

Ticker symbol 8830

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Sumitomo Realty & Development Co., Ltd.

2-4-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo

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NOTICE OF THE MEDIUM-TERM MANAGEMENT PLAN

Name: Eighth Medium-Term Management Plan

Plan period: Three years from April 2019 to March 2022

Key points

1. Performance targets

Achieve consecutive record results for the three-year period covered, with cumulative ordinary profit of ¥700 billion.

Achieve record results for the ninth consecutive fiscal year under the three management plans since the Sixth Management Plan by maintaining the pace of growth attained under the Seventh Management Plan with which substantial profit increase was achieved.

<Three-year cumulative earnings targets>

Revenue from operations ¥ 3,100 billion (+ ¥213.2 billion, + 7%)

Operating income ¥ 740 billion (+ ¥125.8 billion, + 20%)

Ordinary profit ¥ 700 billion (+ ¥141.2 billion, + 25%)

(Reference) Comparison of Management Plan results (Years ended/ending March 31)

(Billions of yen)

Management Plan	5th Plan 2011-2013	6th Plan 2014-2016	7th Plan 2017-2019	8th Plan 2020-2022
Revenue from operations	2,170.0 (+63.2)	2,442.0 (+272.0)	2,886.8 (+444.7)	3,100.0 (+213.2)
Operating income	437.2 (+2.3)	500.6 (+63.3)	614.2 (+113.6)	740.0 (+125.8)
Ordinary profit	329.1 (-10.0)	418.0 (+88.8)	558.8 (+140.8)	700.0 (+141.2)

Note: All figures are cumulative totals within the period of the plan.

2. Leasing asset investment plan (Non-current asset investment excluding sales assets, such as condominiums for sale)

Further investment in leasing office assets in central Tokyo, strengthening our earnings base.

1) Concrete development plan for over 800 thousand tsubo (one tsubo is roughly 3.3 m²) of gross floor area, mainly comprising redevelopment projects.

(Equivalent to over 50% of 1,520 thousand tsubo of gross floor area for leasing as of the end of the Seventh Management Plan)

The total investment will amount to ¥2,000 billion, expected to generate profits within six to seven years.

2) During the Eighth Management Plan, approximately 30%, or 230 thousand tsubo, of total gross floor area of the investment pipeline will be completed and brought to market.

Pace of development

Management Plan	5th Plan	6th Plan	7th Plan	8th Plan
Gross floor area (tsubo)	150,000	110,000	210,000	230,000

3) Of ¥2,000 billion, ¥600 billion is expected to be invested in the next three years.

Funding will be covered by expanding cash flows from the leasing business*. (No increase in interest-bearing debt expected.)

<Capital investment and cash flows from the leasing business>

(Billions of yen)

Management Plan	5th Plan	6th Plan	7th Plan	8th Plan
Capital investment	(268.0)	(422.3)	(663.5)	(600.0)
Cash flows from the leasing business	363.6	409.8	534.6	680.0
Interest-bearing debt	2,650.7	3,158.9	3,342.8	3,300.0

*Cash flows from the leasing business: Operating income of the leasing business + Depreciation and amortization

3. Performance targets and strategies by segment

Office building leasing in Tokyo to be the driving force of growth.

<Performance targets by segment>

(Billions of yen)

Management Plan	5th Plan	6th Plan	7th Plan	8th Plan
Leasing	843.0	886.2	1,073.1	1,200.0
Sales	670.0	773.1	957.2	950.0
Construction	500.0	589.3	634.7	720.0
Brokerage	146.8	177.2	208.8	220.0
Revenue from operations	2,170.0	2,442.0	2,886.8	3,100.0
Leasing	272.1	313.7	415.5	530.0
Sales	110.2	127.2	140.1	140.0
Construction	48.9	47.0	50.4	70.0
Brokerage	41.2	52.1	62.6	65.0
Operating income	437.2	500.6	614.2	740.0

<Strategies>

1) Leasing

Profit growth of the Seventh Management Plan, supported by the buoyant market environment, to be surpassed.

- Profitability of existing properties, which improved on the back of lower vacancy rates and higher rents, to be further strengthened.
- Earnings secured by full-year contribution from the properties completed in the Seventh Management Plan (210 thousand tsubo of gross floor area) and by starting operation of newly completed projects in the Eighth Management Plan (230 thousand tsubo of gross floor area).

2) Sales

High level of profit of the Seventh Management Plan to be maintained.

- Marketing speed adjustment, following profit-pursuing policy rather than volume-pursuing policy.
- The policy of securing prime sites without fail amid continuing intensified competition for land acquisition, to be maintained.
- The policy of pursuing as many projects as possible when such opportunities arise, to be maintained.

3) Construction

Remodeling (Shinchiku Sokkurisan): Growth track, recovered in the Seventh Management Plan

following the sluggish period until the Sixth Management Plan, to be maintained.

Expansion in remodeling demand expected in a growing market, matching the Japanese government's policy of accumulating high-quality residential property stock.

Custom Homes: Business base to be strengthened through improvement of construction systems and quality control.

Annual contract volume expanded to 3,000 units in the Seventh Management Plan. Business base to be reinforced for growth in the Ninth Management Plan onward.

4) Brokerage

Group collaboration to be strengthened, establishing the base for growth in the Ninth Management Plan onward.

Efficiency of the brokerage business to be further improved, with Sumitomo Real Estate Sales Co., Ltd. becoming a wholly owned subsidiary in the Seventh Management Plan.

4. Policy for shareholder returns

“Sustainable dividend increase” policy, in line with profit growth, to be maintained.

Cash flow allocation policy of prioritizing investment in office properties for lease, to be maintained.

<Dividends and earnings per share>

(Yen)

Management Plan	6th Plan			7th Plan		
(Years ended March 31)	2014	2015	2016	2017	2018	2019
Dividends	20	21	22	24	27	30
Earnings per share	147	170	185	218	253	276