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Division President  
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**Contents of Business**

- Real estate transaction services (including brokerage, securitization, consulting)
- Real estate investment management (including REIT and private real estate fund investment)
- Real estate infrastructure services (including real estate trusts, appraisal services)

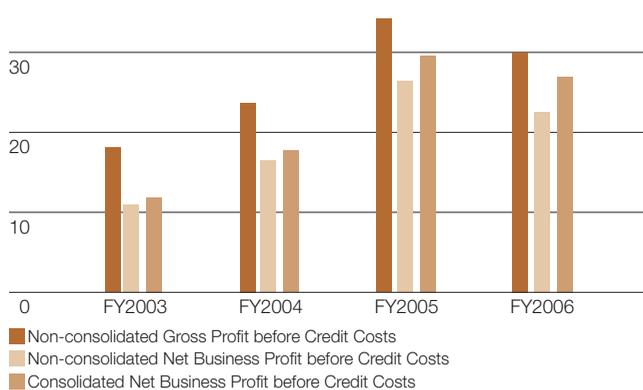
For details of businesses in this segment, please see pages 164–165

**1. Overview of Business Results for Fiscal Year 2006**

Gross profit before credit costs from the real estate business was 30.0 billion yen on a non-consolidated basis, a 12.3% year-on-year decrease. The results were down by 4.2 billion yen mainly due to a decrease in large brokerage transactions, compared with the rapid expansion of operations in the previous fiscal year. As a result, net business profit before credit costs on a non-consolidated basis was down 3.7 billion yen year-on-year, a 14.0% decrease. In comparison, net business profit before credit costs on a consolidated basis was down by a comparatively smaller amount of 2.6 billion yen, an 8.8% year-on-year decrease. The smaller decrease was due to steady growth in the brokerage of small and medium-sized properties by consolidated subsidiary Sumishin Realty Company, Limited, and steady growth in the real estate investment management.

**• Gross Profit/Net Business Profit before Credit Costs**

40 (Billions of yen)



**2. Business Environment in Fiscal Year 2006**

**• Real Estate Market**

In the commercial real estate market, asset disposal by companies centering on large corporations showed signs of saturation, while there was an increase in properties sold due to reasons such as the shuffling of assets by investors. Amid continued low interest rates, institutional investors, who continued to face tough asset management conditions, showed strong continuing needs for acquisition of profitable real estate. In addition, the needs of retail real estate investors starting with the wealthy client segment began to emerge, while competition to acquire blue chip properties heated up in response to trends such as an increase in fund of funds incorporating REITs.

The retail real estate market was also marked by strong needs for housing acquisition, fueled by continued low interest rates and expectations that land prices will rise moving forward.

**• Real Estate Securitization Market**

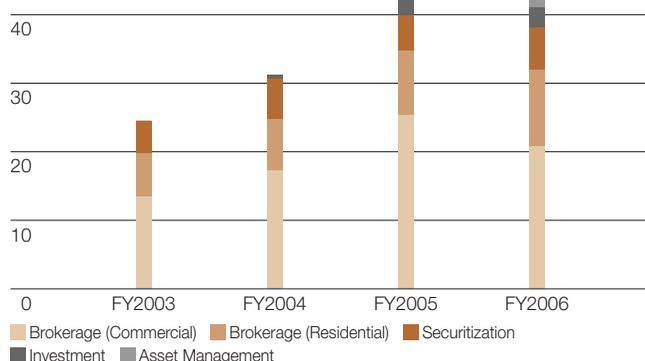
Needs for securitization of real estate remained strong, as it is a method to address the challenge of improving financial position and diversifying the means of funding. The amount of securitized real estate assets in fiscal year 2006 grew to around 7.8 trillion yen, an increase of approximately 13% year-on-year. These and other factors continued to drive an active market for real estate securitization, continuing the trend from fiscal year 2005.

### 3. Basic Strategies and Business Performance in the Fiscal Year 2006

Overall, gross profit before credit costs from the real estate business was down year-on-year due to a decrease in large brokerage transactions, falling short of the all-time high set in the previous fiscal year. However, under the strategies of achieving diversification of business and revenue sources, Sumitomo Trust pursued initiatives such as: strengthening ties with investors and developers as well as with other business groups and divisions within our company, expanding and energizing the customer base, and shifting the real estate investment management business into high gear. As a result of implementing these initiatives, Sumitomo Trust produced steady results overall in all areas except in the large commercial brokerage segment.

#### • Consolidated Gross Profit for Real Estate Business

50 (Billions of yen)



#### • Real Estate Transaction Services

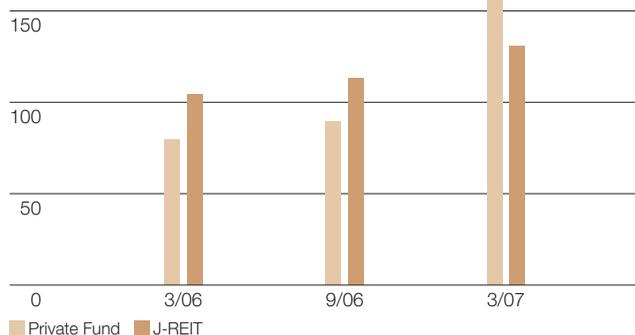
Gross profit before credit costs (non-consolidated) was 23.2 billion yen, a 3.9 billion yen year-on-year decrease. In addition to brokerage services for companies, Sumitomo Trust focused its energies on accommodating needs for real estate acquisition by investment funds. However, results were down year-on-year, falling short of the all-time high set in the previous fiscal year.

#### • Real Estate Investment Management

Gross profit before credit costs (non-consolidated) came to 3.1 billion yen, a 400 million yen year-on-year decrease. Although results were down year-on-year due to a decrease in profit on equity in real estate investments, the volume of assets under management of STB Real Estate Investment Management Co., Ltd., which was established in November 2005 as an investment advisory company specializing in real estate securitization, were in excess of 150 billion yen. This was an indication of strong interest in real estate securitization investment centering on institutional investors in Japan and abroad.

#### • Asset under Management

200 (Billions of yen)



#### • Real Estate Infrastructure Services

Gross profit before credit costs (non-consolidated) totaled 3.5 billion yen, remaining level with results year-on-year. In an effort to secure stable revenues, Sumitomo Trust implemented initiatives such as building up entrusted assets, and increasing the number of real estate appraisals as part of an effort to accommodate the Corporate Real Estate (CRE) strategies\* of corporations. As a result, performance were level year-on-year.

Sumishin Realty set an all-time high with gross profit before credit costs totaling 11.3 billion yen, a 1.9 billion yen year-on-year increase, as a result of focusing its energies on brokerage of small and medium-sized properties, in addition to the housing segment.

\* CRE strategies are aimed at improving corporate value through utilization of the real estate assets of corporations.