution for rapidly increasing disused houses

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

For Disaster-Resistant Community Development

Policy

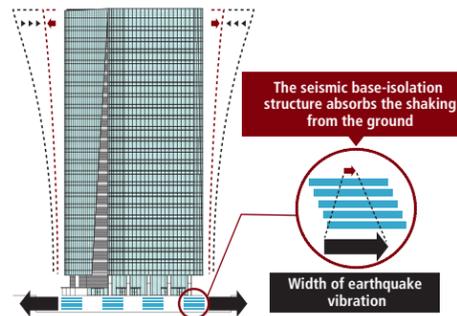
The Sumitomo Realty Group considers that creating social assets, such as office buildings and condominiums, and surely handing them over to the next generation are central to the fulfillment of our mission. We aspire to develop safe and secure communities, not only for the residents but also for everyone in the neighborhood, through our focus on buildings that can prevent or withstand damage in the event of disaster, such as a fire or an earthquake, as well as on regional disaster preparedness as a communal function.

Disaster-prevention for office buildings

Business Continuity Planning (BCP) support through multiple safely measures

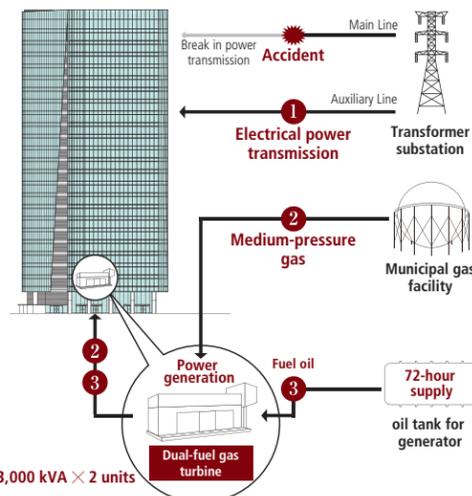
Seismic isolation and damping systems

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 the use of a 2-line power receiving system where an auxiliary line continues to supply power when the main line is disrupted (1), as well as by a three-layer backup system using gas and oil tanks (2 and 3). The Company further strengthens measures for uninterrupted power supply, such as installing emergency power generators. Currently, about 70% of the buildings owned by the Company, and 100% of those that have been completed since 2001, have emergency power generators.



Support of commuters stranded after disasters

When a large disaster hits, public transportation is often paralyzed and a large number of commuters are left stranded.

Sumitomo Realty's office buildings are equipped with facilities to shelter people unable to return home, taking advantage of their highly disaster-resistant features and large spaces incorporated in their designs.

For example, Sumitomo Fudosan Akihabara First Building and Sumitomo Fudosan Akihabara First Terrace, which were completed in 2019, have spaces where stranded commuters can temporarily take shelter after a disaster, aiming to address shortage of such facilities. Measuring 670m² in combined total area, these spaces are equipped with free wi-fi connection to provide evacuees with a means of communication. The entrance hall of the office section can provide shelter for people unable to return home.



Back: Sumitomo Fudosan Akihabara First Building
Front: Sumitomo Fudosan Akihabara First Terrace

Other disaster countermeasures

- Monitoring by Company 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 buildings in areas of flooding risk equipped with temporary flood barriers

Disaster-resistant community development

Disaster prevention for condominiums

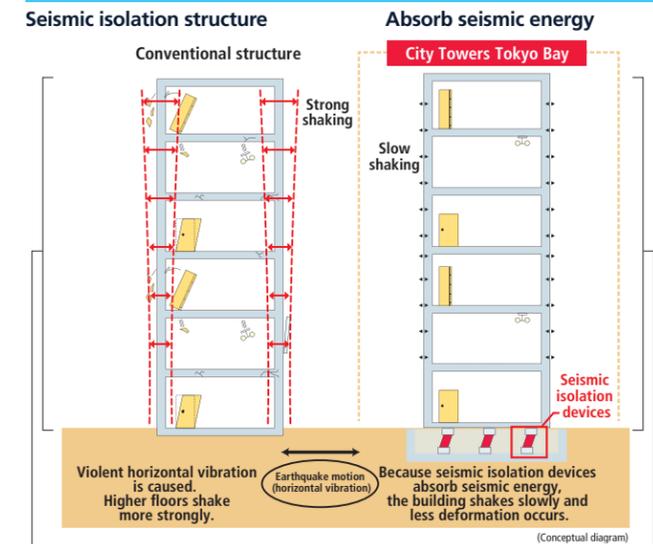
Sumitomo Realty's condominiums feature seismic isolation/control structures to prevent deformation of buildings and alleviate shaking during an earthquake. In addition, various disaster countermeasures are implemented, such as installation of emergency power generators, elevator safety functions, storerooms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

Disaster prevention for construction

Sumitomo Realty's custom home construction and Shinchiku Sokkurisan remodeling maintain high safety standards and introduce multiple earthquake-resistant technologies according to customer needs. The Company's custom homes have a standard specification that uses platform wood-frame construction qualifying for earthquake resistance grade 3, which satisfies the long-life quality housing standard.

Key disaster countermeasure (City Towers Tokyo Bay)

Basic structure



Cracking of pillars and beams Deformation of door frames tends to occur Glass tends to shatter and fall Concrete tends to fracture and fall Lighting equipment tends to fall Sashes tend to come off	Frame tends not to fracture Deformation of door frames tends not to occur Furniture tends not to topple over Lighting equipment shakes less
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- Firm ground and piles
110 piles installed
- Robust pillars to increase earthquake resistance
Welded closed hoops

Disaster countermeasures

For power supply in the event of power outage Emergency power generator	Automatically stop at the closest floor in the event of an earthquake Elevator safety device
Useful for extinguishing fire Fire cistern	Water supply available even if the pump stops Water supply measures in the event of a disaster
Securing water for domestic use, such as for a toilet Emergency wells	Available even in power outage Disaster-ready vending machines
Useful in the event of a disaster Emergency toilets connectable to a manhole	For emergency rescue Helicopter hovering space

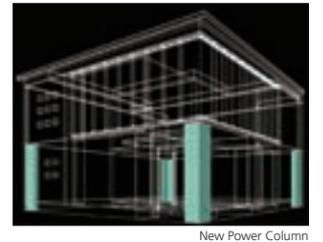
In the event of an emergency, such as an earthquake
Emergency supplies

First-aid kit Long-life drinking water Emergency backpack

Earthquake-Resistant Technologies

New Power Column (Patent No.4875721)

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.



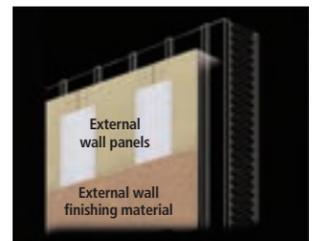
New Power Cube (Patent No.5808689)

In this method, building deformation is reduced by up to about 55% by attaching seismic control systems to the upper part of L-shaped reinforced concrete walls integrated with the foundation and binding them to the second story floor.



Super Power Wall Structure

This construction method adds single-ply walls to platform wood-frame structures to increase earthquake resistance performance of outer walls by about 30%.



Seismic Control System

The system reduces tremor by about 50% by using rubber that has unique viscoelasticity in dampers to absorb seismic energy without resisting it. It also makes homes sturdy against aftershocks.



MAMORY Seismic Control Device

MAMORY is a seismic control device for wooden homes used in a construction method jointly developed by the Company and Sumitomo Rubber Industries, Ltd. By absorbing seismic energy instantly through the use of special high-damping rubber, it makes homes particularly resistant to a succession of strong earthquakes. It can be installed in pillars of existing homes without damaging them to add a seismic control function to them.



For Environmentally Friendly Community Development

Policy

The Sumitomo Realty Group has been contributing to the solutions for social and environmental issues through its businesses on the basis of its fundamental mission to “create even better social assets for the next generation.”

We recognize that environmental issues such as climate change caused by effects of greenhouse gases and resulting increase of storms and floods, water shortage, environmental pollution, high-volume discharge of waste material and squandering of resources, and destruction of ecosystem, constitute substantial social issues that must be given due consideration when conducting business activities. As such, we take actions to address those issues, working in conjunction with our stakeholders including suppliers and tenants.

Initiatives to achieve a low-carbon society

The total amount of energy consumed by Sumitomo Realty is increasing each year as it gains further asset holdings. On the other hand, we have reduced our per-unit energy consumption (energy consumption per unit of leased floor area) by constructing new buildings featuring substantial environmental performance and continuously improving environmental performance by renovating existing buildings after they reach a certain age. We strive to achieve our targets through various actions as below.

Energy Consumption Volumes		2017	2018	2019
① Floor area	m ²	3,126,500	3,263,337	3,616,572
② Energy consumption (crude oil equivalent)	kℓ	120,403	123,516	135,320
③ Per-unit energy consumption (②÷①)	kℓ/m²	0.03851	0.03785	0.03742
④ Adjusted greenhouse gas emissions (derived from energy consumption (SCOPE1&2))	t-CO ₂	244,330	240,243	254,276
Adjusted greenhouse gas emissions (SCOPE1)	t-CO₂	17,487	19,603	18,806
Adjusted greenhouse gas emissions (SCOPE2)	t-CO₂	226,843	220,640	235,470
⑤ Adjusted per-unit greenhouse gas emission (④÷①)	t-CO₂/m²	0.07815	0.07362	0.07031

* The scope of data collected for calculation for energy consumption and greenhouse gas emissions encompasses facilities for which report is required under the Act on Rationalizing Energy Use.

Actions

- LED lighting & brightness sensors
- Adoption of gas co-generation systems
- Roof greening
- Photovoltaic power generation facilities
- Visual monitoring of energy consumption through adoption of building energy management systems (BEMS), etc.

TARGET

1. Reduce the per-unit energy consumption and per-unit greenhouse gas emissions by 1% per year or achieve the benchmark
2. Achieve 3% reduction by fiscal year 2021 in comparison with fiscal year 2018

HIGHLIGHT

- Per-unit energy consumption reduced by more than 1% per year over the last 5 consecutive years (1.2% reduction in fiscal year 2018 YoY)
- Per-unit energy consumption reduced by 25% in comparison with 2009 when we initially disclosed such information
- Per-unit greenhouse gas emissions reduced by 4.4% (in fiscal year 2018 YoY)
- We gained S rank (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 2 consecutive years (*The certification requires that an entity either maintain annual reductions in per-unit energy consumption amounting to at least 1% or otherwise achieve specified benchmark levels)

Initiatives for conservation of water resources

Under the awareness of the value of water resources, we are taking action to conserve water resources, working in conjunction with our respective stakeholders including suppliers and tenants.

Water Consumption Volumes		2017	2018	2019
① Floor area	m ²	3,049,048	3,169,967	3,512,864
② Tap water consumption	kℓ	2,255,859	2,372,610	2,589,444
③ Per-unit water consumption (②÷①)	kℓ/m²	0.7399	0.7485	0.7371

* The scope of data collected for calculation for water consumption encompasses in portions of office buildings from among facilities for which report is required under the Act on Rationalizing Energy Use.

Actions

- Installation of water-saving toilets to reduce water used to flush toilets (reducing from 13 liters to less than 6 liters in single flush, compared to prevalent toilets installed around the year 2000)
- Equipping washbasin faucets with water-saving devices
- Setting up sewage and rainwater reclamation facilities, mainly in large office buildings, that purify the water for use in flushing toilets and watering plants, etc.

Initiatives for waste reduction

We are taking action geared to reducing waste, and making effective use of resources, working in conjunction with our respective stakeholders including suppliers and tenants.

Waste Discharge Volumes		2017	2018	2019
① Floor area	m ²	3,003,138	3,112,276	3,456,972
② Total waste volume	t	14,652	15,428	17,721
Industrial waste	t	10,670	11,164	13,209
General waste	t	3,983	4,264	4,512
③ Per unit waste volume (②÷①)	t/m²	0.0049	0.0050	0.0051

* The scope of data collected for calculation for waste discharge volumes encompasses in portions of office buildings from among facilities for which report is required under the Act on Rationalizing Energy Use.

Recycling Volumes		2017	2018	2019
Volume of recycled waste	t	7,819	8,363	9,289
Total waste volume	t	14,652	15,428	17,721
Percentage of waste recycled	%	53.4	54.2	52.4

* Figures for volume of recycled waste include thermal recycling only if they are non-combustible materials.
Integrated Report 2020



Image of poster

Actions

- Encouraging tenants to separate their garbage by using posters and other means
- Increasing the amount of recycling by double-checking that garbage has been appropriately separated in conjunction with cleaning service providers
- Recycling items such as batteries, fluorescent lights, styrofoam, metals, PET bottles, cans, glass bottles, and waste paper in appropriate formats, etc.

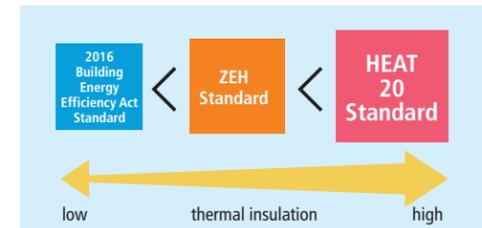
Initiatives to achieve ZEH and long-life houses

In its construction businesses, Sumitomo Realty promotes greater prevalence of residences that have a minimal environmental load. We have made the Net Zero Energy House (ZEH)¹ concept a reality by curbing energy consumption with stringent specifications for thermal insulation and airtight design and installing equipment that generates energy such as Eco-Cute systems, photovoltaic power generation facilities, and storage batteries. We also install home energy management systems (HEMS)² that enable residents to visually monitor their power consumption.

Moreover, our buildings constructed under BREATH NEXT high-performance package plans have been well-received by our customers given that they boast 1.5 times the thermal insulation performance of that under ZEH standards (relative to the UA value³; “BREATH NEXT”: 0.38 W/m²K; ZEH standard: 0.6 W/m²K⁴).

We keep working to achieve more sophisticated technologies going forward, in part through participation as a member of the Investigation Committee of HEAT-20⁵.

In addition, we use specification standards under the “long-life quality housing”⁶ 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.



HEAT-20, exceeding ZEH standards
HEAT-20 is a new set of standards for next-generation housing built with the aim of reducing energy consumption by better insulating houses. The HEAT-20 thermal insulation standards exceed the Net Zero Energy House (ZEH) standards proposed by the government.

¹ ZEH stands for Net Zero Energy House, which refers to a house that effectively consumes zero energy by combining elements of energy savings with elements of energy generation.

² HEMS stands for Home Energy Management System, which is a management system that helps save energy used in the home. Linking home appliances and electrical equipment to an HEMS enables users to visually observe such devices using a video monitor that tracks consumption of electricity, gas and other energy sources, and also enables users to automatically control home appliances.

³ A “UA value” is the rate of average heat flow across a building’s envelope. It constitutes the average amount of heat that escapes from the inside of a house through its floor, outer walls, ceiling and roof, gaps, and elsewhere, to the outside across the entire building envelope.

⁴ The ZEH standard of 0.6 W/m²K (watts per square meter per degree Kelvin) is used as a standard value in Japan’s Kanto region, which is the main geographic area where Sumitomo Realty supplies custom homes.

⁵ HEAT-20 refers to the Investigation Committee of Hyper Enhanced Insulation and Advanced Technique for 2020 houses. It aims at: developing advanced technologies for achieving high-performance thermal shelters for housing while maintaining health and improving comfort of residents, and; raising awareness of assessment methods and thermally insulated housing. To such ends it takes a long-term perspective to focusing on thermal insulation and other architectural technologies geared to achieving further energy savings in homes.

⁶ “Long-life quality housing” refers to a certification system operated by Japan’s Ministry of Land, Infrastructure, Transport and Tourism (MLIT) pursuant to the Act on the Promotion of Popularization of Long-life Quality Housing which aims at a transition to a “stock-type society.”

Acquisition of Green Building Certification

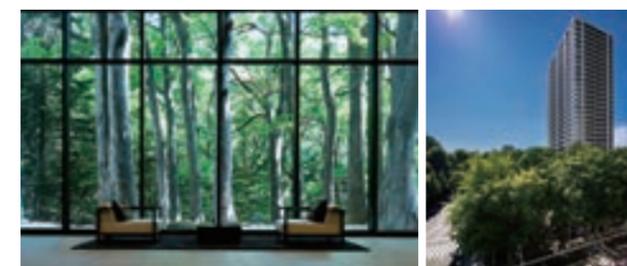
Including our flagship buildings granted Green Building Certification listed below, Sumitomo Realty owns numerous buildings that maintain environmental performance at a level satisfying certification standards.

DBJ Green Building Certification	<ul style="list-style-type: none"> • Tokyo Nihombashi Tower • Sumitomo Fudosan Roppongi Grand Tower • Sumitomo Fudosan Shinjuku Grand Tower
CASBEE top-grade “S” (Excellent) ranking (self-assessment)	<ul style="list-style-type: none"> • Tokyo Nihombashi Tower • Sumitomo Fudosan Roppongi Grand Tower • Sumitomo Fudosan Osaki Garden Tower



Development that protects and makes the most of virgin forests

Urban development projects tend to involve the removal of mature trees that are already on sites earmarked for development. In contrast, Sumitomo Realty seeks to preserve such trees so that they can be utilized as greenery to accomplish attractive urban development in harmony with nature. La Tour Sapporo Ito Garden was developed on the site formerly occupied by Kairakuen, one of the first municipal parks in Japan. The site includes a tract of virgin forest conserved since the time of Kairakuen and remains notable as a place where nature flourishes in an urban setting.



La Tour Sapporo Ito Garden entrance hall (left) and exterior (right)

Contribution of CO₂ emission credits

Sumitomo Realty has generated CO₂ credits upon having reduced its CO₂ emissions by more than the required volume under the Tokyo Cap-and-Trade Program. In November 2019, we contributed 100,000 t-CO₂ worth of such credits to the Tokyo Metropolitan Government, thereby supporting Tokyo’s initiatives to achieve its environment conscious city “Zero Emission Tokyo” aiming at eliminating carbon dioxide emissions.



The appreciation certificate presentation ceremony by the Tokyo Metropolitan Government

Urban Development that Contributes to the Community

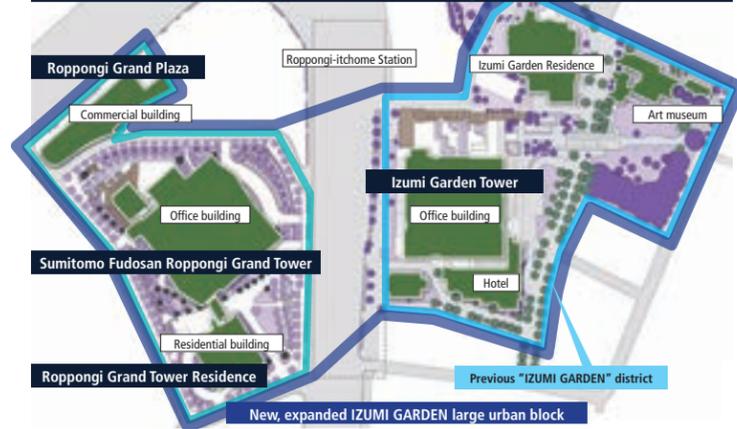
Policy

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 activity.

Contributing to the society and community through redevelopment projects

Through our redevelopment projects, we contribute to revitalization and improvement of convenience for the community. IZUMI GARDEN redevelopment project, which comprises two redevelopment areas, one surrounding Izumi Garden Tower and the other surrounding Sumitomo Fudosan Roppongi Grand Tower, is one of such projects.

Overview of IZUMI GARDEN large urban block



Izumi Garden Tower Redevelopment

The western area of Roppongi 1-chome was not used as a business district because of a lack of geographical continuity due to a height gap reaching up to 20 meters.

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 the Minato Ward and Tokyo metropolitan governments.



Key points of the Izumi Garden Tower Redevelopment Project

- Providing spaces for community members to encounter greenery and culture in central Tokyo
- By including the Roppongi-itchoh station to the development area, it created a spacious underground square, conveniently connected to the subway station
- A terrace square utilizing the difference in elevation and placing characteristic shops, where people can feel liveliness of the city

Roppongi Grand Tower Redevelopment

The urban block centered around Sumitomo Fudosan Roppongi Grand Tower had been inconveniently situated without a train station exit directly connected to it and had pedestrian safety concern due to narrow roads.

The Sumitomo Fudosan Roppongi Grand Tower Redevelopment project solved these issues by redeveloping the district to make it an area in front of the station that is highly convenient with disaster-prevention features.



Solution for the challenges facing the community

The project has improved pedestrian flows in the area by redeveloping the district and the area in front of the station together, and created a west exit to the station. Convenience was enhanced through a new station square measuring 1,280m² and the introduction of a commercial complex.

- Multiple elevators installed to address height gaps and as a barrier-free measure
- 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

Town management of the Izumi Garden district

Sumitomo Realty is engaged in town management to make the Izumi Garden 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 have included events held jointly with operators of nearby buildings and those held with TV Tokyo and BS Japan, which are our tenants.



Other regional and social contribution activity

Charity concert

Sumitomo Real Estate Sales Co., Ltd. has been hosting Step Concerts, a series of classical concerts for families, since 1987, as part of its charity/volunteer activity. The concerts, which have invited a cumulative total of about 230,000 people, were designated a child welfare cultural asset recommended by the Social Security Council of the Ministry of Health, Labour and Welfare in 1996, which recognized them 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.



Shinjuku Creators' Festa

Tokyo's Shinjuku Ward office annually holds a Shinjuku Creators' Festa for the goal of making the ward more attractive through art, performing a makeover, giving it additional liveliness and revitalizing it. In support of this goal, the Company has supported the event as a member of its executive committee since 2016. In this event, many artists put their work on show in wide-ranging art events held in public spaces and facilities, as well as privately owned facilities, surrounding Shinjuku Station. In the fiscal year 2019, the Company posted a huge picture of the "Shinjuku Ward tourism ambassador Chibi Godzilla" mascot on the surface of Shinjuku Sumitomo Building.

Support of open innovation projects between startups and large companies

In recent years, there are increasing moves of open innovation in which large companies and startups work together to create new value. In December 2019, Sumitomo Realty and Sumitomo Mitsui Banking Corporation jointly held an open innovation event named Reverse Pitch.

The event's biggest feature is the adoption of a reverse approach where large corporations stimulate startups with information, contributing to promoting innovation through support of startups.



Local hiring activity

The Sumitomo Realty Group is actively hiring employees locally. Especially in the Shinchiku Sokkurisan remodeling business, our offices across the country hire many local residents, as well as use business partners who understand the characteristics of their respective regions so that they can improve customer satisfaction by offering products and services best suited to the region.

Human Rights and Diversity

Policy

The Sumitomo Realty Group believes that the realization of diversity based on the protection of human rights is essential for the sustainable growth of businesses. We strive to achieve diversity, working together with business partners, tenants and other stakeholders.

Structure for Risk Management Related to Human Rights and Diversity

We have a Risk Management Committee chaired by the President. The Internal Control Meeting under it monitors different aspects of our compliance promotion activities, such as human rights, labor standards and anti-corruption such as bribery. Risks are monitored and addressed by relevant divisions and subsidiaries, while important matters are discussed and determined at principal meetings, including the Board of Directors and other management meetings.

Human Rights

We have established the Sustainable Procurement Guidelines on human rights, which are especially important for its business, to make all employees and business partners aware of the issue.

Basic Policy of Human Rights

- We endorse and respect international standards on human rights and labor, including the International Human Rights Charter, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and 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 and prevent overwork.
- 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.

Ensuring human rights protection

The Sumitomo Realty Group conducts training on human rights for all new employees, distributes a compliance handbook and conducts compliance training for all employees. In the fiscal year ended March 31, 2019, 7,440 employees, including those at Group companies, participated in such training. The Group has a structure in which violation of human rights are detected and addressed promptly through an internal consultation desk and two whistleblowing desks operated by the Internal Audit Division and an external attorney-at-law. Any report of violation is dealt with fairly and strictly, under strict legal protection of the whistleblowers with their privacy maintained.

No incidents constituting human rights violation were found in the fiscal year ended March 31, 2019.

Efforts to prevent child labor and forced labor

The Sumitomo Realty Group works to prevent child labor or forced labor by respecting the Children's Rights and Business Principles and making sure all employees are aware of its basic policy on human rights.

Payment of wages above minimum wages

The Sumitomo Realty Group pays wages above minimum wages.

Providing fair employment opportunities

Sumitomo Realty offers internship programs for students aspiring to work for us upon graduation. In hiring, we provide fair employment opportunities without discriminating individuals based on race, religion, creed, sexual orientation, origin, region, etc.

Compliance Handbook

This booklet describes behaviors in compliance with laws and regulations under given situations, with a goal to help employees develop such behaviors. Its content is updated as necessary.



Key subjects:

Human rights, corrupt practices such as bribery, regulations on advertisement



Promoting diversity

Expanding Women's Roles

We formulated an action plan in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace to increase the ratio of women among new hires. Our target is to increase the ratio of women among new hires for sales and engineering positions, two job categories with promising career opportunities for women, to 25% and 8%, respectively, in the period from April 2016 to March 2021. As shown in the tables below, the ratio has improved every year, and we achieved the target as of March 31, 2019, ahead of the plan. We will continue our efforts to create a workplace where women are empowered.

Number of employees

	2017	2018	2019
Male	4,100	4,200	4,298
Female	1,460	1,532	1,543
Total	5,560	5,732	5,841
Percentage of nonregular employees	18.8%	18.4%	18.1%

* Non-consolidated figures at the end of each fiscal year

Percentage of female employees and female managers

Female employees	26% (as of the end of March 2019)
Female managers	3.8% (as of the end of March 2019)

* Non-consolidated figures

Percentage of female employees in new hires

	2016	2017	2018	2019
Sales positions	17.9%	20.7%	23.7%	26.5%
Engineering positions	5.4%	8.2%	9.2%	9.2%

Employment of people with disabilities

We actively hire people with disabilities. In June 2019, 2.39% of our new hires were people with disabilities, exceeding the 2.2% required under the system on employment rate of persons with disabilities. We currently conduct local hiring and local assignments of people with disabilities in Tokyo and 27 prefectures without discriminating age, gender or region. In order to make workplaces comfortable to work in for people with disabilities, we have installed multipurpose bathrooms and barrier-free elevators.



Child/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 situations, such as the need for childcare or nursing care of family members, etc.

Childcare and nursing care support system and the result

Number of employees working shorter hours	60 (as of the end of March 2019)
Number of employees who took nursing care leave	3 (as of the end of March 2019)
Number of employees who took childcare leave	130 (as of the end of March 2019)
Percentage of employees who returned to work after taking childcare leave	100% (results for the year ended March 31, 2019)

* Non-consolidated figures

Expansion of opportunities for elderly workers

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 different businesses

We take the measures below to promote diversity in our office building, event hall and other businesses, not just in its own organization, but also among our tenants, business partners and other users.

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 elevators and slopes installed if deemed necessary to allow people with disabilities to move freely in all new office buildings
- Day care facilities set up in some offices
- Floor maps and guides shown in multiple languages at large office buildings and hotels

Health and Safety

Policy

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

Management Structure:

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

In addition to financial support for employees receiving a comprehensive medical checkup and free-of-charge influenza vaccination, we conduct an annual health checkup of all employees.

Furthermore, employees can seek advice from medical specialists free of charge about mental and physical health over the phone or face to face. Employees' working hours are strictly managed to prevent excessively long hours of work and carefully manage employee health. Employees who do more than a certain amount of overtime receive a medical check and an interview by an industrial physician.

Also, as part of the initiatives to support employee health, Sumitomo Realty is a corporate member of fitness clubs operated by Sumitomo Fudosan Esforta and encourages employees' use of those facilities.

Performance management regarding health and productivity 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.

Health and productivity management performance

	2017	2018	2019
Percentage of employees who received health check-ups	100%	100%	100%
Percentage of employees who received stress checks*	90.8%	81.8%	89.5%

* Verified and monitored by SB Atwork Corp.

Measures to prevent overwork

We implement the following measures to prevent employee overwork:

- Maximum overtime set at stricter levels than standard set by Labor Standards Act
- Employee PCs forced to shut down at 9 p.m.
- Requiring employees to obtain supervisor approval for use of PCs after 9 p.m. or on holidays
- Warning about excessive overtime issued to employees and supervisors
- Industrial physicians conduct health check-ups based on interview sheets for employees taking certain amounts of overtime, and give face-to-face health guidance, if necessary

Work style proposals

Sumitomo Realty held the "OFFICE MIRAI SUMMIT" event themed "creating offices that can retain talent," with a focus on work-style reforms. Representatives from five of our tenant companies that have successfully secured viable personnel by creating cutting-edge offices participated in a panel discussion, discussing the future of work and what is expected in next-generation offices. We aim to create further opportunities to send messages in anticipation of the new shape of business in the future.



Realizing safe workplaces

Realizing safe workplaces

In order to realize safe workplaces, members of the staff dedicated to safety management regularly patrol construction and management sites throughout Japan to provide guidance or instruct corrections and conduct safety risk assessment for both existing and new operations as necessary. Important findings from these visits are reported at the safety conference attended by about 8,000 individuals, including all our staff engaging in construction work and business partners, to alert them.

The Construction Safety Management Section works to maintain safety, by recording numbers of occupational accidents per division and using them as quantitative indicators, and analyzing their causes in detail to send notices and guidance to prevent recurrence in the event of occupational accidents or high-risk incidents. There has been no fatal occupational accidents involving our employees, including contract employees, or subcontractors for works we originally contracted over the fiscal years 2017 to 2019.



Enhancing human resources

Hiring and performance evaluation systems for diverse human resources

Sumitomo Realty 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.

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.

On-the-job training

We work to expand employee knowledge and experience through instructions by supervisors and communication with colleagues in the process of carrying out duties.

Support for obtaining certifications and attending external seminars

We help employees improve professional skills by subsidizing the costs of obtaining qualifications that are relevant to their duties, including real estate transaction agent, architect, chief electricity engineer, building environment hygiene management engineer, 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 a code of conduct suitable for employees of the Sumitomo Realty Group and ensure their compliance.

Amount of training programs held in the fiscal year ended March 31, 2019

Total hours spent on training	239,309 hour
Hours spent on training per person	41.2 hour/person
Total training costs	¥75,834 thousand

* Non-consolidated figures

Content of training programs held in the fiscal year ended March 31, 2019

Personnel training	Industrial hygiene, harassment
Management training	Harassment, labor management, compliance
Labor 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
Certification acquisition training	Support on acquisition of certifications



Together with the Stakeholders

Policy

The Sumitomo Realty Group engages in business that is closely related to people's daily lives encompassing leasing of office buildings, 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.

Therefore, we take on business initiatives that entail cooperation with our suppliers and business partners involved in design, construction and building management, with the aim of further enhancing high levels of product safety and quality we have maintained thus far, underpinned by our fundamental mission to "create even better social assets for the next generation" under the corporate slogan, "Integrity and Innovation."

Initiatives for quality

Architectural quality

Managing architectural quality in the contracting business

In the contracting business, which includes the housing construction business (custom homes and Shinchiku Sokkurisan remodeling) and interior work for tenants, we aim to improve design and construction quality acting as a prime contractor by engaging in the following initiatives.

- 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 business
- Instructing design and construction contractors to take corrective action as necessary
- Performing periodic follow-up inspections after completion
- Holding periodic meetings on sharing technology enlisting participation of all construction managers
- Implementing periodic technical training involving construction contractors for the respective construction jobs

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 for design and construction work
- Front-loading^{*1} of design and construction for each phase of work, based on past experience

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



Building 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 oversee managerial affairs and otherwise 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 in 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 schedules accordingly.

Quality control of condominium management

Sumitomo Fudosan Tatemono Service Co., Ltd. undertakes management services entrusted to it by condominium management associations. It has established a framework that enables it to quickly respond to the needs of management associations and residents through its 24-hour customer center, as well as having its employees patrol facilities on a daily basis.

Moreover, we also strive to bring about uniform managerial standards and improve those standards. To such ends, we maintain a training center capable of holding workshops and facilitating case studies, upon having developed a detailed manual of business operations.

In addition, we have set up websites exclusively for residents, and offer a swift support service for promptly addressing issues such as repairs of tenant-owned areas of condominiums, a cleaning service, and housekeeping services. These efforts to offer greater lifestyle convenience and abundance have been well received by residents.

Customer feedback

In managing and operating its buildings and condominiums, 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

Policy

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, and maintain social distance in workplaces



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.

Business	Measures
Building leasing	<ul style="list-style-type: none"> • Urging users to maintain social distance in the elevators using posters • Suspending the use of air hand-dryers in bathrooms • Regular 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 system • Use of acrylic panels to prevent droplet infection at sales offices
Hotel management	<ul style="list-style-type: none"> • Sanitization of rooms using ozone sterilizers and air purifiers set up in all rooms • Buffet meals replaced with menu-based orders • Requiring guests to fill out a medical questionnaire form at check-in
Multipurpose Hall	<ul style="list-style-type: none"> • Providing rental of thermographic cameras • Proposal of layouts that maintain a certain distance between visitors • Measures to minimize contact between visitors at venues, including use of dedicated elevators and reserving of entire floors
Fitness club management	<ul style="list-style-type: none"> • Temperature measurement device with facial recognition installed • Limiting the number of lockers used and increasing the frequency of ventilation of each area • Remote studio lessons

Topic | Remote Condominium Sale Service Started

As a new way of selling newly built condominium units during and after the coronavirus pandemic, we introduced a remote condominium sale 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.

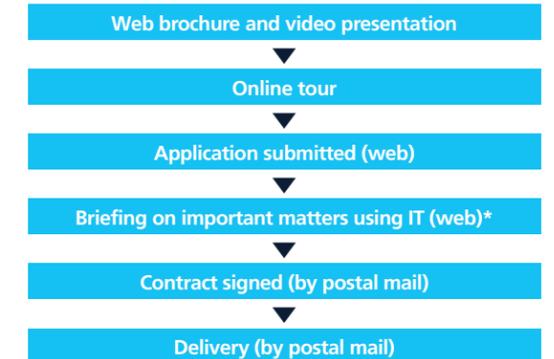
The service allows customers to purchase condominiums safely, at their request, by avoiding directly facing sales staff in all phases of purchase, from the initial step of collecting information about a unit, tour of the model room, submission of application/signing of the contract, briefing on important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



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

Board of Directors and Statutory Auditors (As of September 30, 2020)

*Representative Director



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

Chairman of the Board
Kenichi Onodera



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)

President
Kojun Nishima*



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
Nobuaki Takemura*

(Significant concurrent positions outside the Company)
Director of Sumitomo Real Estate Sales Co., Ltd.



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)

Deputy President
Masato Kobayashi*



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

Director/
Senior Managing Executive Officer
Hiroshi Kato



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

Director/
Senior Managing Executive Officer
Hisatoshi Katayama



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

Director/
Senior Managing Executive Officer
Yoshiyuki Odai



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 (present)

Director/
Senior Managing Executive Officer
Koji Ito

(Significant concurrent positions outside the Company)
Representative Director - President of Sumitomo Real Estate Sales Co., Ltd.

Managing Executive Officer

Ryuzo Amemiya

Executive Officer

Ichiro Wada

Hiroyuki Hashizume

Makoto Nakano

Takuji Iba

Outside Director



Outside Director
Yoza 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
Jun 2014 Statutory Auditor of the Company
Jun 2019 Director of the Company (present)



Outside Director
Nobumasa Kemori

Sept 1980 Joined Sumitomo Metal Mining Co., Ltd.
Jun 2007 President, Representative Director
Jun 2013 Chairman, Representative Director
Jun 2017 Executive Advisor (present)
Jun 2019 Director of the Company (present)
(Significant concurrent positions outside the Company)
Executive Advisor of Sumitomo Metal Mining Co., Ltd.
Outside Director of NAGASE & CO., LTD.
Outside Director of JFE Holdings, Inc.

Statutory Auditors



Statutory Auditor
Yoshifumi Nakamura

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



Statutory Auditor
Toshikazu Tanaka

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



Outside Statutory 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 Statutory Auditor of the Company (present)



Outside Statutory Auditor
Chiyono Terada

Jun 1976 Founded Art Hikkoshi Center
Jun 1977 Established Art Hikkoshi Center Co., Ltd. (Currently, Art Corporation), President and CEO
Apr 2018 President and CEO of Art Group Holdings (present)
Dec 2019 Chairperson Emeritus of Art Corporation (present)
Jun 2020 Statutory Auditor of the Company (present)
(Significant concurrent positions outside the Company)
President and CEO of Art Group Holdings
Chairperson Emeritus of Art Corporation
External Board member of Daikin Industries, Ltd.

Outside Directors and Auditors' Relationship with the Company and Reasons for Appointment

Name	Designation as Independent Officer	Reasons for Appointment and Supplementary Explanation of the Relationship
Yoza Izuhara	○	Mr. Izuhara 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 director and has appointed him to that position. Mr. Izuhara previously worked for 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.
Nobumasa Kemori	○	Mr. Kemori 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 director and has appointed him to that position. Mr. Kemori previously worked for 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.
Yoshiyuki Norihisa	○	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 statutory auditor and has appointed him to that position. Mr. Norihisa previously worked for 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.
Chiyono Terada	○	Ms. Terada has rich experience and wide discernment as a manager at another company. In view of her personality, insight, experience, etc. the Company judges she is suitable and qualified to serve as an outside statutory auditor and has appointed her to that position. 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, which amounts to less than 0.1% of sales for either party based on the most recent fiscal year, the Company judges it is unlikely the relationship would have any impact on decisions of shareholders and investors.

Matters concerning Corporate Governance

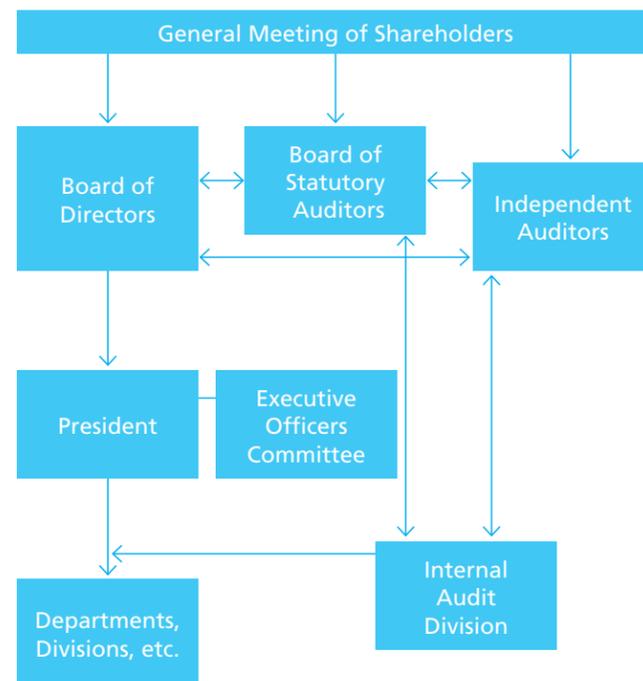
Corporate Governance Overview

Fundamental approach to corporate governance

To achieve sound management, Sumitomo Realty believes that it is important to share information on a companywide basis, ensure that everyone is aware of problems, enhance internal management supervision and achieve highly transparent management through appropriate information disclosure. We have implemented a number of corporate governance initiatives to realize these practices efficiently.

Institutional design	Company with Auditors
Number of directors (of whom outside directors)	10 (2)
Number of statutory auditors (of whom outside statutory auditors)	4 (2)
Terms of office of directors	2 years
Analysis and evaluation of effectiveness of the Board of Directors	At the meeting of the Board of Directors held on March 30, 2020, analysis and evaluation of the structure and the operational status of the Board of Directors were performed, and it was confirmed that effectiveness of the Board of Directors is secured appropriately.
Opportunities for outside directors and statutory auditors for gaining information	The Company periodically briefs outside directors and statutory auditors on the industry to which the Company belongs, the Company's history, business overview, financial information, strategies, organizations, etc. and offers all directors and statutory auditors opportunities for gaining information necessary for them to fulfill their roles and responsibilities.
Compensation system for directors and statutory auditors	Performance-based compensation system
Auditing company	KPMG AZSA LLC

Corporate Governance Structure



outside director is on page 47.

Both of the outside statutory auditors has abundant management experience at other companies, and they were nominated because their character and knowledge were considered to be appropriate for the Company's statutory auditors. The outside statutory auditors fulfill their roles by expressing objective opinions on governance from an independent standpoint from the Company without being influenced by executives responsible for operational execution. They also work together to improve auditing by, for example, exchanging opinions as needed with other statutory auditors, the Internal Audit Division and the independent auditors. At the same time, they provide timely advice and guidance to internal departments associated with internal control.

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

The Company periodically briefs outside directors and statutory auditors on the industry to which the Company belongs, the Company's history, business overview, financial information, strategies, organizations, etc. The Company also offers all directors and statutory auditors opportunities for gaining information necessary for them to fulfill their roles and responsibilities.

The Internal Audit Division, which has 10 staff members, monitors the operational execution of divisions throughout the Group and the operation of internal control systems. The division also works to prevent misconduct and mistakes, and proposes operational improvements. Moreover, the division reports the results of its audits to the statutory auditors and the independent auditors and exchanges opinions with them in an appropriate manner. These activities help to improve the quality and

efficiency of the audit work of the Internal Audit Division, the statutory auditors and the independent auditors. At the same time, the Internal Audit Division, the statutory auditors and the independent auditors provide timely advice and guidance to internal departments that are associated with internal control.

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

Reasons for Adopting the Current Corporate Governance Structure

In addition to directors who are well-acquainted with the Company's business, we established a structure in June 2015 for appointing two outside directors for further enhancement of management efficiency and strengthening of the corporate governance structure. To strengthen the management oversight system, we have also adopted a structure for the Board of Statutory Auditors that includes two outside statutory auditors, and we therefore believe that sufficient corporate governance functions are in place.

Although no voluntary committees have been established, the Company has adopted the following system for strengthening independence and objectivity of the functions of the Board of Directors concerning nomination, compensation, etc. of senior executives and directors as well as accountability.

Regarding nomination of candidates for positions as senior executives and directors, persons with rich 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, and the candidates are determined by the Board of Directors based on thorough deliberation, reflecting independent and objective opinions of independent outside directors and outside statutory auditors in addition to opinions of internal directors who are familiar with the Company's business.

Overview of Limited Liability Agreements

The Company has entered into a limited liability agreement with each of its all outside directors and outside statutory auditors in accordance with laws and regulations and provisions of the articles of incorporation. Under the agreements, their liabilities are limited to the minimum limit stipulated by laws and regulations.

Number of Directors

The number of directors of the Company shall be 12 or fewer as specified in the articles of incorporation.

Requirements for a Resolution of Election of Directors

In the Company's articles of incorporation, it is specified that a resolution for election of Directors shall be adopted at a General Meeting of Shareholders by a majority vote of the shareholders in attendance who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights, and the resolution shall not be adopted by cumulative voting.

Purchase of Own Shares

By the resolution of the Ordinary General Meeting of Shareholders held on June 28, 2007, the Company partially amended the articles of incorporation, and in the amended articles of incorporation it is specified that the Company may purchase its own shares through market transactions, etc. by a resolution of the Board of Directors.

The purpose is to enable flexible implementation of a capital policy in response to change in the business environment and to diversify the means of returning profit to shareholders.

Requirements for Special Resolutions of a General Meeting of Shareholders

In the Company's articles of incorporation, it is specified that a resolution of a General Meeting of Shareholders pursuant to Article 309, Paragraph 2 of the Japanese Corporate Law shall be adopted by two-thirds (2/3) or more of the votes of the shareholders in attendance who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights. The purpose is to ensure smooth operation of a General Meeting of Shareholders by easing the quorum required for special resolutions of a General Meeting of Shareholders.

Interim Dividend

In the Company's articles of incorporation, it is specified that the Company may pay an interim dividend with the record date of September 30 of each year by a resolution

of the Board of Directors for flexibly returning profit to shareholders.

Exemptions of Liabilities of Directors and Statutory Auditors

In the Company's articles of incorporation, it is specified that the Company may exempt directors and statutory auditors from liability for damages to the Company within the scope stipulated by laws and regulations by a resolution of the Board of Directors so that directors and statutory auditors can fulfill the roles and functions expected of them.

Independent Auditors

In accordance with the Japanese Corporate Law and the Financial Instruments and Exchange Act, the Company has concluded an auditing contract with KPMG AZSA LLC for the auditing of the Company's accounts.

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

Regarding election of the independent auditor, the Company makes a comprehensive judgment, taking into consideration the appropriateness of the quality control system, independence of the auditing company, validity of the audit plan and audit fees, etc.

The statutory auditors and the Board of Statutory Auditors deem that there are no grounds for dismissal of or refusal to reappoint the independent auditor concerning the status of independent auditor's execution of duties, audit system, independence, etc.

The fees paid to auditing certified public accountants, etc. during the year ended March 31, 2020 amounted to ¥205 million.

Compensation etc. of Directors and Statutory Auditors

At the ordinary General Meeting of Shareholders held in June 2004, we introduced a new performance-based compensation system for directors. Under this system, the annual compensation for directors is based on the Company's performance. The new system combines the three elements that made up the previous system—monthly compensation, annual bonuses and retirement allowances.

Under the new system, total annual (July to June) compensation for directors is set at just 1% of consolidated ordinary profit (The number of directors at the time of the resolution concerning the system was 12).

Allocation to individual directors is thoroughly deliberated at meetings of the Board of Directors also attended by independent outside directors and outside statutory auditors before being determined upon agreement by the Chairman of the Board and Representative Directors, in consideration of each director's duties and level of contribution to performance. The remainder is retained without fixing the amount per director. Upon the introduction of the executive officer system on April 1, 2020, the Company has decided to pay compensation for executive officers from the total annual amount of the current compensation for directors as well.

Compensation of statutory auditors who are independent from business execution is in fixed amounts, 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.

In the year under review, compensation for directors (excluding outside directors) was ¥1,969 million, compensation for statutory auditors (excluding outside statutory auditors) was ¥30 million and compensation for outside directors and outside statutory auditors was ¥57 million.

The above-mentioned amount of compensation of directors is not paid to each of the directors in whole in the year under review, but around 50% of the whole amount is 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 statutory auditor cannot be determined, and thus, the reserved amount will become subject to calculation of compensation etc. of each director or statutory auditor upon payment in the future or upon confirmation of future payment.

The total amounts of consolidated compensation, etc. respectively paid to individuals whose total consolidated compensation, etc. exceeded ¥100 million were: ¥2,259 million, including basic compensation of ¥65 million and retirement benefits of ¥2,194 million, paid to Director Junji Takashima; ¥109 million paid to Director Kenichi Onodera, and ¥120 million paid to Director Kojun Nishima, all of which were basic compensation. The retirement benefits of ¥2,194 million was paid from funds reserved from past fiscal years.

Other Information concerning Governance

The policy on large-scale purchase of shares of the company (takeover defense measures)

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 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 3.3m²), 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, 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 foundations 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 believes that it must seek a mandate from its shareholders upon having ensured sufficient information and time for completing discussions, and 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 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 our company provide to the shareholders necessary and sufficient information, opinions, alternative proposals etc., and necessary and sufficient time to consider the provided information, opinions, alternative proposals etc.

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.

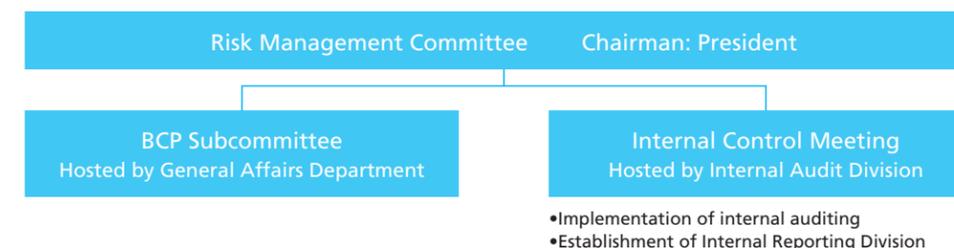
The Company strives to provide explanation of the Company's corporate management and business activities through General Meetings of Shareholders, financial results briefing sessions, individual meetings, and other opportunities for communication with shareholders and investors.

If a shareholder requests a dialogue, the Company's policy is that the department responsible for IR or other departments 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.

Regarding dialogues with shareholders, the Company exercises due care concerning the handling of insider information, and notifies, as necessary, important meetings such as management meetings attended by directors and senior executives, of the details of the dialogues.

Risk Management

Risk Management Structure



Systems for ensuring appropriateness of business operations

The Company considers that establishment of internal control systems is one of the important management issues concerning the enhancement of corporate value and sustainable development of the Company and its subsidiaries (hereinafter referred to as the "Group") as a whole. With regard to the matters listed below, the Company shall establish systems in which roles and responsibilities of the Group's directors and employees are clarified, and through operation and appropriate review of such systems, the Company shall strive to establish appropriate systems for governance of the Group's directors and employees.

- Systems for ensuring that the execution of duties of the Group's directors and employees complies with laws and regulations and with the articles of incorporation**
In order to enhance and strengthen internal control of the Group, 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 Division), 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 Division performs internal audits including those of subsidiaries, and several contacts for whistleblowing are established within and outside the Company to detect and prevent any misconduct or illegal acts.
- Systems for retention and management of information concerning the execution of duties of the Company's directors**
Minutes of meetings of the Board of Directors of the Company, requests for managerial decision, and other documents (including electromagnetic records) are prepared, and these documents are retained and managed by the respective responsible departments in accordance with the Criteria for Document Retention Periods and the Information Management Rules.
- Rules and other systems related to management of risks of losses of the Group**
Among the risks of the Group, 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 Company's Board of Directors and other important meetings such as management meetings. Moreover, in order to address risks of large-scale disasters, etc. affecting business continuity, the BCP Subcommittee (hosted by the Company's General Affairs Department), a subordinate organization of the Risk Management Committee, monitors the status of development of business continuity planning (BCP) by the Group, and reports the result to the Risk Management Committee.
- Systems for ensuring that the execution of duties of the Group's directors is performed efficiently**
The Group's directors direct and supervise business operations of the respective departments and subsidiaries in accordance with the Company's management plan. Moreover, the Group's employees efficiently perform their duties under the direction and supervision of the Board of Directors and heads of respective departments, etc.
- Systems for ensuring appropriateness of business operations of the Group consisting of the Company and its subsidiaries and systems related to reporting of matters concerning the execution of duties to the Company**
The Company periodically receives reports from each subsidiary on the execution of duties, such as the status of business execution and financial conditions, and

provides advice and guidance concerning business operations properly, depending on the nature of the matter in question.

Moreover, the Company's statutory auditors and the Company's Internal Audit Division audit each subsidiary, as necessary.

- Particulars related to employees when the Company's statutory auditors request that employees be appointed to assist with the duties of the statutory auditors and particulars related to ensuring independence of such employees from directors and effectiveness of the instructions of the Company's statutory auditors to the employees**
If the Company's statutory auditors make requests to personnel of the Company's Internal Audit Division concerning matters necessary for audit practices, such personnel shall proactively offer cooperation. In such a case, the personnel who provide assistance shall not be in the chain of command of directors or any other personnel concerning the matters for which they are requested to provide assistance.
- Systems for reporting to the Company's statutory auditors by the Group's directors etc. and employees or by a person who received reports from such persons and other systems related to reporting to the Company's statutory auditors**
When the Group's directors, etc. and employees or a person who received reports from such persons report to the Company's statutory auditors, or when they are requested by the Company's statutory auditors to report, necessary reports shall be provided swiftly and persons who make reports shall not be treated disadvantageously for reasons of making such reports. Moreover, the independent auditor and the Company's Internal Audit Office shall report to the Company's statutory auditors concerning the audit status properly.
- Particulars related to policies concerning the procedures for advance payment or reimbursement of expenses that arise with regard to the execution of duties of the Company's statutory auditors or any other processing of expenses or obligations that arise with regard to the execution of duties**
When, concerning the execution of duties, a statutory auditor of the Company requests advance payment or reimbursement, etc. of expenses in accordance with the Japanese Corporate Law, the Company shall process such expenses or obligations, excluding any cases deemed unnecessary for the execution of duties of the said statutory auditor.
- Other systems for ensuring that audits by the Company's statutory auditors are performed effectively**
Opportunities are ensured for the Company's statutory auditors to attend meetings of the Board of Directors and other important meetings so that they can comprehend the Group's important issues, etc., and state opinions, as necessary.
- Basic view for elimination of antisocial forces and the status of establishment of such systems**
The Company shall take a resolute attitude toward antisocial forces that threaten social order and safety, and have no relationships with such antisocial forces. Designating the General Affairs Department as a division in charge of countermeasures against antisocial forces, the Company has appointed a person responsible for the prevention of unjust claims. Furthermore, the Company collects and manages information concerning antisocial forces by collaborating with the police and other relevant institutions, and shares such information internally along with cautionary notices.

Timely and appropriate information disclosure and communication with shareholders and investors

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, the Finance and Accounting 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.

Business Risks

The businesses of leasing, sales, construction, and brokerage that we operate are susceptible to economic trends, corporate performance, trends in personal income, trends in land prices, financial market situations, taxation system, and other social aspects. These factors may impact the Group's operating results and financial position. Of these, key risks recognized by the management, as of the end of the fiscal year ended March 31, 2020, as having the potential to significantly affect consolidated financial position, earnings results and cash flow situations are as follows.

1. Risk related to the spread of COVID-19

Businesses and consumer activities are currently restricted globally due to the spread of new coronavirus infections (COVID-19). For the year ending March 31, 2021, we have published an earnings forecast predicted on a scenario in which economic activity will gradually come back up starting in the fiscal second quarter but will not return to the level of the previous year by the fiscal year-end due to the impact of the spread of COVID-19.

Specifically, we expected a significant fall in sales in the facility-operating businesses, including hotel and multipurpose hall businesses, where movement and gathering of people are significantly restricted after a state of emergency was declared, and declines in orders and contracts in the business of remodeling, custom home construction and brokerage, where customer-attracting events and face-to-face sales activity were severely restricted, and assumed that the total negative impact on profit will exceed ¥30.0 billion mainly for these five business areas. On the other hand, office building leasing business, which represents two-thirds of the Group's operating income, is expected to increase in both revenue and profit, supported by record-low level

vacancy rates. Also, in the condominium sales business, which accounts for 20% of the Group's operating income, about 80% of the units whose sales are planned to be booked in the year ending March 31, 2021 had already been sold when the fiscal year started. We expect these two main business areas will support earnings.

In terms of funding, there has been no impact on the acquisition of land properties for operation or capital expenditure plans as we secured ample amounts of cash and cash equivalents at the beginning of the fiscal 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 the new coronavirus pandemic is not contained in Japan and major countries of the world and infections continue longer than expected, worsening the situation beyond the above assumptions, the Group's earnings and financial position may be affected as the fall in sales continues for the hotel, multipurpose hall and commercial facility operating businesses, affected by restrictions on movement and gathering of people, and demand decreases in other businesses due to slowdown and shrinkage in economic activity.

2. 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. However, a rapid and significant change in the financial environment, a change in the operational situation of lenders, etc. may inflict a negative impact on the Group's earnings performance or financial position in the forms of rises in borrowing rates and deteriorated cash flows.

Consolidated interest-bearing debts, etc. in recent fiscal years (Years ended March 31)

	2016	2017	2018	2019	2020
Consolidated interest-bearing debts	3,158,901	3,370,474	3,473,512	3,342,786	3,440,908
Consolidated equity	888,099	1,007,347	1,114,975	1,202,103	1,294,998
Debt-to-equity ratio*	3.3	3.1	2.9	2.6	2.5
Percentage of long-term debts	98%	98%	98%	99%	96%
Percentage of debts bearing fixed interest rates	94%	95%	94%	96%	95%

* Consolidated interest-bearing debts / Consolidated equity

3. 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 Office 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. Still, there is possibility that the Group's business performance and financial position may be affected through impacts of changes to laws, etc. on business activities. Furthermore, if the Group and its officers and employees commit compliance violation, the Group's business performance or financial position may be affected as confidence in the Group is undermined and demand for the Group's products decreases.

4. 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. However, if information is leaked due to cyberattacks or

negligence on the part of our employees, the Group's business performance or financial position may be affected due to payment of compensation for the damage or decreases in demand for its products as confidence in the Group is undermined.

5. 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 activity in order to ensure operational sustainability. However, if a force majeure event occurs in an extent that far exceeds our assumptions, the Group's business performance or financial position may be affected as it faces costs to reconstruct its properties or slowdown in business activity.



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
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2020
For the Year												
Revenue from operations	¥1,013,513	¥1,012,198	¥ 948,402	¥ 925,151	¥ 854,964	¥ 806,835	¥ 780,273	¥ 736,652	¥ 688,662	¥ 744,756	¥ 719,636	\$ 9,314,521
Leasing	395,592	381,764	353,881	337,466	313,340	289,117	283,730	278,317	271,812	292,875	293,533	3,635,622
Sales	324,967	331,752	311,193	314,299	274,761	264,207	234,093	232,149	198,154	239,709	219,662	2,986,555
Construction	218,931	221,693	209,356	203,623	199,115	188,995	201,190	171,082	165,995	162,924	158,214	2,012,048
Brokerage	69,331	72,899	69,169	66,714	61,496	58,486	57,211	50,957	49,397	46,430	44,621	637,175
Cost of revenue from operations	691,832	711,050	664,015	664,184	614,191	579,964	558,987	529,913	490,437	551,364	534,270	6,358,166
SG&A expenses	87,349	81,759	78,750	72,796	66,532	60,976	60,815	55,394	50,760	54,929	51,387	802,766
% of revenue from operations	8.6%	8.1%	8.3%	7.9%	7.8%	7.6%	7.8%	7.5%	7.4%	7.4%	7.1%	
Operating income	234,332	219,389	205,637	188,171	174,241	165,895	160,471	151,345	147,465	138,463	133,979	2,153,589
% of revenue from operations	23.1%	21.7%	21.7%	20.3%	20.4%	20.6%	20.6%	20.5%	21.4%	18.6%	18.6%	
Ordinary profit**2	220,521	203,227	186,871	167,697	148,424	139,055	130,537	114,916	107,912	106,296	100,464	2,026,661
% of revenue from operations	21.8%	20.1%	19.7%	18.1%	17.4%	17.2%	16.7%	15.6%	15.7%	14.3%	14.0%	
Profit attributable to owners of parent	140,997	130,103	119,731	103,489	87,798	80,567	69,697	59,825	53,236	50,908	52,662	1,295,809
Depreciation and amortization	48,974	46,313	41,628	39,446	34,574	33,519	35,311	37,761	36,049	23,705	18,065	450,087
At Year-end												
Current assets	¥ 916,034	¥ 933,011	¥1,126,118	¥1,197,508	¥1,122,189	¥1,025,703	¥ 924,452	¥ 965,786	¥ 801,142	¥ 805,958	¥ 802,693	\$ 8,418,656
Inventories	648,881	679,903	783,308	845,214	855,816	801,950	715,779	679,496	586,170	558,091	521,871	5,963,432
Total assets	5,317,623	5,130,120	5,167,199	4,980,040	4,675,915	4,523,804	4,220,429	4,105,500	3,859,698	3,234,203	3,168,098	48,870,720
Shareholders' equity*3	1,295,000	1,202,104	1,114,975	1,007,347	888,100	832,462	707,948	627,012	553,844	526,227	488,896	11,901,479
Net interest-bearing debt	3,245,547	3,170,595	3,210,302	3,101,162	2,971,667	2,875,660	2,652,929	2,424,932	2,407,639	1,901,850	1,785,854	29,827,654
Per Share Amounts (Yen)												
Profit attributable to owners of parent	¥ 297.50	¥ 274.51	¥ 252.62	¥ 218.34	¥ 185.23	¥ 169.97	¥ 147.02	¥ 126.18	¥ 112.28	¥ 107.35	¥ 111.04	\$ 2.73
Shareholders' equity	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	1,030.93	25.11
Cash dividend applicable to the year	35.00	30.00	27.00	24.00	22.00	21.00	20.00	20.00	20.00	20.00	20.00	0.32
Key Ratios												
Equity ratio (%)	24.4	23.4	21.6	20.2	19.0	18.4	16.8	15.3	14.3	16.3	15.4	
ND/E ratio*4 (Times)	2.5	2.6	2.9	3.1	3.3	3.5	3.7	3.9	4.3	3.6	3.7	
ROE (%)	11.3	11.2	11.3	10.9	10.2	10.5	10.4	10.1	9.9	10.0	11.4	
ROA (%)	4.7	4.5	4.2	4.0	3.9	3.9	4.0	3.9	4.3	4.4	4.4	
Long-term debt ratio (%)	96	99	98	98	98	97	95	93	93	89	83	
Fixed-interest rate debt ratio (%)	95	96	94	95	94	87	82	80	80	79	81	
Interest coverage ratio*5 (Times)	12.8	11.4	10.5	9.0	7.3	6.5	6.1	4.9	4.2	4.7	4.6	

*1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥108.81 = U.S. \$1, the prevailing exchange rate at March 31, 2020.

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

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

*6. 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.

Management's Discussion and Analysis

Business Results for the Fiscal Year under Review

We have been operating under the Eighth Management Plan, launched in April 2019. In the fiscal year ended March 31, 2020, the initial year of the plan, we marked the eighth consecutive year of revenue growth, the tenth consecutive year of increases in operating income and ordinary profit, and the seventh consecutive year of record revenue from operations, operating income, ordinary profit, and profit attributable to owners of parent.

By segment, the leasing business centered on office building leasing in Tokyo achieved revenue and profit growth, reaching a record high for both revenue from operations and operating income for the fifth consecutive years, driving growth in overall results. As a result, revenue from operations stood at ¥1,013.5 billion (0.1% increase year on year), and operating income totaled ¥234.3 billion (6.8% increase year on year).

Non-operating gains/losses improved by ¥2.3 billion from the previous fiscal year due to an increase in dividend income and decrease in interest expenses, and contributed to an increase in ordinary profit. As a result, ordinary profit amounted to ¥220.5 billion (8.5% increase year on year), and profit attributable to owners of parent amounted to ¥140.9 billion (8.4% increase year on year).

Cash Flows

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

- Cash flows from operating activities: ¥230,458 million (¥29,599 million decrease year on year)
- Cash flows from investing activities: ¥ (290,118) million (¥80,906 million decrease year on year)
- Cash flows from financing activities: ¥82,644 million (¥228,703 million increase year on year)
- Cash and cash equivalents increased to ¥193,448 million (¥22,740 million increase year on year).

Cash flows from operating activities

With an ordinary profit of ¥220.5 billion for the fiscal year under review, and a decrease in inventories due to an increase in the number of condominium units delivered, net cash provided by operating activities amounted to ¥230.4 billion.

Cash flows from investing activities

Investment in property and equipment totaled ¥270.3 billion mainly for the purpose of augmenting the leasing business, while the net amount of restitution of deposits from partnership investors was ¥22.1 billion. As a result, net cash used in investing activities amounted to ¥290.1 billion.

Cash flows from financing activities

Issuance of bonds and long-term loans payable totaled ¥249.0 billion (including non-recourse bonds and loans) to cover redemption of bonds and repayment of long-term loans payable at maturity totaling ¥271.9 billion (including non-recourse bonds and loans). In addition, to secure liquidity on hand, commercial paper amounting to ¥120.0 billion was issued in the fourth quarter. As a result, net cash provided by financing activities amounted to ¥82.6 billion.

Financial Resources for Capital and Liquidity of Funds

Assets

Total assets as of the end of the fiscal year under review amounted to ¥5,317.6 billion (¥187.5 increase from the end of the previous fiscal year). Although real estate for sale (including real estate for sale in process) decreased due to an increase in the number of condominium units delivered, property and equipment increased through investment in buildings for leasing.

Liabilities

Total liabilities amounted to ¥4,022.6 billion (¥94.6 billion increase from the end of the previous fiscal year). Consolidated interest-bearing debt decreased to ¥3,440.9 billion (¥98.1 billion increase from the end of the previous fiscal year). ND/E ratio continued to improve from 2.6 times at the end of the previous fiscal year to 2.5 times.

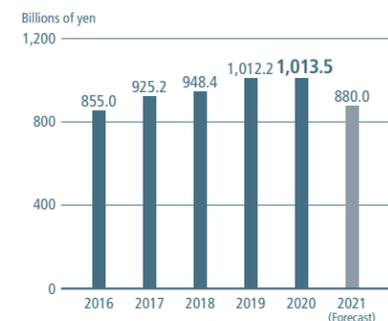
Net assets

Total net assets amounted to ¥1,294.9 billion (¥92.8 billion increase from the end of the previous fiscal year). Profit attributable to owners of parent stood at ¥140.9 billion, retained earnings increased to ¥1,002.6 billion (¥125.8 billion increase from the end of the previous fiscal year), and the equity ratio improved from 23.4% at the end of the previous fiscal year to 24.4%. As a result, ROE remains at double-digit 11.3%.

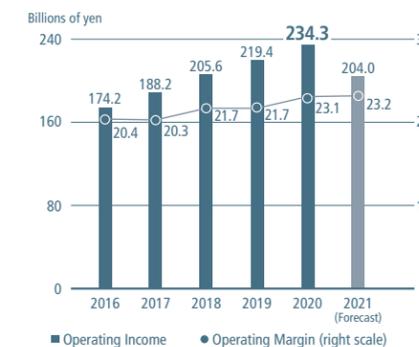
Furthermore, unrealized gains on investment and rental properties increased from ¥2.7 trillion at the end of the fiscal year to ¥2.9 trillion as of the end of the fiscal year under review (refer to page 81) and have been highly evaluated by rating agencies as a buffer against financial risks. JCR and R&I have issued ratings of A+(positive) and A+, respectively.

As of the end of the fiscal year under review, long-term debt accounted for 96% of consolidated interest-bearing debt, and fixed debt for 95% (those number were 99% and 96%, respectively, at the end of the previous fiscal year).

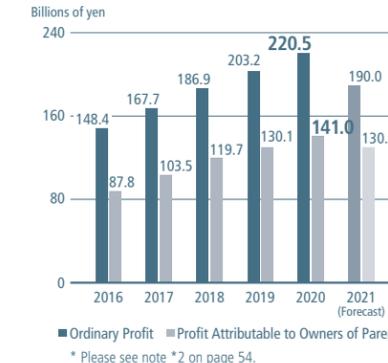
Revenue from Operations



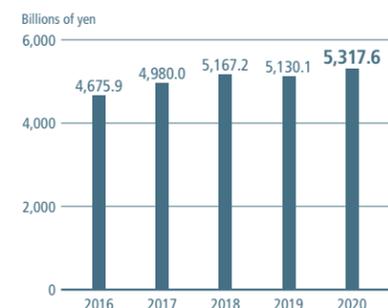
Operating Income and Operating Margin



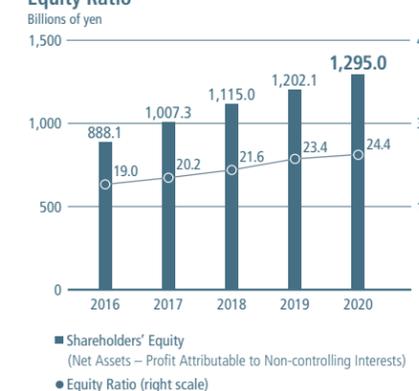
Ordinary Profit* and Profit Attributable to Owners of Parent



Total Assets



Shareholders' Equity and Equity Ratio



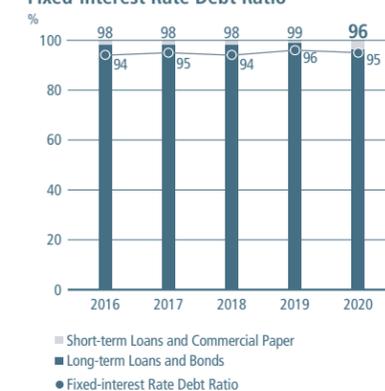
Net Interest-bearing Debt and ND/E Ratio



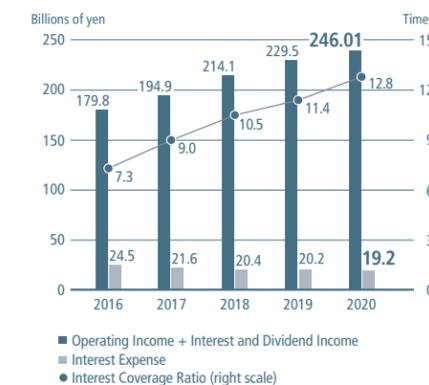
ROE and ROA



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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Current assets:			
Cash, time and notice deposits (Notes 3, 5 and 6)	¥ 195,361	¥ 172,192	\$ 1,795,432
Notes and accounts receivable—trade (Note 6)	17,406	21,567	159,967
Allowance for doubtful accounts	(61)	(73)	(561)
Inventories (Note 4)	648,881	679,903	5,963,432
Other current assets	54,447	59,422	500,386
Total current assets	916,034	933,011	8,418,656
Investments:			
Investments in unconsolidated subsidiaries and affiliates (Note 6)	100,156	61,544	920,467
Investments in securities and other (Notes 6 and 7)	372,414	433,301	3,422,608
Allowance for doubtful accounts	(2,082)	(9,154)	(19,134)
Total investments	470,488	485,691	4,323,941
Property and equipment:			
Land (Notes 4, 5 and 20)	2,558,356	2,523,937	23,512,140
Buildings and structures (Notes 4, 5 and 20)	1,584,047	1,378,337	14,557,917
Machinery and equipment (Notes 4, 5 and 20)	40,382	35,518	371,124
Leased assets	2,054	2,150	18,877
Construction in progress (Notes 4, 5 and 20)	133,718	139,451	1,228,914
	4,318,557	4,079,393	39,688,972
Accumulated depreciation and accumulated impairment losses	(578,302)	(548,382)	(5,314,788)
Net property and equipment	3,740,255	3,531,011	34,374,184
Other assets:			
Guarantee and lease deposits paid to lessors (Notes 6 and 7)	70,172	70,299	644,904
Leasehold rights and other intangible assets	57,562	56,752	529,014
Deferred income taxes (Note 12)	30,067	17,464	276,326
Other	33,045	35,892	303,695
Total other assets	190,846	180,407	1,753,939
Total assets	¥5,317,623	¥5,130,120	\$48,870,720

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities and Net Assets			
Current liabilities:			
Short-term debt (Notes 6 and 8)	¥ 146,726	¥ 25,643	\$ 1,348,461
Long-term debt due within one year (Notes 5, 6 and 8)	131,471	169,619	1,208,262
Long-term non-recourse debt due within one year (Notes 5, 6 and 8)	70,373	102,298	646,751
Notes and accounts payable—trade (Note 6)	36,393	54,937	334,464
Accrued income taxes	32,344	29,260	297,252
Accrued bonuses	5,440	5,573	49,995
Deposits received (Note 14)	51,196	61,582	470,508
Other current liabilities	148,102	137,128	1,361,108
Total current liabilities	622,045	586,040	5,716,801
Long-term liabilities:			
Long-term debt due after one year (Notes 5, 6 and 8)	2,842,156	2,744,327	26,120,357
Long-term non-recourse debt due after one year (Notes 5, 6 and 8)	250,182	300,900	2,299,256
Guarantee and deposits received (Notes 6 and 14)	293,505	278,766	2,697,408
Net defined benefit liability (Note 9)	6,270	6,019	57,623
Other long-term liabilities (Note 12)	8,465	11,964	77,796
Total long-term liabilities	3,400,578	3,341,976	31,252,440
Contingent liabilities (Note 21)			
Net assets (Note 15):			
Shareholders' equity			
Common stock:			
Authorized —1,900,000 thousand shares			
Issued —476,086 thousand shares	122,805	122,805	1,128,619
Capital surplus	104,154	104,154	957,210
Retained earnings	1,002,634	876,803	9,214,539
Treasury stock	(4,473)	(4,470)	(41,109)
Total shareholders' equity	1,225,120	1,099,291	11,259,259
Accumulated other comprehensive income (loss)			
Net unrealized holding gains on securities	76,335	109,210	701,544
Net deferred losses on hedges	(3,560)	(3,972)	(32,718)
Foreign currency translation adjustments	(2,718)	(2,352)	(24,979)
Remeasurements of defined benefit plans	(177)	(74)	(1,627)
Total accumulated other comprehensive income	69,880	102,812	642,220
Total net assets	1,295,000	1,202,104	11,901,479
Total liabilities and net assets	¥5,317,623	¥5,130,120	\$48,870,720

Consolidated Statements of Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2020	2019	2018	2020
Revenue from operations	¥1,013,513	¥1,012,198	¥948,402	\$9,314,521
Costs and expenses:				
Cost of revenue from operations	691,832	711,050	664,015	6,358,166
Selling, general and administrative expenses	87,349	81,759	78,750	802,766
	779,181	792,809	742,765	7,160,932
Operating income	234,332	219,389	205,637	2,153,589
Other income (expenses):				
Interest expense, net	(18,530)	(19,589)	(20,096)	(170,297)
Dividend income	11,024	9,472	8,229	101,314
Gain on sale of property and equipment	278	75	38	2,555
Loss on sale of property and equipment	(2,131)	(3,724)	(217)	(19,585)
Loss on impairment of fixed assets (Note 10)	(9,660)	(8,576)	(10,635)	(88,779)
Loss on disposal of property and equipment	(1,567)	(1,280)	(601)	(14,401)
Gain on sale of investments in securities (Note 7)	1,417	12	1,010	13,023
Loss on sale of investments in securities	—	—	(47)	—
Loss on devaluation of investments in securities (Note 7)	(7,838)	(1,105)	—	(72,034)
Reversal of allowance for doubtful accounts	4,824	—	—	44,334
Other, net	(6,339)	(6,115)	(6,874)	(58,257)
	(28,522)	(30,830)	(29,193)	(262,127)
Income before income taxes	205,810	188,559	176,444	1,891,462
Income taxes (Note 12):				
Current	68,180	62,823	62,098	626,597
Deferred	(3,367)	(4,367)	(6,180)	(30,944)
Total	64,813	58,456	55,918	595,653
Profit	140,997	130,103	120,526	1,295,809
Profit attributable to non-controlling interests	—	—	795	—
Profit attributable to owners of parent	¥ 140,997	¥ 130,103	¥119,731	\$1,295,809

	Yen			Thousands of U.S. dollars (Note 1)
	2020	2019	2018	2020
Amounts per share of common stock:				
Profit attributable to owners of parent:				
—Basic	¥297.50	¥274.51	¥252.62	\$2.73
—Diluted	—	—	—	—
Cash dividend applicable to the year	35.00	30.00	27.00	0.32

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2020	2019	2018	2020
Profit	¥140,997	¥130,103	¥120,526	\$1,295,809
Other comprehensive income (loss) (Note 19)				
Net unrealized holding gains (losses) on securities	(32,875)	(21,905)	33,935	(302,132)
Net deferred gains (losses) on hedges	412	(1,923)	538	3,786
Foreign currency translation adjustments	(366)	(259)	(1,098)	(3,364)
Remeasurements of defined benefit plans	(103)	(234)	188	(946)
Total other comprehensive income (loss)	(32,932)	(24,321)	33,563	(302,656)
Comprehensive income	¥108,065	¥105,782	¥154,089	\$ 993,153
Comprehensive income attributable to:				
Owners of the parent	¥108,065	¥105,782	¥153,493	\$ 993,153
Non-controlling interests	—	—	596	—

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, 2020, 2019 and 2018

	Thousands						Millions of yen						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at April 1, 2017	476,086	¥122,805	¥132,748	¥ 662,802	¥(4,379)	¥ 913,976	¥ 97,192	¥(2,529)	¥(1,265)	¥ (27)	¥ 93,371	¥ 31,756	¥1,039,103
Profit attributable to owners of parent	—	—	—	119,731	—	119,731	—	—	—	—	—	—	119,731
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(828)	—	(828)	—	(828)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	33,923	—	—	—	33,923	—	33,923
Acquisition of treasury stock	—	—	—	—	(64)	(64)	—	—	—	—	—	—	(64)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	(4,885)	—	(4,885)	—	—	—	—	—	—	(4,885)
Cash dividends paid:													
Final for prior year (¥13 per share)	—	—	—	(6,161)	—	(6,161)	—	—	—	—	—	—	(6,161)
Interim for current year (¥13 per share)	—	—	—	(6,161)	—	(6,161)	—	—	—	—	—	—	(6,161)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(28,594)	—	—	(28,594)	—	—	—	—	—	—	(28,594)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(31,756)	(31,756)
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	480	—	—	480	—	480
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	187	187	—	187
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	¥ —	¥1,114,975
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	—	1,109,676
Profit attributable to owners of parent	—	—	—	130,103	—	130,103	—	—	—	—	—	—	130,103
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(259)	—	(259)	—	(259)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(21,905)	—	—	—	(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)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	(1,923)	—	—	(1,923)	—	(1,923)
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(234)	(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	¥ —	¥1,202,104
Profit attributable to owners of parent	—	—	—	140,997	—	140,997	—	—	—	—	—	—	140,997
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	(366)	—	(366)	—	(366)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	—	(32,875)	—	—	—	(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)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
Net deferred gains (losses) on hedges	—	—	—	—	—	—	—	412	—	—	412	—	412
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	—	(103)	(103)	—	(103)
Balance at March 31, 2020	476,086	¥122,805	¥104,154	¥1,002,634	¥(4,473)	¥1,225,120	¥ 76,335	¥(3,560)	¥(2,718)	¥(177)	¥ 69,880	¥ —	¥1,295,000

	Thousands of U.S. dollars (Note 1)											
	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at April 1, 2019	\$1,128,619	\$957,210	\$8,058,110	\$(41,081)	\$10,102,858	\$1,003,676	\$(36,504)	\$(21,616)	\$ (680)	\$944,876	\$—	\$11,047,734
Profit attributable to owners of parent	—	—	1,295,809	—	1,295,809	—	—	—	—	—	—	1,295,809
Foreign currency translation adjustments	—	—	—	—	—	—	—	(3,363)	—	(3,363)	—	(3,363)
Net unrealized holding gains (losses) on securities	—	—	—	—	—	(302,132)	—	—	—	(302,132)	—	(302,132)
Acquisition of treasury stock	—	—	—	(28)	(28)	—	—	—	—	—	—	(28)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	—	0
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid:												
Final for prior year (\$0.15 per share)	—	—	(69,690)	—	(69,690)	—	—	—	—	—	—	(69,690)
Interim for current year (\$0.15 per share)	—	—	(69,690)	—	(69,690)	—	—	—	—	—	—	(69,690)
Profit attributable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Net deferred gains (losses) on hedges	—	—	—	—	—	—	3,786	—	—	3,786	—	3,786
Remeasurements of defined benefit plans	—	—	—	—	—	—	—	—	(947)	(947)	—	(947)
Balance at March 31, 2020	\$1,128,619	\$957,210	\$9,214,539	\$(41,109)	\$11,259,259	\$ 701,544	\$(32,718)	\$(24,979)	\$(1,627)	\$642,220	\$—	\$11,901,479

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2020	2019	2018	2020
Cash flows from operating activities:				
Income before income taxes	¥ 205,810	¥ 188,559	¥ 176,444	\$ 1,891,462
Depreciation and amortization	48,974	46,313	41,628	450,087
Loss on impairment of fixed assets (Note 10)	9,660	8,576	10,635	88,779
Provision for (Reversal of) allowance for doubtful accounts	(4,848)	(309)	(525)	(44,555)
Increase (Decrease) in net defined benefit liability	60	(242)	91	551
Loss (Gain) on sale of property and equipment, net	1,853	3,649	179	17,030
Loss on disposal of property and equipment	1,567	1,280	601	14,401
Loss (Gain) on sale of investments in securities, net	(1,417)	(12)	(963)	(13,023)
Loss (Gain) on devaluation of investments in securities	7,838	1,105	—	72,034
Interest and dividend income	(11,680)	(10,067)	(8,484)	(107,343)
Interest expense	19,186	20,184	20,352	176,326
Decrease (Increase) in notes and accounts receivable—trade	4,637	2,233	(5,669)	42,616
Decrease (Increase) in inventories	46,767	65,981	25,915	429,804
Increase (Decrease) in notes and accounts payable—trade	(18,543)	26,189	(12,536)	(170,416)
Increase (Decrease) in advances received	(416)	(12,073)	17,076	(3,823)
Other, net	(6,117)	(1,800)	(6,648)	(56,217)
Total	303,331	339,566	258,096	2,787,713
Proceeds from interest and dividend income	11,680	10,066	8,484	107,343
Payments for interest	(19,334)	(20,147)	(20,395)	(177,686)
Payments for income tax and other taxes	(65,218)	(69,427)	(56,252)	(599,375)
Net cash provided by operating activities	230,459	260,058	189,933	2,117,995
Cash flows from investing activities:				
Payments for purchases of property and equipment	(270,347)	(188,573)	(220,017)	(2,484,579)
Proceeds from sale of property and equipment	11,307	6,617	357	103,915
Payments for purchases of investments in securities	(46,695)	(31,281)	(28,835)	(429,143)
Proceeds from sale and redemption of investments in securities	2,676	334	2,197	24,593
Payments for guarantee and lease deposits paid to lessors	(1,121)	(738)	(1,317)	(10,302)
Proceeds from guarantee and lease deposits paid to lessors	804	4,475	28,462	7,389
Payments for guarantee and lease deposits received	(10,950)	(14,324)	(11,276)	(100,634)
Proceeds from guarantee and lease deposits received	29,525	35,664	25,271	271,345
Receipts of deposits from partnership investors	23	1,004	2,420	211
Restitution of deposits from partnership investors	(22,208)	(10,442)	(11,544)	(204,099)
Other, net	16,867	(11,949)	(6,252)	155,013
Net cash used in investing activities	(290,119)	(209,213)	(220,534)	(2,666,291)
Cash flows from financing activities:				
Increase (Decrease) in short-term debt, net	121,083	(35,773)	(2,892)	1,112,793
Proceeds from issuance of bonds	—	—	30,000	—
Redemption of bonds	(40,000)	(60,000)	(80,000)	(367,613)
Proceeds from non-recourse bonds	2,000	4,900	1,700	18,381
Redemption of non-recourse bonds	(2,000)	(4,900)	(1,700)	(18,381)
Proceeds from long-term loans payable	153,300	198,300	376,000	1,408,878
Repayment of long-term loans payable	(129,619)	(225,752)	(209,622)	(1,191,242)
Proceeds from long-term non-recourse loans	93,720	37,110	12,610	861,318
Repayment of long-term non-recourse loans	(100,363)	(44,611)	(21,258)	(922,369)
Decrease (Increase) in treasury stocks, net	(3)	(27)	(64)	(28)
Cash dividends paid	(15,163)	(13,269)	(12,337)	(139,353)
Payments for purchases of investments in subsidiaries not resulting in change in scope of consolidation	—	—	(60,910)	—
Other, net	(310)	(2,036)	(5,066)	(2,849)
Net cash provided by (used in) financing activities	82,645	(146,058)	26,461	759,535
Effect of exchange rate changes on cash and cash equivalents	(244)	243	(124)	(2,242)
Net increase (decrease) in cash and cash equivalents	22,741	(94,970)	(4,264)	208,997
Cash and cash equivalents at beginning of year	170,707	262,046	267,944	1,568,854
Increase in cash and cash equivalents of a newly consolidated subsidiary	—	3,631	—	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—	(1,634)	—
Cash and cash equivalents at end of year (Note 3)	¥ 193,448	¥ 170,707	¥ 262,046	\$ 1,777,851

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Realty & Development Co., Ltd. and its consolidated subsidiaries
As of and for the years ended March 31, 2020, 2019 and 2018

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, 2020, which was ¥108.81 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.

In the year ended March 31, 2020, the Company acquired the entire shares of PrimeQuest Three Co., Ltd. (the operator of PrimeQuest Three silent partnership) and PrimeQuest Four Co., Ltd (the operator of PrimeQuest Four silent partnership), to make them wholly owned subsidiaries, after which the Company merged the two companies in an absorption-type merger with the Company as the surviving company. As a result, the two companies were included in the scope of consolidation while the silent partnerships were excluded, then the two companies were dissolved and excluded from the scope of 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 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 Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes and qualify for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of 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) 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 31, 2020)

(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.

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

For the purpose of disclosing information that contributes to the users of financial statements to understand, the standard addresses figures recorded in the financial statements for the current fiscal year based on accounting estimates for items that have a risk of a significantly impacting financial statements in the next fiscal year.

(2) Effective date

Effective from the end of the year ending March 31, 2021

(17) 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 Company and its consolidated subsidiaries calculated the accounting estimates based on the assumption that the impact of COVID-19 shall be temporary. However, its effect to the business activities and business results is unclear for the time being. Despite the anticipation that business activities will be gradually resumed and return toward normal from the second quarter of the next fiscal year, the Company assumes that they will not return to the level of the previous fiscal year during the next fiscal year and will take 1 – 2 years to recover.

3 Cash and cash equivalents

Cash and cash equivalents at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash, time and notice deposits	¥195,361	¥172,192	\$1,795,432
Time deposits	(1,913)	(1,485)	(17,581)
Cash and cash equivalents	¥193,448	¥170,707	\$1,777,851

4 Inventories

Inventories at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Real estate for sale	¥351,369	¥390,026	\$3,229,198
Real estate for sale in process	286,254	282,595	2,630,769
Costs on uncompleted construction contracts	10,370	5,827	95,304
Other	888	1,455	8,161
Total	¥648,881	¥679,903	\$5,963,432

The Company transferred amounts between inventories and property and equipment. Such transfers at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Inventories:			
Transferred to property and equipment	¥(6,785)	¥(23,162)	\$(62,356)
Transferred from property and equipment	3,523	4,822	32,378
Net decrease	¥(3,262)	¥(18,340)	\$(29,978)

5 Pledged assets

Assets pledged as collateral at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash, time and notice deposits	¥ 2,091	¥ 2,068	\$ 19,217
Buildings and structures	108,863	103,708	1,000,487
Land	418,971	393,316	3,850,482
Construction in progress	—	85	—
Machinery and equipment	127	210	1,168
Total	¥530,052	¥499,387	\$4,871,354

Secured liabilities at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term debt due within one year	¥ 190	¥ —	\$ 1,746
Long-term non-recourse debt due within one year	70,373	102,298	646,751
Long-term debt due after one year	94,810	—	871,335
Long-term non-recourse debt due after one year	250,182	300,900	2,299,256
Total	¥415,555	¥403,198	\$3,819,088

Specified assets for non-recourse debts at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash, time and notice deposits	¥ 3,261	¥ 11,345	\$ 29,970
Buildings and structures	86,741	103,708	797,179
Land	273,324	393,316	2,511,938
Construction in progress	—	85	—
Machinery and equipment	96	210	882
Total	¥363,422	¥508,664	\$3,339,969

(Note) "Specified assets for non-recourse debts" includes a portion of the amount of "Assets pledged as collateral" for the years ended March 31, 2020 and 2019.

6 Financial instruments

1. Policy for financial instruments

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

The Group utilizes derivative financial instruments only for the purpose of hedging the 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 17 "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, 2020 and 2019 are as follows. (Financial instruments whose fair value is extremely difficult to estimate are not included; please see (Note 2).)

For 2020

	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	¥ 195,361	¥ 195,361	¥ —	\$ 1,795,432	\$ 1,795,432	\$ —
(2) Notes and accounts receivable—trade	17,406	17,406	—	159,967	159,967	—
(3) Investments in securities						
Available-for-sale securities	366,734	366,734	—	3,370,407	3,370,407	—
(4) Guarantee and lease deposits						
Held-to-maturity securities	200	200	0	1,838	1,838	0
Available-for-sale securities	747	747	—	6,865	6,865	—
Total assets	¥ 580,448	¥ 580,448	¥ 0	\$ 5,334,509	\$ 5,334,509	\$ 0
Liabilities:						
(1) Notes and accounts payable—trade	¥ 36,393	¥ 36,393	¥ —	\$ 334,464	\$ 334,464	\$ —
(2) Short-term debt	146,726	146,726	—	1,348,461	1,348,461	—
(3) Long-term debt (including due within one year)	2,973,627	3,026,438	52,811	27,328,619	27,813,969	485,350
(4) Long-term non-recourse debt (including due within one year)	320,555	325,637	5,082	2,946,007	2,992,712	46,705
Total liabilities	¥3,477,301	¥3,535,194	¥57,893	\$31,957,551	\$32,489,606	\$532,055
Derivative transactions*:						
Hedge accounting	¥ (5,134)	¥ (5,134)	¥ —	\$ (47,183)	\$ (47,183)	\$ —
Total derivative transactions	¥ (5,134)	¥ (5,134)	¥ —	\$ (47,183)	\$ (47,183)	\$ —

For 2019

	Millions of yen		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash, time and notice deposits	¥ 172,192	¥ 172,192	¥ —
(2) Notes and accounts receivable—trade	21,567	21,567	—
(3) Investments in securities			
Available-for-sale securities	414,743	414,743	—
(4) Guarantee and lease deposits			
Held-to-maturity securities	3,169	3,167	(2)
Available-for-sale securities	1,170	1,170	—
Total assets	¥ 612,841	¥ 612,839	¥ (2)
Liabilities:			
(1) Notes and accounts payable—trade	¥ 54,937	¥ 54,937	¥ —
(2) Short-term debt	25,643	25,643	—
(3) Long-term debt (including due within one year)	2,913,946	2,964,782	50,836
(4) Long-term non-recourse debt (including due within one year)	403,198	410,218	7,020
Total liabilities	¥3,397,724	¥3,455,580	¥57,856
Derivative transactions*:			
Hedge accounting	¥ (5,733)	¥ (5,733)	¥ —
Total derivative transactions	¥ (5,733)	¥ (5,733)	¥ —

* 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.”

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 17 “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 17 “Derivative transactions”). The fair value of these items is calculated by discounting the combined total of interest and principal, with which the interest rate swap has been accounted for, at an interest rate rationally estimated for similar borrowings or bonds.

Derivative transactions:

Please see Note 17 “Derivative transactions.”

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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in subsidiaries and affiliates* ¹	¥ 74,468	¥ 35,856	\$ 684,386
Unlisted equity securities* ¹	2,338	2,327	21,487
Preferred equity securities, etc.* ¹	25,688	25,688	236,081
Investments in limited partnerships, etc.* ¹	2	352	18
Guarantee and lease deposits (excluding held-to-maturity securities and available-for-sale securities)* ²	69,224	65,960	636,192
Guarantee and deposits received* ³	247,610	228,959	2,275,618

*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 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 2019

	Millions of yen			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Cash, time and notice deposits	¥172,192	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	21,567	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	2,969	200	—	—
Available-for-sale securities with maturities (National government bonds)	407	561	171	—
Total	¥197,135	¥761	¥171	¥—

For 2020

	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	\$1,795,432	\$ —	\$ —	\$ —
Notes and accounts receivable—trade	159,967	—	—	—
Guarantee and lease deposits:				
Held-to-maturity securities (National government bonds)	1,838	—	—	—
Available-for-sale securities with maturities (National government bonds)	1,893	4,439	395	—
Total	\$1,959,130	\$4,439	\$395	\$—

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

For 2020

Year ending March 31	Millions of yen					
	2021	2022	2023	2024	2025	2026 and thereafter
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 2019

Year ending March 31	Millions of yen					
	2020	2021	2022	2023	2024	2025 and thereafter
Short-term debt	¥ 25,643	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt (including due within one year)	169,619	131,281	211,256	237,196	289,282	1,875,312
Long-term non-recourse debt (including due within one year)	102,298	69,913	14,944	3,386	3,240	209,417
Total	¥297,560	¥201,194	¥226,200	¥240,582	¥292,522	¥2,084,729

For 2020

Year ending March 31	Thousands of U.S. dollars					
	2021	2022	2023	2024	2025	2026 and thereafter
Short-term debt	\$1,348,461	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt (including due within one year)	1,208,262	1,943,259	2,181,656	2,660,344	3,486,941	15,848,157
Long-term non-recourse debt (including due within one year)	646,751	141,568	35,346	34,004	31,560	2,056,778
Total	\$3,203,474	\$2,084,827	\$2,217,002	\$2,694,348	\$3,518,501	\$17,904,935

7 Securities

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			Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Securities whose fair value exceeds carrying amount:						
National and local government bonds, etc.	¥200	¥200	¥ 0	\$1,838	\$1,838	\$ 0
Securities whose fair value does not exceed carrying amount:						
National and local government bonds, etc.	—	—	—	—	—	—
Total	¥200	¥200	¥ 0	\$1,838	\$1,838	\$ 0

(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	¥257,807	¥124,727	¥133,080	\$2,369,332	\$1,146,283	\$1,223,049
Debt securities*	747	732	15	6,865	6,727	138
Other	—	—	—	—	—	—
Subtotal	258,554	125,459	133,095	2,376,197	1,153,010	1,223,187
Securities whose carrying amount does not exceed acquisition cost:						
Equity securities	108,045	130,965	(22,920)	992,969	1,203,612	(210,643)
Debt securities	—	—	—	—	—	—
Other	882	891	(9)	8,106	8,189	(83)
Subtotal	108,927	131,856	(22,929)	1,001,075	1,211,801	(210,726)
Total	¥367,481	¥257,315	¥110,166	\$3,377,272	\$2,364,811	\$1,012,461

* 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 (\$72,034 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, 2020 amounted to ¥2,302 million (\$21,156 thousand) and the related gains amounted to ¥1,417 million (\$13,023 thousand).

For 2019

A. The following tables summarize the acquisition costs, carrying amounts and fair values of securities with available fair values as of March 31, 2019:

(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.	¥ 461	¥ 462	¥ 1
Securities whose fair value does not exceed carrying amount:			
National and local government bonds, etc.	2,708	2,705	(3)
Total	¥3,169	¥3,167	¥(2)

(b) Available-for-sale securities:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds acquisition cost:			
Equity securities	¥348,562	¥180,791	¥167,771
Debt securities*	1,171	1,140	31
Other	—	—	—
Subtotal	349,733	181,931	167,802
Securities whose carrying amount does not exceed acquisition cost:			
Equity securities	65,517	75,824	(10,307)
Debt securities	—	—	—
Other	664	664	—
Subtotal	66,181	76,488	(10,307)
Total	¥415,914	¥258,419	¥157,495

* 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 ¥1,105 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, 2019 amounted to ¥264 million and the related gains amounted to ¥12 million.

8 Short-term debt and long-term debt

Short-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen				Thousands of U.S. dollars
	2020	Average interest rate (%)	2019	Average interest rate (%)	2020
Loans, principally from banks	¥ 26,726	0.27	¥25,643	0.27	\$ 245,621
Commercial paper	120,000	0.00	—	—	1,102,840
Total	¥146,726		¥25,643		\$1,348,461

The interest rates represent weighted-average rates in effect at March 31, 2020 and 2019, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

Long-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
2.50% domestic straight bonds, due 2019	¥ —	¥ 10,000	\$ —
0.563% domestic straight bonds, due 2020	—	10,000	—
0.877% domestic straight bonds, due 2020	—	20,000	—
1.098% domestic straight bonds, due 2023	10,000	10,000	91,903
0.950% domestic straight bonds, due 2023	10,000	10,000	91,903
0.968% domestic straight bonds, due 2023	10,000	10,000	91,903
0.987% domestic straight bonds, due 2024	20,000	20,000	183,807
0.914% domestic straight bonds, due 2024	20,000	20,000	183,807
0.904% domestic straight bonds, due 2024	20,000	20,000	183,807
0.884% domestic straight bonds, due 2024	20,000	20,000	183,807
0.836% domestic straight bonds, due 2024	20,000	20,000	183,807
0.809% domestic straight bonds, due 2024	20,000	20,000	183,807
0.429% domestic straight bonds, due 2021	10,000	10,000	91,903
0.392% domestic straight bonds, due 2022	10,000	10,000	91,903
0.670% domestic straight bonds, due 2025	10,000	10,000	91,903
0.826% domestic straight bonds, due 2025	20,000	20,000	183,807
0.992% domestic straight bonds, due 2025	20,000	20,000	183,807
0.400% domestic straight bonds, due 2026	10,000	10,000	91,903
0.230% domestic straight bonds, due 2026	10,000	10,000	91,903
0.400% domestic straight bonds, due 2027	30,000	30,000	275,710
Loans, principally from banks and insurance companies, with interest at weighted-average rates of 0.31% in 2020 and 2019, respectively:			
Secured	95,000	—	873,082
Unsecured	2,608,627	2,603,946	23,974,147
Subtotal	2,973,627	2,913,946	27,328,619
Amount due within one year	(131,471)	(169,619)	(1,208,262)
Total	¥2,842,156	¥2,744,327	\$26,120,357

Non-recourse debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Non-recourse bonds, with interest at weighted-average rates of 0.09% in 2020 and 0.07% in 2019:			
Due within one year	¥ 8,000	¥ 2,000	\$ 73,523
Due after one year	31,100	37,100	285,819
Subtotal	39,100	39,100	359,342
Non-recourse loans, with interest at weighted-average rates of 0.11% in 2020 and 2019, respectively:			
Due within one year	62,373	100,298	573,229
Due after one year	219,082	263,800	2,013,436
Subtotal	281,455	364,098	2,586,665
Total	¥320,555	¥403,198	\$2,946,007
Secured	¥320,555	¥403,198	\$2,946,007
Unsecured	—	—	—
Total	¥320,555	¥403,198	\$2,946,007

The aggregate annual maturities of long-term debt at March 31, 2020 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 131,471	\$ 1,208,262
2022	211,446	1,943,259
2023	237,386	2,181,656
2024	289,472	2,660,344
2025	379,414	3,486,941
2026 and thereafter	1,724,438	15,848,157
Total	¥2,973,627	\$27,328,619

The aggregate annual maturities of non-recourse debt at March 31, 2020 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 70,373	\$ 646,751
2022	15,404	141,568
2023	3,846	35,346
2024	3,700	34,004
2025	3,434	31,560
2026 and thereafter	223,798	2,056,778
Total	¥320,555	\$2,946,007

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

9 Employees' severance and retirement benefits

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

For 2020 and 2019

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
	2020	2019	2020
Retirement benefit obligations at beginning of year	¥11,876	¥11,615	\$109,144
Service costs	732	714	6,727
Interest costs	48	48	441
Actuarial differences	(64)	(1)	(588)
Retirement benefits paid	(523)	(500)	(4,806)
Retirement benefit obligations at end of year	¥12,069	¥11,876	\$110,918

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Plan assets at beginning of year	¥5,857	¥5,650	\$53,828
Expected return on plan assets	117	113	1,075
Actuarial differences	(321)	(67)	(2,950)
Employer contributions	380	388	3,492
Retirement benefits paid	(234)	(227)	(2,150)
Plan assets at end of year	¥5,799	¥5,857	\$53,295

(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
	2020	2019	2020
Obligations under retirement benefit plans (funded)	¥ 6,307	¥ 6,295	\$ 57,963
Fair value of plan assets	(5,799)	(5,857)	(53,295)
	508	438	4,668
Obligations under retirement benefit plans (unfunded)	5,762	5,581	52,955
Net amount of liabilities on the consolidated balance sheets	¥ 6,270	¥ 6,019	\$ 57,623
Net defined benefit liability	¥ 6,270	¥ 6,019	\$ 57,623
Net amount of liabilities on the consolidated balance sheets	¥ 6,270	¥ 6,019	\$ 57,623

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service costs	¥ 732	¥ 714	\$ 6,727
Interest costs	48	48	441
Expected return on plan assets	(117)	(113)	(1,075)
Actuarial differences	66	(229)	607
Retirement benefit expenses	¥ 729	¥ 420	\$ 6,700

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial differences	¥191	¥295	\$1,755
Total	¥191	¥295	\$1,755

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥257	¥66	\$2,362
Total	¥257	¥66	\$2,362

(7) Major breakdown of plan assets

	2020	2019
	Debt securities	29.7%
Equity securities	29.1	34.9
General life insurance accounts	39.5	37.8
Other	1.7	1.7
Total	100.0%	100.0%

(8) Actuarial assumptions

	2020	2019
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 ¥394 million (\$3,621 thousand) and ¥389 million for the years ended March 31, 2020 and 2019, respectively.

10 Loss on impairment of fixed assets

The Company and its consolidated domestic subsidiaries recognized impairment losses on the following assets for the years ended March 31, 2020, 2019 and 2018, respectively.

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

For 2018

Use	Location	Number of properties
Asset leased to others	Tokyo	1

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

Loss on sales of property and equipment of ¥9,660 million (\$88,779 thousand) and ¥8,576 million were recognized by a consolidated subsidiary by restructuring of assets within the Group for the years ended March 31, 2020 and 2019, respectively. The selling price of the asset, based on evaluation by a real estate appraiser, was determined as its

recoverable amount, and loss on sales of property and equipment of the asset was recognized as impairment losses in other expenses for the years ended March 31, 2020 and 2019, respectively.

The carrying value of the asset has been reduced to its recoverable amount by ¥10,635 million since the total amount of its future cash flow is estimated to be less than the carrying value for the year ended March 31, 2018. The recoverable amount is calculated by discounting the future cash flow at 4.0%. The write-down was recognized as impairment losses in other expenses for the years ended March 31, 2018.

11 Asset retirement obligations

Even though removing asbestos is required for some buildings the Company and its consolidated subsidiaries ("the Group") operate at the time of demolishing, it is difficult to estimate the fair value of obligations associated with such assets reasonably since the timing and/or method of settlement for the retirement obligations are not clear enough. Therefore, for the years ended March 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019 respectively, and 30.86% for the year ended March 31, 2018.

Details of deferred tax assets and liabilities at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Loss on devaluation of real estate for sale	¥ 18,582	¥ 14,415	\$ 170,775
Loss on impairment of fixed assets	13,899	17,077	127,736
Loss on adjustment of profit and loss on transfer	11,633	4,254	106,911
Depreciation and amortization of consolidated adjustment	6,312	7,258	58,009
Net operating loss carryforwards	3,136	1,593	28,821
Accrued enterprise tax and business office tax	2,284	1,834	20,991
Loss on devaluation of investments in securities	1,951	797	17,930
Net defined benefit liability	1,847	1,759	16,975
Accrued bonuses	1,742	1,875	16,010
Net deferred losses on hedges	1,571	1,752	14,438
Loss on devaluation of investments in SPEs' holding properties for sale	1,413	1,413	12,986
Allowance for doubtful accounts	1,290	3,439	11,856
Elimination of unrealized profit	909	926	8,354
Other	17,495	15,767	160,784
Subtotal of deferred tax assets	84,064	74,159	772,576
Valuation allowance	(14,613)	(9,247)	(134,298)
Total deferred tax assets	¥ 69,451	¥ 64,912	\$ 638,278
Deferred tax liabilities:			
Net unrealized holding gains on securities	¥(33,756)	¥(48,241)	\$(310,229)
Retained earnings appropriated for tax allowable reserves	(3,731)	(3,731)	(34,289)
Other	(1,908)	(637)	(17,535)
Total deferred tax liabilities	¥(39,395)	¥(52,609)	\$(362,053)
Net deferred tax assets	¥ 30,056	¥ 12,303	\$ 276,225

(Notes)
 1. Valuation allowance increased by ¥5,366 million (\$49,315 thousand) as a result of mainly the recognition of loss on adjustment of profit and loss on transfer.
 2. The amounts of deferred tax assets for the year ended March 31, 2019 are restated after reflecting retroactive application of the new accounting policy as stated in (4) "Recognition of revenue" in Note 2 "Accounting policies."

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2020, 2019 and 2018 was insignificant and not presented.

13 Business Combination

(Transactions conducted by commonly controlled entities)
 (An absorption-type merger of consolidated subsidiaries)
 The Company resolved at its board of directors meeting held on August 13, 2019 to merger by absorption with its consolidated subsidiaries, PrimeQuest Three Co., Ltd. and PrimeQuest Four Co., Ltd. The merger agreement had been executed on the same date, and these subsidiaries were absorbed and merged as of October 1, 2019.

- Overview of business combination
 - Name and business of the target companies
 Name: PrimeQuest Three Co., Ltd. and PrimeQuest Four Co., Ltd.
 Business: Property leasing
 - Date of business combination
 October 1, 2019
 - Legal form of business combination
 An absorption-type merger in which the Company is the surviving company and PrimeQuest Three Co., Ltd. and PrimeQuest Four Co., Ltd. are absorbed.

- Name of company after combination
 No change
- Purpose of business combination
 The purpose is to simplify the organization of the Company's consolidated Group as PrimeQuest Three Co., Ltd. and PrimeQuest Four Co., Ltd. jointly own 100% of the trust beneficiary rights of Shinjuku Sumitomo Building.

- Overview of accounting treatments
 The transaction is treated as a common control transaction pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019), as well as "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

14 Deposits received with interest rate

Guarantee and deposits received at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	Average interest rate (%)	2020
Short-term deposits and long-term deposits due within one year:			
Non-interest-bearing	¥ 51,196	—	\$ 470,508
Interest-bearing	—	—	—
	51,196	—	470,508
Guarantee and lease deposits from tenants:			
Non-interest-bearing	247,610	—	2,275,618
Interest-bearing	—	—	—
Long-term deposits:			
Non-interest-bearing	45,895	—	421,790
Interest-bearing	—	—	—
	293,505	—	2,697,408
Total	¥344,701	—	\$3,167,916

15 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.

16 Information for certain lease transactions

Future lease payments and receipts under such non-cancelable operating leases at March 31, 2020, 2019 and 2018 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Operating leases:				
Future lease payments:				
Due within one year	¥ 1,526	¥ 1,526	¥ 1,401	\$ 14,024
Due after one year	39,395	42,211	38,241	362,053
Total	¥ 40,921	¥ 43,737	¥ 39,642	\$ 376,077
Future lease receipts:				
Due within one year	¥ 89,154	¥ 95,607	¥ 83,254	\$ 819,355
Due after one year	122,544	142,321	153,777	1,126,220
Total	¥211,698	¥237,928	¥237,031	\$1,945,575

17 Derivative transactions

Hedge accounting was applied to all derivative transactions for the years ended March 31, 2020 and 2019.

The summary of these transactions is as follows:

(1) Foreign currency-related derivatives

Not applicable

(2) Interest-related derivatives

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	— (*)

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	\$ 3,151,365	\$ 2,783,751	\$(47,183)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	13,555,693	12,259,811	— (*)

For 2019

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	¥ 248,600	¥ 208,600	¥(5,733)
Exceptional accounting for interest rate swaps	Interest rate swap contracts Fixed rate payments / Floating rate receipts	Bank loans and bonds	1,507,198	1,415,693	— (*)

(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.

18 Segment information

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

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 ¥1,032 million and segment profit decreased ¥1,030 million, respectively, compared to the amount before its application.

Information by business segment for the years ended March 31, 2020, 2019 and 2018 is summarized as follows:

For 2020	Millions of yen							Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total			
Revenue from operations:									
Customers	¥ 392,110	¥324,700	¥216,622	¥69,119	¥10,962	¥1,013,513	¥ —	¥1,013,513	
Intersegment	3,482	267	2,309	212	1,135	7,405	(7,405)	—	
Total	395,592	324,967	218,931	69,331	12,097	1,020,918	(7,405)	1,013,513	
Segment profit	¥ 169,416	¥ 47,374	¥ 20,583	¥19,337	¥ 775	¥ 257,485	¥ (23,153)	¥ 234,332	
Segment assets	¥3,922,318	¥670,079	¥ 25,053	¥ 8,181	¥72,476	¥4,698,107	¥619,516	¥5,317,623	
Other:									
Depreciation and amortization	¥ 45,421	¥ 119	¥ 1,283	¥ 462	¥ 314	¥ 47,599	¥ 1,375	¥ 48,974	
Loss on impairment of fixed assets	9,660	—	—	—	—	9,660	—	9,660	
Increase in property and equipment, and intangible assets	273,245	2,919	1,553	429	608	278,754	620	279,374	

For 2019

For 2019	Millions of yen							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 2018

For 2018	Millions of yen							Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total			
Revenue from operations:									
Customers	¥ 350,211	¥310,914	¥206,839	¥68,858	¥11,580	¥ 948,402	¥ —	¥ 948,402	
Intersegment	3,670	279	2,517	311	1,297	8,074	(8,074)	—	
Total	353,881	311,193	209,356	69,169	12,877	956,476	(8,074)	948,402	
Segment profit	¥ 139,368	¥ 46,839	¥ 16,109	¥21,457	¥ 1,628	¥ 225,401	¥ (19,764)	¥ 205,637	
Segment assets	¥3,565,088	¥826,574	¥ 27,946	¥12,200	¥25,203	¥4,457,011	¥710,187	¥5,167,199	
Other:									
Depreciation and amortization	¥ 38,981	¥ 174	¥ 1,022	¥ 471	¥ 217	¥ 40,865	¥ 763	¥ 41,628	
Loss on impairment of fixed assets	10,635	—	—	—	—	10,635	—	10,635	
Increase in property and equipment, and intangible assets	220,785	672	1,027	859	428	223,771	4,523	228,294	

Thousands of U.S. dollars

For 2020	Reportable segments						Adjustments	Consolidated financial statements amounts
	Leasing business	Sales business	Construction business	Brokerage business	Other businesses	Total		
Revenue from operations:								
Customers	\$ 3,603,621	\$ 2,984,101	\$ 1,990,828	\$ 635,227	\$ 100,744	\$ 9,314,521	\$ —	\$ 9,314,521
Intersegment	32,001	2,454	21,220	1,948	10,431	68,054	(68,054)	—
Total	3,635,622	2,986,555	2,012,048	637,175	111,175	9,382,575	(68,054)	9,314,521
Segment profit	\$ 1,556,989	\$ 435,383	\$ 189,165	\$ 177,713	\$ 7,123	\$ 2,366,373	\$ (212,784)	\$ 2,153,589
Segment assets	\$36,047,404	\$6,158,248	\$ 230,245	\$ 75,186	\$666,079	\$43,177,162	\$5,693,558	\$48,870,720
Other:								
Depreciation and amortization	\$ 417,434	\$ 1,094	\$ 11,791	\$ 4,246	\$ 2,886	\$ 437,451	\$ 12,636	\$ 450,087
Loss on impairment of fixed assets	88,779	—	—	—	—	88,779	—	88,779
Increase in property and equipment, and intangible assets	2,511,212	26,827	14,273	3,943	5,587	2,561,842	5,698	2,567,540

(Note) Information for the year ended March 31, 2018 has been adjusted retroactively reflecting the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the year ended March 31, 2019.

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, 2020, 2019 and 2018.

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, 2020, 2019 and 2018.

19 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, 2020, 2019 and 2018 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	
Unrealized holding gains (losses) on securities:				
Increase (Decrease) during the fiscal year	¥(53,788)	¥(32,668)	¥ 50,290	\$ (494,330)
Reclassification adjustments	6,434	1,088	(1,373)	59,131
Amounts before tax effects	(47,354)	(31,580)	48,917	(435,199)
Tax effects	14,479	9,675	(14,982)	133,067
Total	¥(32,875)	¥(21,905)	¥ 33,935	\$ (302,132)
Deferred gains (losses) on hedges:				
Increase (Decrease) during the fiscal year	¥ (349)	¥ (3,628)	¥ (453)	\$ (3,207)
Reclassification adjustments	942	876	1,208	8,657
Amounts before tax effects	593	(2,752)	755	5,450
Tax effects	(181)	829	(217)	(1,664)
Total	¥ 412	¥ (1,923)	¥ 538	\$ 3,786
Foreign currency translation adjustments:				
Increase (Decrease) during the fiscal year	¥ (366)	¥ (259)	¥ (1,098)	\$ (3,364)
Remeasurements of defined benefit plans:				
Increase (Decrease) during the fiscal year	¥ (257)	¥ (66)	¥ 229	\$ (2,362)
Reclassification adjustments	66	(229)	41	607
Amounts before tax effects	(191)	(295)	270	(1,755)
Tax effects	88	61	(82)	809
Total	¥ (103)	¥ (234)	¥ 188	\$ (946)
Total other comprehensive income (loss)	¥(32,932)	¥(24,321)	¥ 33,563	\$ (302,656)

20 Investment and rental properties

The Company and its certain consolidated subsidiaries own some rental properties such as office buildings and residences in Tokyo and other areas. Certain domestic office buildings are not recognized as rental properties but as a portion used as investment and rental properties since the Company or 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, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	
Investment and rental properties			
Balance at beginning of fiscal year	¥3,373,449	¥3,208,325	\$31,003,116
Changes during the fiscal year	42,533	165,124	390,892
Balance at end of fiscal year	3,415,982	3,373,449	31,394,008
Fair value at end of fiscal year	6,330,951	5,838,717	58,183,540
A portion used as investment and rental properties			
Balance at beginning of fiscal year	¥ 141,889	¥ 141,950	\$ 1,304,007
Changes during the fiscal year	(2,798)	(61)	(25,715)
Balance at end of fiscal year	139,091	141,889	1,278,292
Fair value at end of fiscal year	400,272	379,883	3,678,632

(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, 2020 and 2019 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, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	
Increase:			
Acquired real estate	¥181,035	¥173,144	\$1,663,772
Transferred from real estate for sale in process, etc.	6,785	23,162	62,356
Decrease:			
Depreciation and amortization	¥ (42,436)	¥ (42,374)	\$ (390,001)
Transferred to real estate for sale, etc.	(1,940)	(4,822)	(17,829)
Loss on impairment of fixed assets	(9,660)	(8,576)	(88,779)
Transferred to owner-occupied properties, etc.	(67,244)	—	(617,995)

Income and expenses for investment and rental properties for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	
Investment and rental properties			
Income	¥291,163	¥269,493	\$2,675,885
Expenses	135,568	137,784	1,245,915
Balance	155,595	131,709	1,429,970
Other income (expenses)	(12,197)	(9,193)	(112,094)
A portion used as investment and rental properties			
Income	¥ 18,536	¥ 18,413	\$ 170,352
Expenses	8,869	9,176	81,509
Balance	9,667	9,237	88,843
Other income (expenses)	(45)	(4)	(414)

(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 is mostly the loss on impairment of fixed assets, and Other income (expenses) for a portion used as investment and rental properties is mostly the loss on disposal of property and equipment.

21 Contingent liabilities

The Company and its consolidated subsidiaries were contingently liable as guarantors of borrowings by customers and others in an amount aggregating to ¥9,407 million (\$86,453 thousand) and ¥7,316 million at March 31, 2020 and 2019, respectively.

22 Subsequent events

(Change in ownership of its subsidiary with transfer of equity interest)

The Company decided to transfer all of its equity interest in its subsidiary, Dalian Qingyun Sky Realty and Development Co., Ltd., to Dalian Jiaguan Guangcheng Corporate Management Centre (Limited Partnership) as of June 12, 2020.

1. Reason for transfer of equity interest

The Company established the subsidiary in 2013, with business objectives of development and sales of condominiums, as a joint-venture with Yida Group Co., Ltd., a prominent developer in Dalian, China (due to the reorganization of Yida Group, the current partner is Dalian Yida Management Consultancy Co., Ltd., herein referred to as "Yida"). Although the subsidiary had been promoting its business thereafter, Yida offered to dissolve the joint venture and the Company decided to transfer all of its equity interest in the subsidiary to a LLP led by Yida, in which the Company holds no stake.

2. Overview of the subsidiary transferred

Name: Dalian Qingyun Sky Realty and Development Co., Ltd.

Address: Room 524, 9-1 Kuiying Street, Zhongshan District, Dalian City, Liaoning Province, PRC

Position and name of representative: Executive Director, Yusuke Menjo

Description of business: Development, construction, sale, lease and related operations of real estate

Paid-in capital: RMB 2,963,280,000

Establishment: February, 2013

Shareholding ratio: Sumitomo Realty & Development Co., Ltd. 75%, Dalian Yida Management Consultancy Co., Ltd. 25%

3. Name of the counterparty of the transfer

Dalian Jiaguan Guangcheng Corporate Management Centre (Limited Partnership)

4. Amount of transfer

RMB 3,030,000,000

5. Date of transfer

June 12, 2020

6. Effect on the financial statements

The gain on sale of investments in securities of ¥12,293 million (¥15.06/RMB) will be recognized as Other income for the year ending March 31, 2021.

(Dividends)

On June 26, 2020, the shareholders of the Company approved payments of a year-end cash dividend of ¥19 (\$0.17) per share or a total of ¥9,004 million (\$82,750 thousand) to shareholders of record at March 31, 2020. 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, 2020 and 2019, 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, 2020, and notes, comprising a summary of significant accounting policies, 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, 2020 and 2019, and its consolidated financial performance and cash flows for each of the years in the three-year period ended March 31, 2020, 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.

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 including 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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, 2020

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

Head Office

Shinjuku NS Building
4-1, Nishi-Shinjuku 2-chome,
Shinjuku-ku, Tokyo 163-0820, Japan

Corporate Website

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

Date of Establishment

December 1, 1949

Number of Employees

13,676 (Consolidated)

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 Esforta Co., Ltd.
Sumitomo Fudosan Finance Co., Ltd.

Investor Information

Paid-in Capital

¥122,805 million

Number of Common Stock

Authorized: 1,900,000,000 shares
Issued: 476,085,978 shares

Number of Shareholders

12,865

Stock Exchange Listing

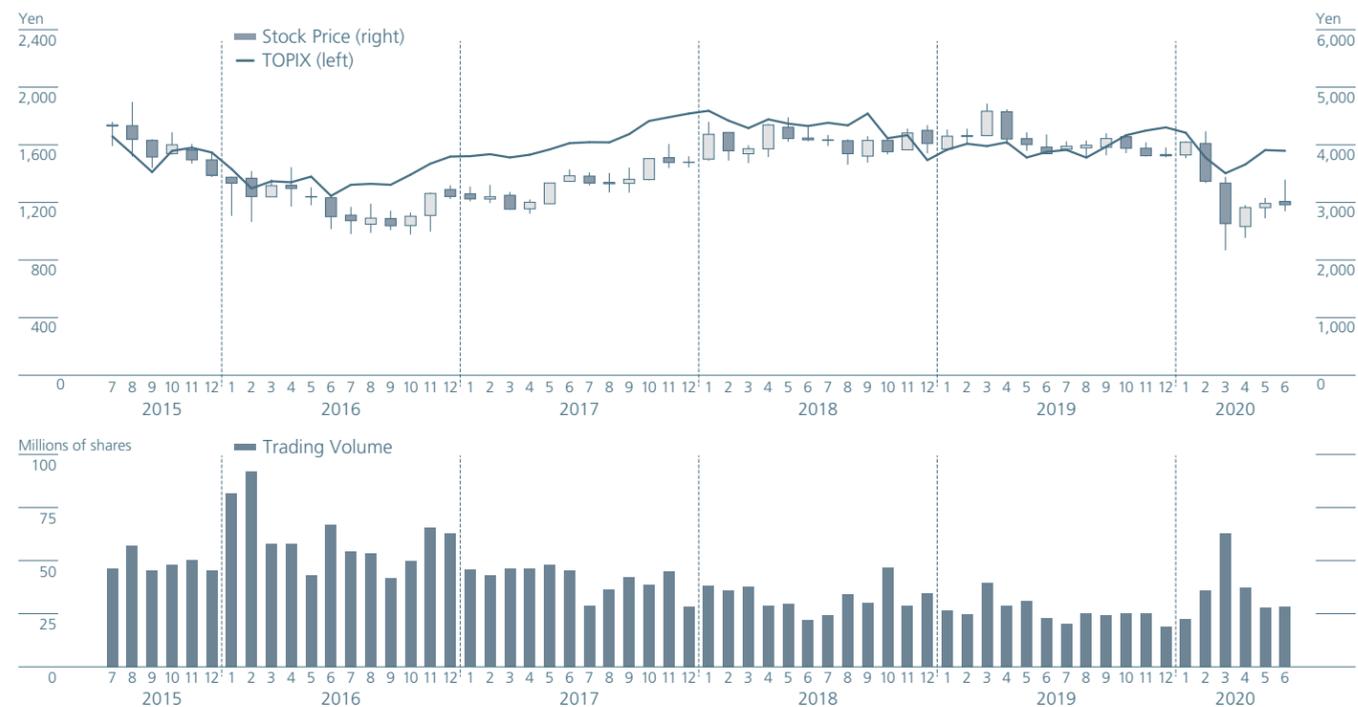
Tokyo Stock Exchange

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust account)	46,260	9.76%
Japan Trustee Services Bank, Ltd. (Trust account)	26,725	5.64%
Sumitomo Mitsui Banking Corporation	11,990	2.53%
Japan Trustee Services Bank, Ltd. (Trust account 4)	10,417	2.20%
Japan Trustee Services Bank, Ltd. (Trust account 5)	9,030	1.91%
J.P.MORGAN BANK LUXEMBOURG S.A.384500	8,392	1.77%
Daikin Industries, Ltd.	8,367	1.77%
Taisei Corporation	7,550	1.59%
Shimizu Corporation	7,500	1.58%
Obayashi Corporation	7,090	1.50%



Stock Price and Trading Volume on Tokyo Stock Exchange



History

- 1949** • Izumi Real Estate Co., Ltd. established as the successor to the holding company of the Sumitomo *zaibatsu* following the breakup of the conglomerate.
- 1957** • Izumi Real Estate Co., Ltd. changed its name to Sumitomo Realty & Development Co., Ltd.
- 1963** • Merged with the holding company of the former Sumitomo *zaibatsu* during its liquidation.
- 1964** • Entered condominium sales business with Hama-Ashiya Mansion in Kobe, Hyogo Prefecture.
- 1970** • Listed on the Tokyo Stock Exchange and Osaka Securities Exchange.
- 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 52-story Shinjuku Sumitomo Building in Shinjuku, Tokyo; moved Company head office there from Tokyo Sumitomo Building in Marunouchi, Tokyo.
- 1975** • Established Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary.
- 1980** • Established Sumitomo Fudosan Syscon Co., Ltd., a consolidated subsidiary.
- 1982** • Completed construction of 30-story Shinjuku NS Building in Shinjuku, Tokyo; moved Company head office there from Shinjuku Sumitomo Building.
- 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.
- 1996** • Commenced Shinchiku Sokkurisan remodeling business.
- 1997** • Entered high-quality business hotel market. Opened Villa Fontaine Nihombashi and hotels at two other locations.
- 1998** • Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary, listed on the Tokyo Stock Exchange.
- 1999** • Commenced real estate joint investment trust fund. Launched sales of Sumitomo Realty & Development Fund (SURF) series.
• Implemented the Sumquest bond issue, which was the first public issue of real estate securities in Japan.
- 2000** • Commenced luxury condominium leasing business. Completed construction of La Tour Shibakoen.
- 2001** • The number of managed STEP brokerage offices exceeded 200.
- 2002** • Completed construction of Izumi Garden Tower (Minato Ward, Tokyo).
- 2003** • Commenced sales of J-URBAN fixed-price urban-style housing series.
- 2004** • Commenced sales of World City Towers (Minato Ward, Tokyo).
- 2008** • Established Sumitomo Fudosan Bellesalle Co., Ltd., a consolidated subsidiary.
• Commenced sales of City Towers Toyosu (Koto Ward, Tokyo).
- 2010** • Completed construction of Shinjuku Central Park City (Shinjuku Ward, Tokyo).
- 2011** • Opened Grand Mansion Gallery.
• Completed construction of Sumitomo Fudosan Shinjuku Grand Tower (Shinjuku Ward, Tokyo).
- 2012** • Launched a Custom-order Condominium service.
• Commenced sales of J-RESIDENCE.
- 2014** • Number of condominium units brought to market over the full year was the highest in Japan for the first time.
- 2015** • Completed construction of Tokyo Nihombashi Tower (Chuo Ward, Tokyo).
• Cumulative units contracted topped 100,000 in Shinchiku Sokkurisan remodeling operations.
- 2016** • Completed construction of Shinjuku Garden Tower (Shinjuku Ward, Tokyo).
• Completed construction of Sumitomo Fudosan Roppongi Grand Tower (Minato Ward, Tokyo).
- 2017** • Commenced sales of City Towers Tokyo Bay (Koto Ward, Tokyo).
• Sumitomo Real Estate Sales Co., Ltd. delisted as it became a wholly owned subsidiary.
- 2018** • Completed construction of Sumitomo Fudosan Osaki Garden Tower (Shinagawa Ward, Tokyo).
- 2019** • Number of condominium units brought to market over the full year was the highest in Japan for the sixth consecutive year.

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



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