August 7, 2025

To whom it may concern:

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Securities code:	8830 (TSE Prime Market)
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The Policy on Utilizing Fixed Assets and Leveraging Strategic Shareholdings

On March 28 of this year, Sumitomo Realty & Development Co., Ltd. (the Company) announced its 10th Medium-term Management Plan followed by the release on May 13 of "Steady Progress of the Management Strategy for Sustainable Growth, Strengthening of Shareholder Returns, and Promotion of Management System Reform." Following these announcements, we received active inquiries and responses from investors and stakeholders both in Japan and overseas. Among the advice and insights we have received through many dialogues we have engaged in, we would like to provide further clarity on our policy, particularly regarding the effective utilization of non-prime assets including fixed assets and strategic shareholdings, which has been a key area of interest.

1. Active Utilization of 200 Billion Yen in Fixed Assets (Non-Prime Assets) through Revolving Business Model

The Company has continuously reassessed its asset portfolio with each medium-term management plan, striving for optimal utilization to contribute to sustainable growth through various approaches such as retaining Prime Assets , converting some into new Prime Assets by redeveloping them or utilizing them as exchange assets for other redevelopment projects, selling some to investors as is, and selling others after repurposing them—for example, by converting office buildings into condominiums.

Now, we are entering a stage where we are able to maintain growth even if rental income from non-prime assets declines, as our portfolio of Prime Assets has been significantly expanded, ensuring a substantial increase in future rental income. Going forward, we will further accelerate the effective use of non-prime assets, including exploring our new revolving business model positioned to stand alongside our condominium sales business.

We have formulated business plans for the fixed assets subject to review, announced on March 28, 2025 (non-prime assets with a total book value of 200 billion yen), as shown below. They will begin contributing to our performance sequentially from the next Medium-term Management Plan (the 11th Plan) onward.

Current Status	Business Plan After Review	Book Value (Billion yen)
Land	Construct buildings then sell them either as individual units or as a whole to an investor	127.0
Rental Apartments, Commercial Complexes, etc.	Sale	16.0
Buildings for lease	Further Redevelopment into Prime Assets	27.0
Buildings for lease, Hotels, etc.	Under review for potential repurposing and other uses	37.0
Total		**207.0***

*Of which 37.0 billion yen was reclassified as real estate for sale in FY2024.

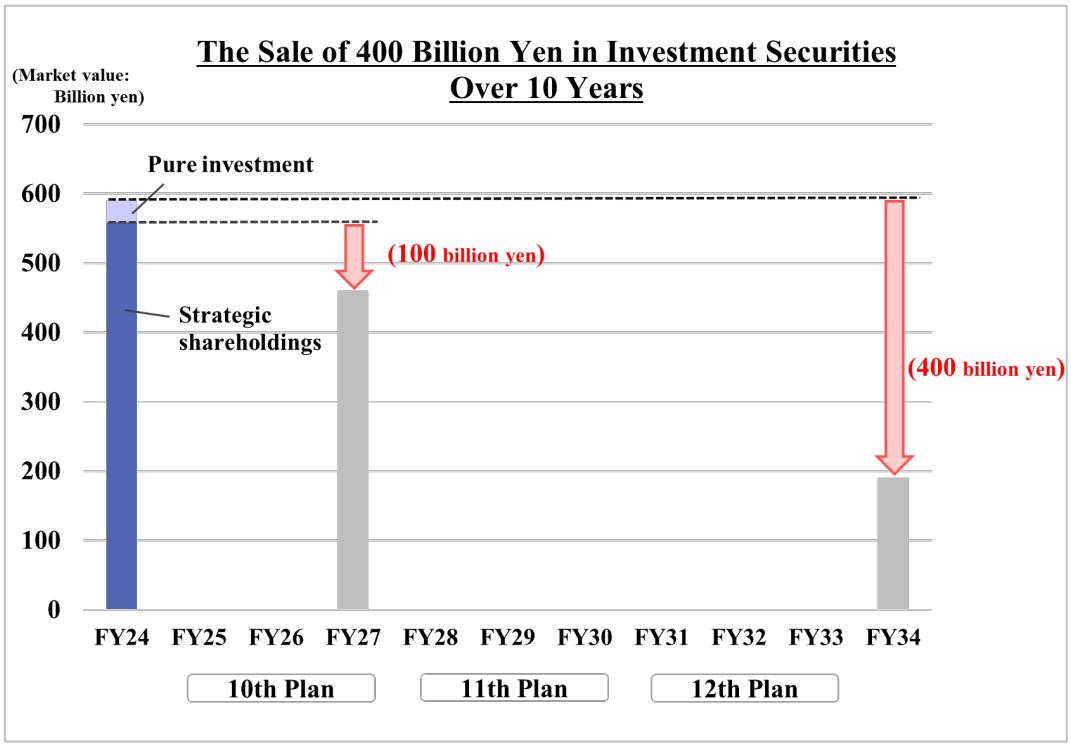
2. **Investment Securities Reduction Quadrupled to 400 Billion Yen, Including Strategic Shareholdings**

Strategic shareholdings have been built up over time for various purposes throughout Japan's economic history. Initially, they served to protect companies from market manipulators during the post-war turmoil. Later, they played a role in strengthening ties among corporate groups and in forming close-knit value chains, known as *keiretsu*. At each stage in history, cross-shareholding had its own rationale and necessity.

We believe that building long-term, stable relationships with our key partners—general contractors and subcontractors essential to the construction of our office buildings and condominiums, as well as tenants and financial institutions—is of great importance. In cases where mutual benefit could be expected, we have engaged in cross-shareholding arrangements. These strong partnerships have enabled us to secure stable financing and maintain a stable production system. As a result, our ordinary profit has nearly doubled over the past decade—from 139.1 billion yen in FY2014 to 268.3 billion yen in FY2024.

However, amid increasing scrutiny of strategic shareholdings—such as concerns over reduced management discipline and declining capital efficiency—both we and our counterparties have begun to reassess those approaches. On March 28, 2025, we announced a plan to reduce strategic shareholdings by 100 billion yen over the three-year period of the 10th Plan. The capital gains from these sales are intended to offset extraordinary losses and an estimated 4 billion yen per year in rising interest expenses. More recently, we have decided to continue further reductions, aiming to decrease listed securities we hold—including both strategic shareholdings and pure investments—by 400 billion yen over the next ten years, encompassing the 10th Plan.

The capital gains and dividends derived from these listed securities will be strategically leveraged to support our continued sustainable growth over the next ten years until Roppongi 5-chome West Redevelopment Project and the large-scale development project in Worli in Mumbai, India begin to make significant contributions to our performance. Specifically, these funds will be used to offset the burden of rising interest expenses associated with refinancing long-term debt, which are estimated at approximately 4 billion yen per year. Fortunately, the dividend yield on a book value basis for our listed securities remains high at 7.6%. On the other hand, given the favorable outlook for our India business, where yields exceeding 10% are expected, we will actively pursue the monetization of our equity holdings in line with the progress of our growth investments. Through this approach, we aim to **simultaneously achieve the reduction of strategic shareholdings, the reinvestment of capital gains to contribute to sustainable growth, and the enhancement of asset efficiency.**



Some investors have expressed the view that capital gains from the sale of listed securities should be allocated to share repurchase. While rapidly boosting capital efficiency at this juncture is certainly one option, the Company, which is fundamentally committed to sustainable growth, has determined to adopt a balanced approach—combining long-term progressive dividends and flexible share repurchases, implemented in line with the progress of growth investment expenditure.

3. **The Foundation of Our Management—Management Strategy for Sustainable Growth**

The development business requires long-term investments spanning a decade, with the aim of reaping the benefits in the years that follow. During this period, continued support from all our stakeholders—including employees, customers, business partners, local communities, and shareholders—is essential. We believe that the following sustainable growth strategy serves as a vital incentive for all stakeholders to build and maintain long-term relationships with us with confidence.

(1) Establishing a Resilient and Strong Business Platform Through Continuous Investment for Growth

We have developed and own a portfolio of high-yield Prime Assets in central Tokyo, the world's largest and most stable office building market. Even during periods of economic turbulence such as the global financial crisis and the COVID-19 pandemic, our Prime Assets demonstrated strong resilience, with minimal impact on earnings. More recently, amid tightening supply-demand conditions, we have successfully achieved steady rent increases.

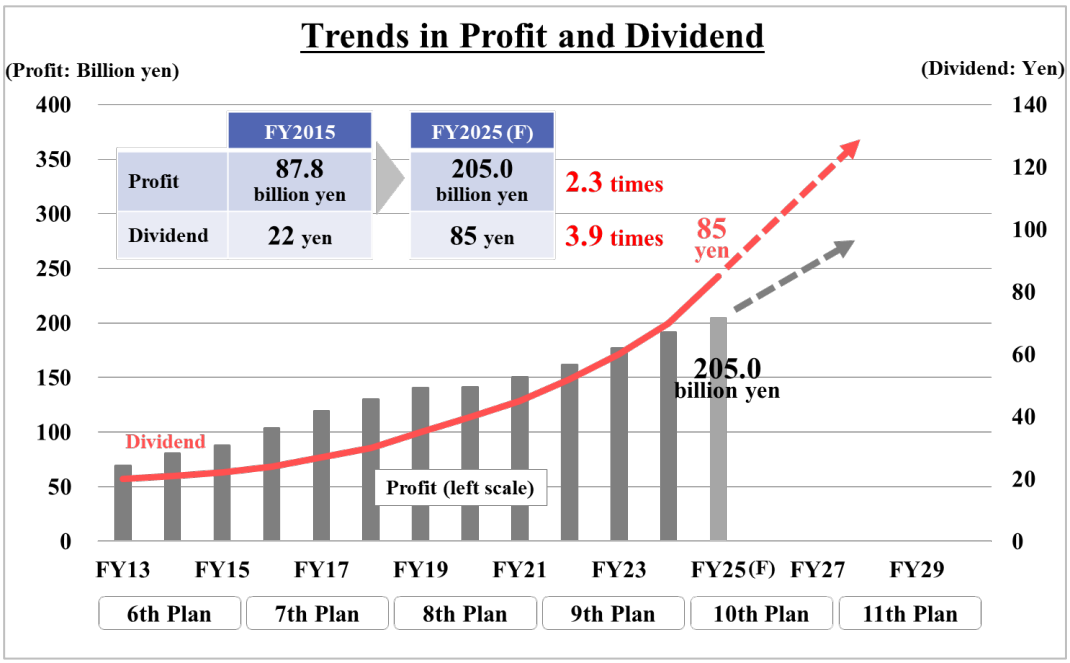
In pursuit of achieving ordinary profit of 400 billion yen within the next ten years—and subsequently 500 billion yen thereafter— we are making substantial additional investments, including 2 trillion yen in central Tokyo and 700 billion yen in Mumbai, India, a rapidly growing market. These investments are aimed at further expanding our portfolio of Prime Assets and significantly enhancing our profitability.

Especially in our India business, where our projects contribute significantly to local infrastructure development, we are receiving full support from local government authorities, and progress has been smooth. For Project 1 in BKC, our first project in India scheduled for completion in fall of next year, demand for our globally standardized office building has been strong. Notably, J.P. Morgan's India headquarters and other tenants have already committed to approximately half of the leasable floor space. We believe we are on track to achieve an investment yield exceeding 10%, in line with our initial expectations.

(2) Achieving Sustainable Profit Growth Rather than Relying on One-Off Gains and Increasing Shareholder Returns

Selling rare Prime Assets, which are difficult to reacquire once sold, would amount to short-termism: sacrificing future profits for one-off gains. Instead of eating the "goose that lays the golden eggs," we have chosen to grow and multiply these assets. This approach has enabled us to achieve sustainable growth over time.

Having gained the ability to achieve both growth and shareholder returns, the Company has finally reached the starting point of a full-fledged growth phase. In order to ensure the continuation of this virtuous cycle of growth and shareholder returns over the long term, we will remain committed to growth investments, avoid reliance on one-off gains, and pursue sustainable growth. Furthermore, we aim to achieve sustainable increases in shareholder returns that exceed the progressive annual dividend of 15 yen per share, as pledged in May of this year.



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