May 9, 2024

To whom it may concern:

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Proactive Revision of “Management Strategy for Sustainable Growth”

In May last year, Sumitomo Realty & Development Co., Ltd. announced the “Basic Management Strategy and Medium- to Long-term Outlook for Sustainable Growth” in response to the recovery from the COVID-19 pandemic and the normalization of the economy. A year has passed, and amidst significant changes in the business environment, including social and economic conditions, our mainstay businesses have steadily recovered and improved. The financial results for fiscal 2023 have met our initial targets, and we now expect to surpass 300 billion yen in ordinary profit in the next medium-term management plan.

As such, the foundation for advancing our business has been solidifying and shifting from a defensive to an offensive stance. In addition, one of the largest development projects in Japan, which will be a key project for our future sustainable growth, has made significant progress through the approval by the Tokyo Metropolitan Government. We have also managed to acquire a large-scale mixed-use development site in the heart of Mumbai, India, which is a significant preparatory step for further growth and development in the future. We will continue to actively invest in such specific projects that contribute to our growth, viewing 300 billion yen in ordinary profit in the next medium-term management plan as a checkpoint, and will strive to expand our business with the aim of reaching an even higher milestone of 400 billion yen in ordinary profit.

Incorporating these elements, we have proactively revised our management strategy as follows.

1. **Mainstay businesses on the path to recovery with expectation for achieving an ordinary profit of 300 billion yen in the next Tenth Management Plan ending in fiscal 2027**

(1) Office building leasing business

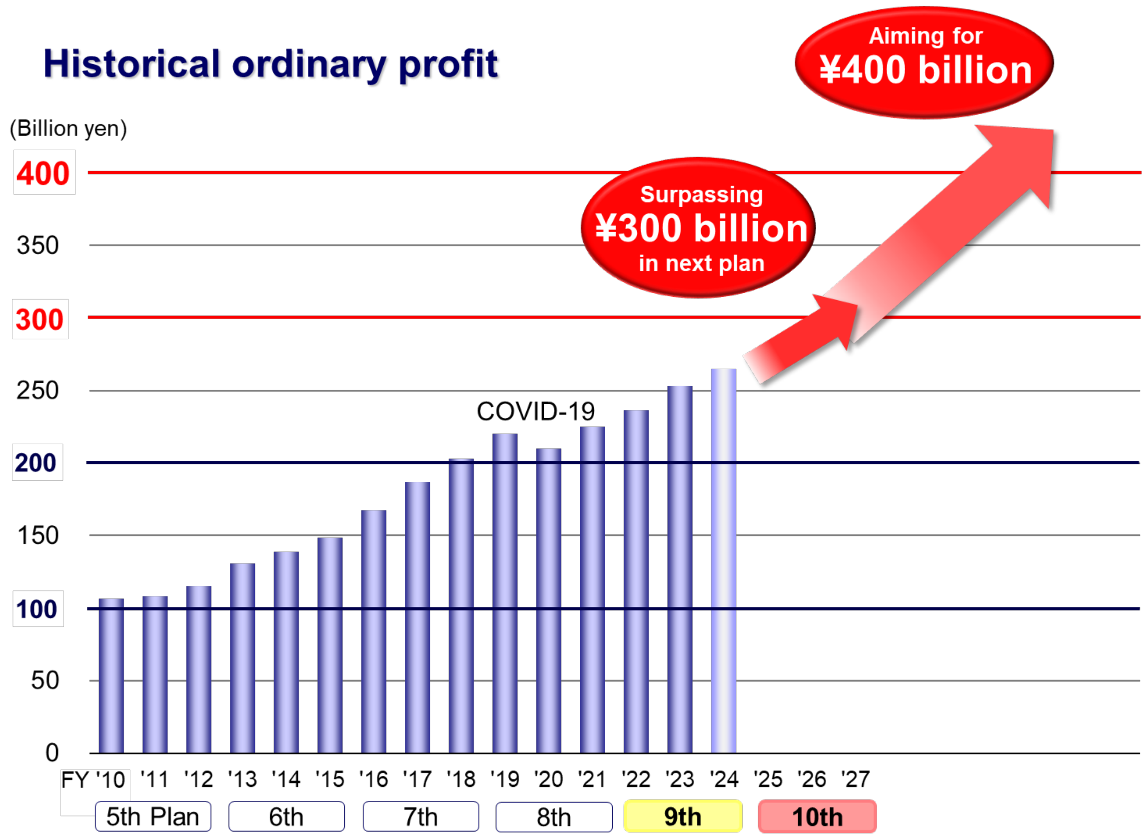
For existing buildings, the trend of returning to office had already begun during the COVID-19 pandemic in 2022, with contracts starting to exceed cancellations. This trend has been growing stronger in 2023 and 2024. Furthermore, with price pass-through due to increased operating costs starting to be accepted, the realization of substantial rent increases is also becoming more realistic under ongoing inflation.

Moreover, with the full contribution of newly completed buildings during the Ninth Management Plan, such as “Sumitomo Fudosan Tokyo Mita Garden Tower,” “Sumitomo Fudosan Nakano Ekimae Building,” and “Sumitomo Fudosan Shinjuku Minamiguchi Building,” we expect an increase in revenue and profit in the office building leasing business. These have given us the prospects for growth in the office building leasing business in the Tenth Management Plan and beyond. In addition, businesses that were directly impacted by the COVID-19 pandemic, such as hotel and multipurpose hall businesses, have turned to a recovery trajectory, with some properties beginning to generate revenues surpassing those before the pandemic.

(2) Condominium sales business

As a result of the increased interest in housing due to the COVID-19 pandemic, which has driven up demand, the market has adapted to the rising prices, and we have maintained strong sales.

While there are matters that require careful consideration, such as the difficulty of acquiring land, the surge in construction costs, and whether the market will continue to accept the increased prices, we believe that our unique strength lies in the flexibility to respond to market conditions, having secured land for the next six years, and having already fixed construction costs for properties scheduled to be delivered by the end of the Tenth Management Plan.



2. Proactive revision of management strategy, aimed at achieving an ordinary profit of 300 billion yen

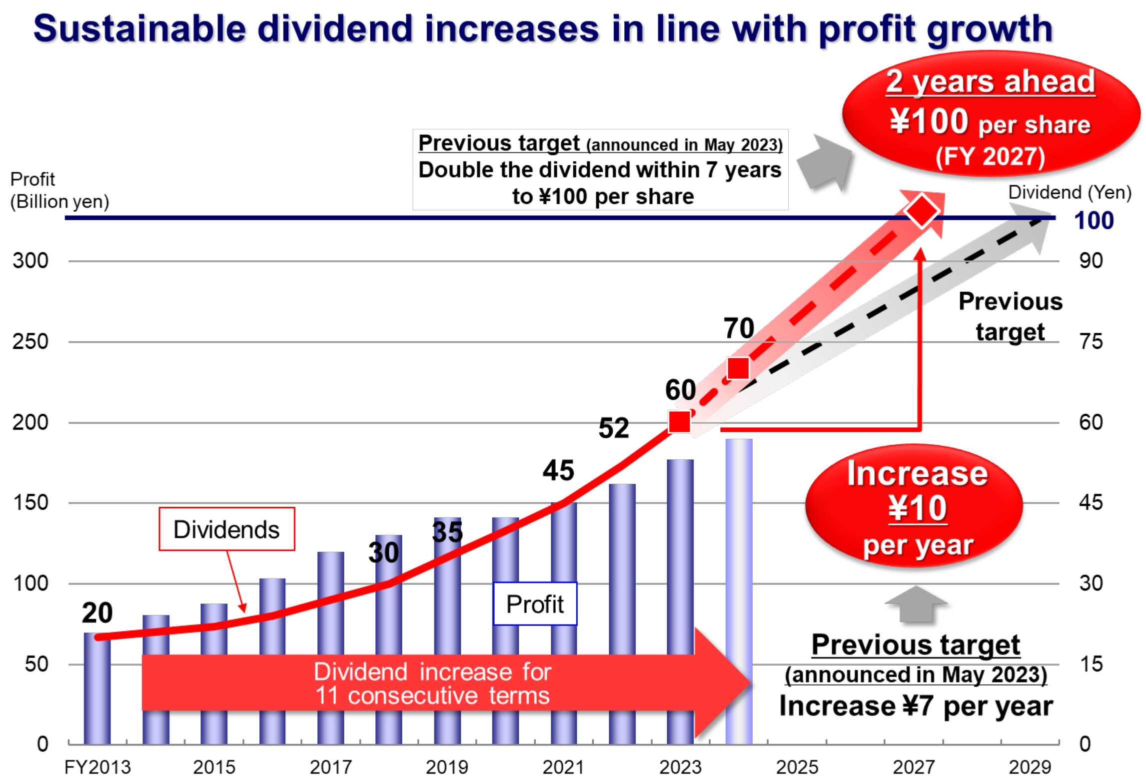
(1) Doubling the dividend two years ahead of the previous schedule

We will accelerate the pace of the annual dividend increase from 7 yen to 10 yen per share, achieving the target set forth last year of “doubling the dividend within 7 years to 100 yen per share” two years earlier.

* The dividend for fiscal 2023 will be 60 yen, with an annual increase of 10 yen thereafter, reaching 100 yen for fiscal 2027.

We position stable income from building leasing at the core of our revenue and do not rely on gains from selling assets, which are susceptible to market fluctuations. As previously stated, the recovery and improvement trends in our leasing business are evident, putting us on the clear path to surpassing 300 billion yen in ordinary profit. In light of this situation, we intend to further boost shareholder returns and accelerate the pace of sustainable dividend increase.

Even after surpassing 300 billion yen, we will continue to pursue appropriate and strong shareholder returns, taking into account our profit growth.



(2) Making progress in reducing strategic shareholdings, aiming to achieve the reduction target of 10% or less, three years ahead of the original schedule

We aim to achieve our target of reducing the ratio of strategic shareholdings to 10% or less three years ahead of the original schedule, by the end of fiscal 2027.

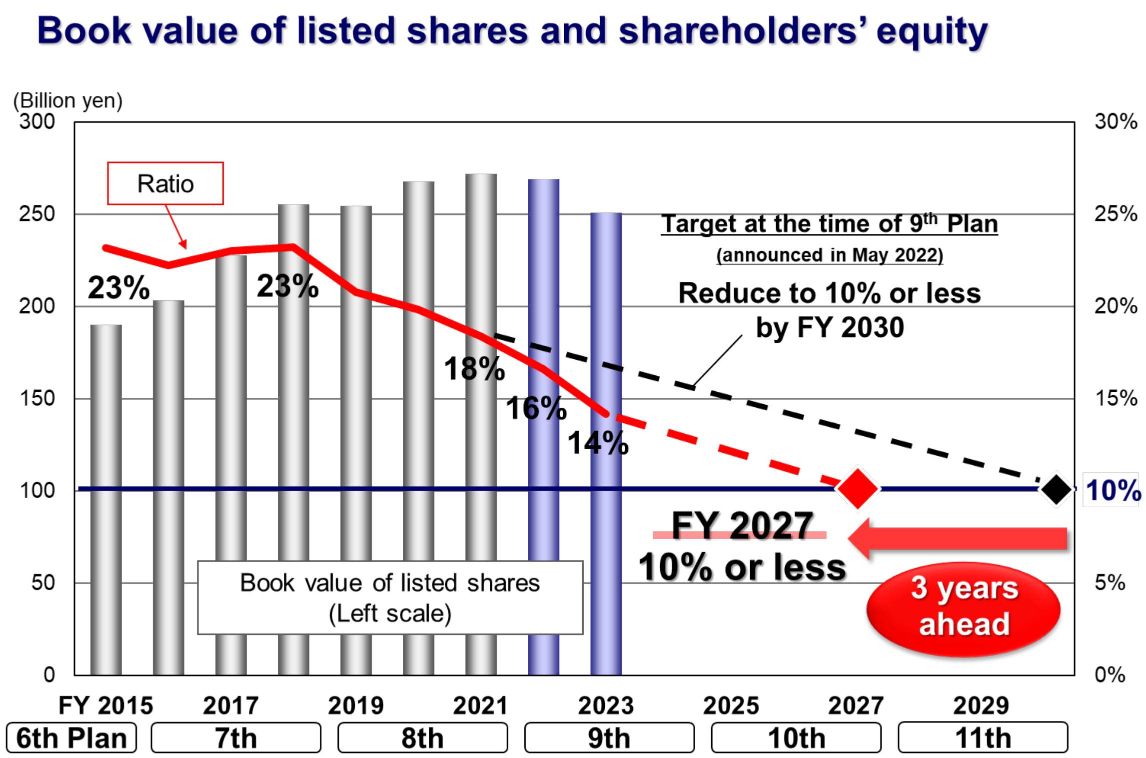
* The ratio of the book value of strategic shareholdings to shareholders' equity has been steadily decreasing: 18.4% at the end of fiscal 2021, 16.6% at the end of fiscal 2022, and 14.2% at the end of fiscal 2023.

Regarding strategic shareholdings, we will maintain those that contribute to the strengthening of "good partnerships*" and are expected to positively impact our business in the long term while we sell shares with diminished significance for holding, in a planned manner. The gains from the sale of shares, including those classified as pure investments at the end of the previous fiscal year, will be utilized to support our sustainable growth. This includes allocation for covering demolition and disposal losses that commonly occur in the property development, loss on liquidation of business efficiency, investments in digital transformation (DX) aimed at improving employee productivity, and investments in green transformation (GX) for environmental consideration.

*Good partnerships

In advancing our office building leasing and condominium sales businesses, we regard general contractors and subcontractors as partners, not as mere suppliers, in promoting business together.

We have fostered long-standing and strong relationship with general contractors and subcontractors through continuous orders, backed by strategic shareholdings. It serves as a motivation for them to confidently secure construction materials and personnel over the long term. From our standpoint, we are reaping the benefits of mitigating business risks associated with the ongoing issues of rising construction costs and prolonged project durations, enabling us to stabilize our business through steady and stable progress of projects for construction until completion.



(3) Not renewing advance warning takeover defense measures

The Group has been pursuing sustainable and stable growth with the building leasing business at its core, by continuing development of office building over the medium to long term. In the course of our growth, we have needed to protect shareholder interests from so-called “Killing the goose that lays the golden eggs,” or malicious takeover actions aimed at temporary gains by selling those assets with a short-term perspective. For this reason, we have introduced and continued with defense measures.

Last year, there was progress in reviewing the approach to corporate acquisitions at the Ministry of Economy, Trade and Industry, and the Financial Services Agency. In addition, as outlined earlier in the outlook for the Tenth Management Plan and beyond, the scale of our business and profitability directly linked to corporate value have expanded and stabilized. Consequently, we have decided not to renew the defense measures at the next update due in June 2025.

(4) Continuing active investment in human capital

For the Group’s sustainable growth, the proactive engagement of our employees is essential. Therefore, we are aiming for “employee-first management” to return the fruits of growth to employees first, as well as “integrated group management.”

As fair, efficient investment in human capital is key to realizing those, mass hiring of new graduates and seniority-based personnel system cannot fully address this need.

As such, we have, as a whole group, adopted year-round mid-career hiring and switched to a salary system that is similar to a role-based system, where annual salaries are determined based on the responsibilities and achievements of employees across a wide variety of jobs. We have positioned this personnel system, which centers on career hires, at the core and have actively promoted it. As a result, currently, 90% of our employees and 60% of the managerial personnel are individuals who were hired through mid-career hiring, with high motivation fostered by this system. This approach has enabled us to achieve a highly diverse workforce, regardless of gender or whether they were hired as new graduates or as midcareer workers, which is a driving force for the growth of the Group.

Going forward, in addition to this evaluation system based on ability and achievement of individual employees, we will continue to actively invest in human capital, including investments in digital transformation (DX) and education, to enhance productivity.

(5) Doubling the amount of funds for Green Financing from a total of 1 trillion yen to 2 trillion yen

As of March 31, 2024, 76 of our buildings with a total gross floor area of over 1.1 million tsubo (*1 tsubo = 3.3 square meters) acquired the “DBJ Green Building Certification,” which is awarded to properties that demonstrate high environmental performance and meet significant societal demands. In the Ninth Management Plan, we established a green finance quota to raise a total of 1 trillion yen. However, due to its popularity and the rapid approach to the quota, we have doubled the financing quota to 2 trillion yen. We will continue to develop superior properties with environmental considerations and strive to maintain and enhance their performance.

3. Viewing the surpassing of 300 billion yen as a checkpoint, and aiming at reaching an even higher milestone of 400 billion yen

We leverage large-scale redevelopment projects in central Tokyo as the primary engine for our growth. We have numerous projects underway in locations such as Roppongi 5-chome, Yaesu, Tsukiji (Ginza East), Roppongi 3-chome, Ikebukuro, and Iidabashi, and plan to invest 2 trillion yen, including the amount already invested, in properties with a total gross floor area of 2 million square meters that we plan to own.

As the second growth engine, we will invest 700 billion yen, including the amount already invested, in the heart of Mumbai, India. In Mumbai, the rapid progress in the development of transportation infrastructure strongly shows us its potential for evolving into a business area comparable to central Tokyo in the future. In that area, we have started projects with a planned gross floor area of over 1.3 million square meters.

We believe that a path to achieving an ordinary profit of 400 billion yen is becoming visible through these growth and development projects with a total investment of 2.7 trillion yen for a total gross floor area of over 3.3 million square meters across Tokyo and Mumbai.

Topic 1: One of the largest urban redevelopment in Japan, "Roppongi 5-chome West Project" has been approved

The urban redevelopment "Roppongi 5-chome West Project"* has been approved by the Tokyo Metropolitan Government, in March 2024. Thereby, one of Japan's largest redevelopment projects has started moving forward, with a total gross floor area of 1.08 million square meters and an overall project cost of around 800 billion yen. The project features a core office-focused tower of 66 floors above ground and a height of 327 meters with a gross floor area of 800,000 square meters, as well as approximately 1,000 residential units, hotels, and retail facilities. The synergistic effects with the surrounding developments are expected to drive the transformation of this area into a central urban core comparable to Otemachi, Marunouchi, and Yurakucho area near Tokyo Station.

*Urban redevelopment project jointly undertaken with Mori Building Co., Ltd.

Source: Tokyo Metropolitan Government documents.

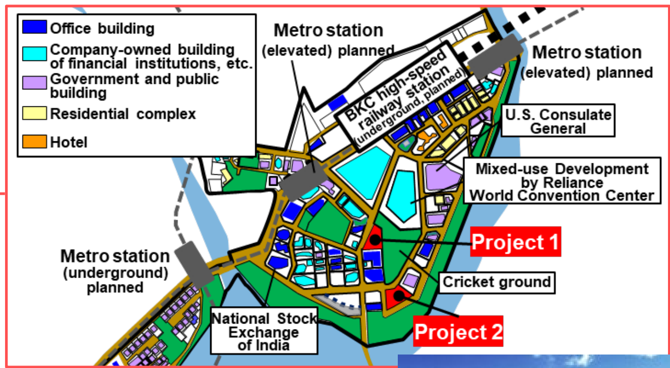
Topic 2: Acquired a large-scale mixed-use development site in the heart of Mumbai, India

In addition to two properties that we have acquired by 2022 in BKC (Bandra Kurla Complex, Mumbai, India), we acquired a large-scale mixed-use development site in Worli, the heart of Mumbai, in October 2023. In BKC, the total gross floor area of the two properties is 260,000 square meters: the first project has commenced construction, and construction for the second project is scheduled to commence within this year. In Worli, the site we acquired has a developable gross floor area of over 1 million square meters.

Consequently, rather than just acting as a leasing building owner, we have been able to build a significant foothold in establishing our position as a comprehensive developer continuously engaged in integrated mixed-use development of areas.

Given its location in the heart of the Worli, the center of Mumbai city, the project has received expressions of active support from the Maharashtra state and Mumbai city authorities, who are intensively working on the development of subways and elevated roads. In order to contribute to the development of Mumbai and India, we will work together with the state and city to advance this large-scale development into an iconic project with a total gross floor area of well over 1 million square meters.

Source: Google Maps



Project 1 in BKC
Exterior rendering

"Indian Shinkansen" (high-speed railway)	Connecting Mumbai and Ahmedabad in about 2 hours, covering approximately 500 km distance
Mumbai Trans Harbour Link	Connecting the center of Mumbai to the new airport under construction in Navi Mumbai across the eastern shore, with a total extension of about 22 km (opened in January 2024)
Sea Bridge Bypass "Coastal Road"	A sea bridge bypass where extension work is progressing on the western coast of the peninsula to avoid traffic congestion in the city (partially opened in March 2024)
Metro Line 3	Connecting major business areas from the current airport area to Nariman Point via BKC and Worli (scheduled to open in 2024)

Topic 3: Reborn Shinjuku Sumitomo Building

Shinjuku Sumitomo Building, completed in 1974, is celebrating its 50th anniversary this year. We chose to renovate this building, the oldest within our portfolio, instead of rebuilding. A gigantic roof was installed at the foot of the building, enabling it to hold large-scale events without being affected by the weather. In addition, restaurants on the top four floors were relocated to the 1st and 2nd floors and the previous restaurant areas were transformed into office areas. The building facilities have been completely updated, and seismic resistance has been enhanced to withstand long-period ground motion earthquakes.

Over the past 50 years, the cumulative cash flow (operating income before depreciation) from the building has exceeded 400 billion yen. During that time, the Japanese economy experienced numerous transformations, through the high-interest era of the 1980s, the bursting of Japan's bubble economy, the Global Financial Crisis, and the economic boom under Abenomics policies. Although 50 years have passed since its completion, this building is still one of our flagship buildings, generating cash flows from leasing exceeding 10 billion yen annually.

< Before >

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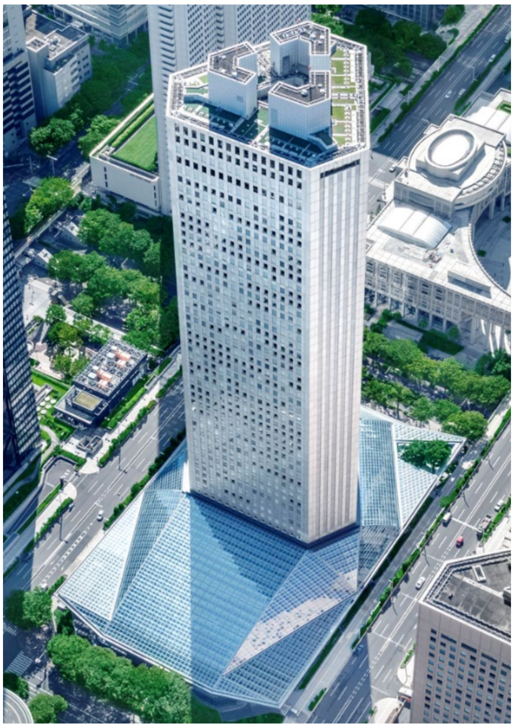


Shinjuku Sumitomo Building
(52 floors above / 4 below ground)

Completion: March 1974

Renovation completion: June 2020

Site area: 14,446.46 square meters

Gross floor area: 180,195.16 square meters

Sankaku Hiroba (triangular plaza): approx. 3,250 square meters

- An all-weather atrium (Ceiling height: approx. 25 meters)
- Capable of temporarily accommodating approx. 2,800 stranded commuters in the event of disaster

APPENDIX

<u>The office building leasing business in central Tokyo has generated stable profits over the long term, and retaining those properties is also advantageous in terms of investment efficiency.</u>

I. Tokyo has an efficient and intricate network of public infrastructure including the railway network such as JR lines and subways, as well as roads, allowing easy access to the city center. In addition, especially in city centers where convenience is higher, there is supply of large-scale redevelopment buildings with the latest specifications, through a “scrap and build” process, where old buildings are demolished to make way for new constructions. This has made the city center unwavering and ensured its value remain steadfast.

II. Companies from a diverse range of industries and sizes are concentrated and clustered in Tokyo; not only in finance and IT but also material and semiconductor manufacturers, as well as services such as staffing, retail, and entertainment, from major corporations to startups.

Despite the economic fluctuations within individual sectors, constant regeneration brings various new demands for office space. As we manage over 200 buildings in various sizes throughout Tokyo, our leasing portfolio is ideal to accommodate such diverse needs, and has been the source of stable profits over the long term.

III. While not ruling out the option of selling leasing assets and reinvesting the funds into further development, at present, investments in the office buildings in Tokyo stand as a business that ensures sufficient profitability without relying on gains from selling assets. For instance, Shinjuku Sumitomo Building as explained above, even after 50 years since its completion, is generating cash flows from leasing exceeding 10 billion yen annually. It is indeed a “goose that lays the golden eggs,” and hastily selling it would equate to killing such goose.

Additionally, it is simply difficult to “sell for a profit and then buy back at a lower price.” As redevelopment takes place primarily in city centers with greater convenience, and since business districts are not shifting to the suburbs, the potential locations suitable for business are naturally limited. Therefore, securing opportunities to develop properties with strong business prospects is not easy.

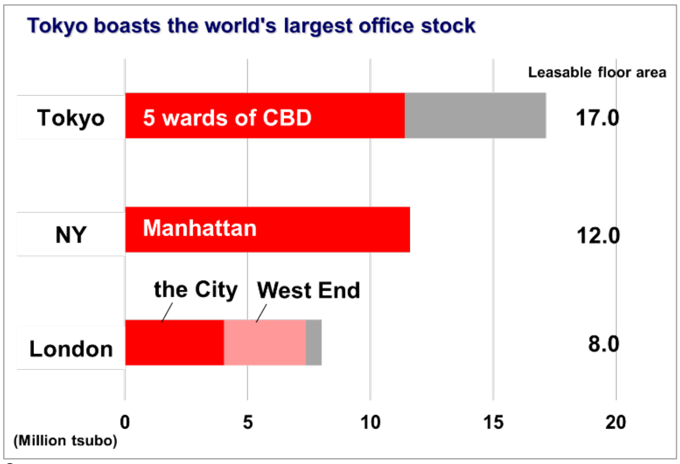
IV. The advantages of the Tokyo office market are outlined as follows.

The Advantage of the Tokyo Office Market

1. Tokyo is the world's largest office market

(1) Largest market in the world; larger than New York and London

Tokyo boasts the world's largest office stock in terms of floor area, with potential for growth in both supply and demand, making it largely different market from major cities in Europe and the United States.

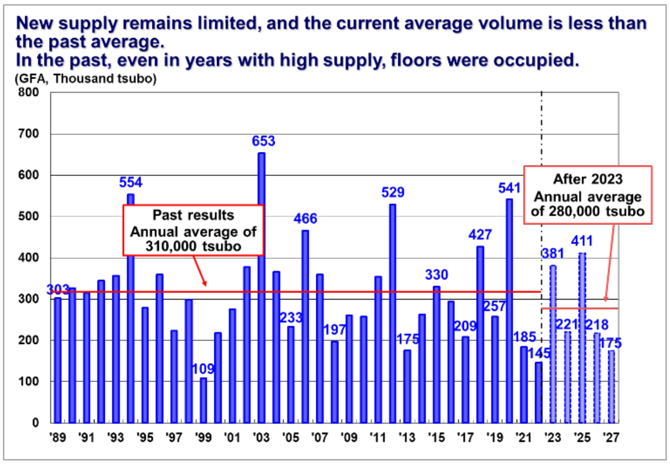


Sources
Tokyo: Tokyo Metropolitan Government "*Tokyo no Tochi* (Land of Tokyo)" *Converted at an effective rate of 60%
N.Y. and London: Cushman & Wakefield "MARKETBEAT"

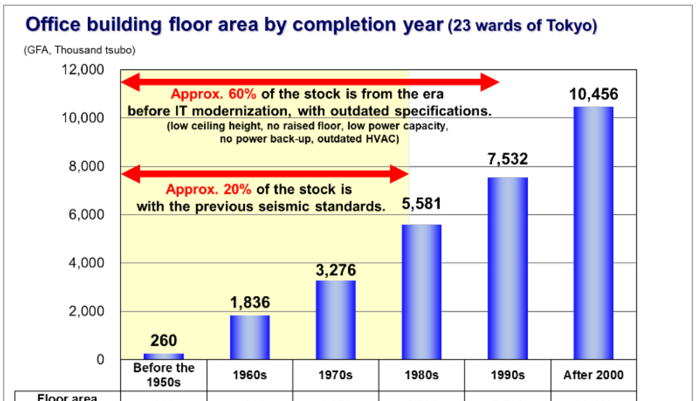
(2) 20% of existing stock do not meet the current seismic standards, and net annual supply increase is approx. 1% due to redevelopment through rebuilding being the primary approach

In Japan, seismic standards have been determined by law and regulations to address earthquake risks. However, 20% of the stock do not meet the current seismic standards (only satisfying the previous ones as they were completed in the early 1980s before the current standards were implemented), and require functional updates through rebuilding or redevelopment. In addition, incentives, such as permission to exceed the general regulatory limits on the floor area ratio, are offered to enhance urban disaster prevention and advance the social infrastructure. Hence, redevelopment through rebuilding is progressing in Tokyo, in prime locations of the city center.

Moreover, because rebuilding is the primary approach for redevelopment, the net supply, after deducting the floor area of buildings demolished, remains limited. Over the 20 years since 2000, there has been an increase of 18%, or about 1% per year, suggesting the balanced supply-demand dynamic from a long-term perspective.



Source: Mori Building Co., Ltd. "Large office building supply trend in Tokyo's 23 core cities"



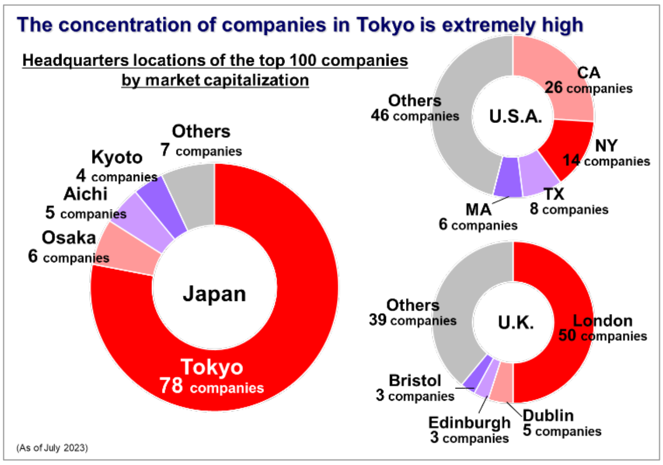
	Before the 1950s	1960s	1970s	1980s	1990s	After 2000
Floor area (thousand tsubo)	260	1,836	3,276	5,581	7,532	10,456
Share	0.9%	6.3%	11.3%	19.3%	26.0%	36.1%

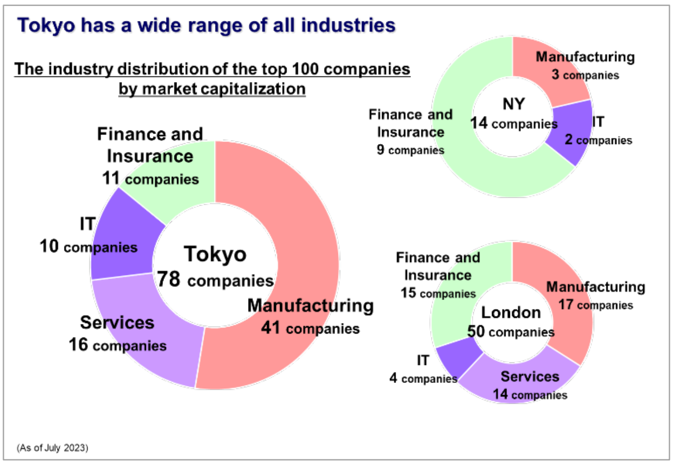
Source: Tokyo Metropolitan Government "*Tokyo no Tochi* (Land of Tokyo)", as of January 1, 2022

2. Structural factors of demand growth

(1) A market unparalleled in the world, where large corporations concentrate, encompassing all industries

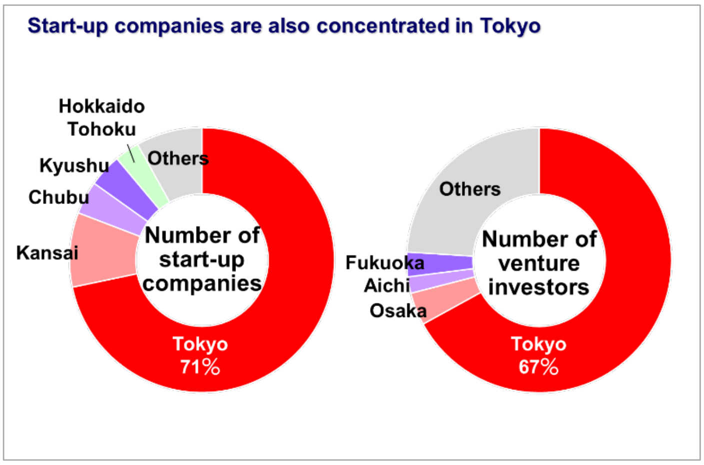
80% of Japan’s large corporations (the top 100 in terms of market capitalization) are headquartered in Tokyo, and it’s typical for companies with their primary headquarters in other regions to also maintain secondary headquarters in Tokyo. In contrast, the ratio is just over 10% in New York, and 50% in London. In addition, looking at it by industry, all sectors, including manufacturing, services, IT, and finance, are represented in Tokyo. This is in substantial contrast to other countries where industry clusters are dispersed across various cities, such as finance in New York. For this reason, it has a stable structure with extensive office needs. Despite the presence of economic fluctuations within individual sectors, the floor spaces of declining industries are taken by growing industries, hence maintaining the balanced supply-demand dynamic.





(2) Concentration of start-up companies

Not only large corporations but also 70% of start-up companies and venture capital firms are concentrated in Tokyo, where human resources, capital, and Business to Business markets are readily available.



* Created independently by Sumitomo Realty based on data from the startup information platform “INITIAL”.
* Start-up companies = 6,100 companies raising over 100 million yen, venture investors = 1,440 investor, venture capital, and finance companies

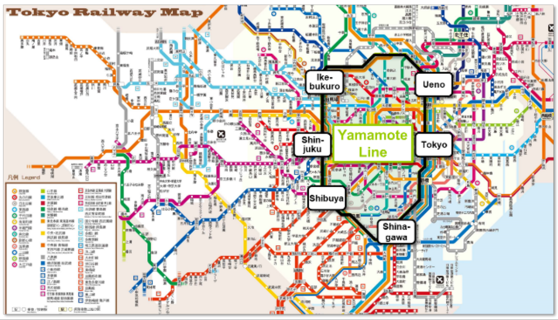
(3) Unwavering city center with extensive urban transportation infrastructure

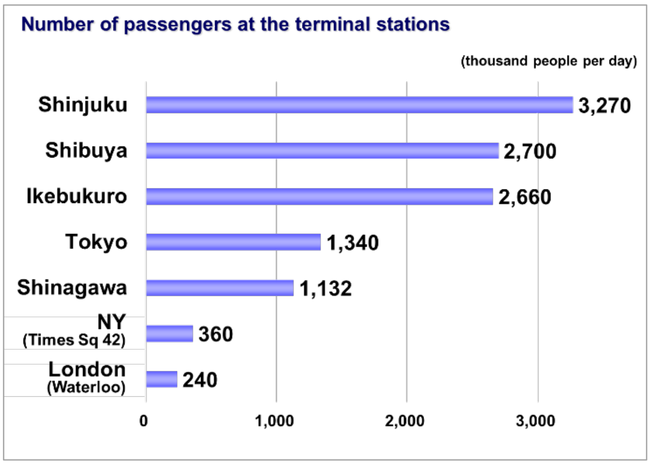
In the heart of Tokyo, the circular Yamanote Line serves as the core transportation means, with 42 railway lines connecting to it from all directions. Using this safe and punctual railway network, commuters from various areas of the Greater Tokyo travel to city center. (More than 80% of office workers in the Greater Tokyo Area commute using public transportation.)

Thanks to this efficient transportation infrastructure, there is no substantial advantage in moving offices out of Tokyo, thus establishing it as the unwavering city center.

Tokyo has an extensive transportation infrastructure network to city centers

	Tokyo	NY	London
Number of lines entering city centers	42	22	17

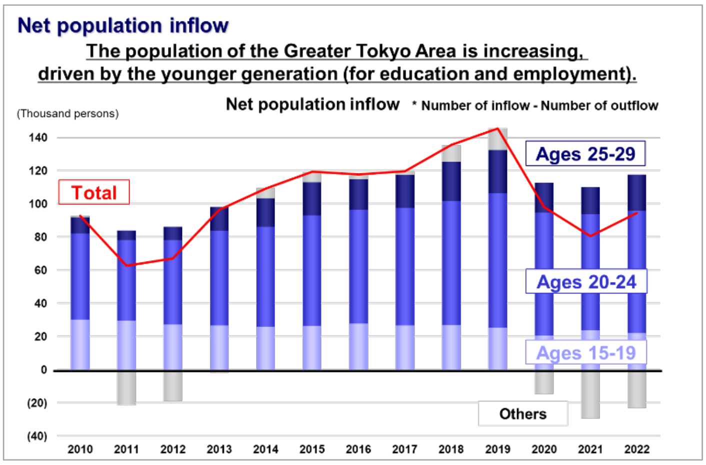




Sources: The Ministry of Land, Infrastructure, Transport and Tourism, The Metropolitan Transportation Authority (New York), and Office of Rail and Road (London), 2019.

(4) Structural and continuous population influx

The population of the Greater Tokyo Area, within commuting distance to Tokyo, has been experiencing a net inflow for a long time, driven by the younger generation around the age of 20. As universities are highly concentrated in Tokyo, a significant number of students from across Japan gather in Tokyo. A long-standing trend shows that they continue to stay in the city after graduation to become employees of companies in Tokyo. This has created a positive cycle where the concentration of universities and companies attracts people, and the concentration of people, in turn, attracts even more companies.



Source: Statistics Bureau, the Ministry of Internal Affairs and Communications

In addition to the above, social infrastructure such as hotels, commercial facilities, and hospitals are efficiently located in city centers of Tokyo.

3. The advantages of the Tokyo offices have become even more pronounced after the COVID-19 pandemic

(1) During the pandemic, the vacancy rate rose to 6% primarily due to cost containment, but supply and demand balanced out within six months

Before the pandemic, during the economic boom driven by Abenomics policies, even buildings with lower competitiveness were able to secure tenants, leading to an unprecedented low vacancy rate of 1%, reflecting the tight supply amid high demand.

In 2020, in response to the COVID-19 pandemic, companies reduced office attendance to ensure the safety of their employees and cut costs by reducing office space, resulting in a vacancy rate increase to 6% within six months.

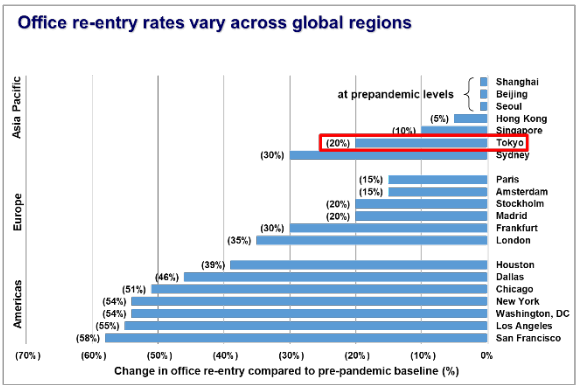
On the other hand, many companies decided not to reduce their floor space so that they can maintain social distancing in seating arrangements. There were also growing concerns that a lack of communication due to teleworking could lead to stagnation in growth. This led to an increase in cases where companies re-lease the space that had been given up, or repurpose idle office spaces into communication spaces. As a result, the supply-demand balance improved in a short period of time.

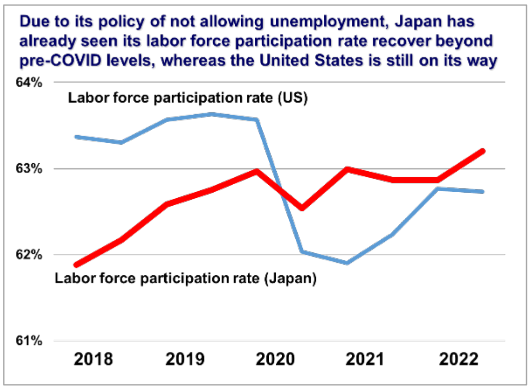
(2) Contrasts between the U.S. and Japan in the trend of returning to the office after the pandemic

When comparing the return to office rates internationally against pre-COVID levels, New York is at about 40%, while Tokyo is at about 80%, showing a significant difference. This is considered to be influenced by differences in working environments.

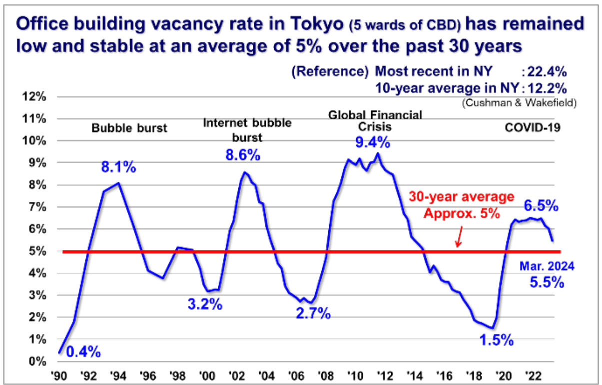
The difference is also clear when looking at the trends in labor force participation rates. In the United States, the initial response to the pandemic involved laying off employees, with policies primarily focused on providing unemployment benefits to those who became unemployed. In contrast, Japan adopted policies aimed at maintaining employment by providing subsidies to companies to protect their employees' jobs. This approach is believed to have contributed to the quicker rebound in the rate of returning to the office.

Currently, as companies aim to return to a growth trajectory, they are moving to secure talented individuals by increasing recruitment. In addition, there is a trend towards creating attractive office environments that employees want to work in by adding more communal spaces such as lounges. This has led to a rising demand for relocation and consolidation of offices and for increasing floor space, and the market conditions in Tokyo are on a recovery trend.





Source: Compiled by Sumitomo Realty, based on JLL "Global Research May 2023, The Future of the Central Business District, Creating dynamic urban centers" (Left)
OECD "Labor force participation rate" (Right)



Source: Miki Shoji Co., Ltd.