



Sumitomo
Realty & Development

Integrated Report

2022

新宿住友ビル SHINJUKU SUMITOMO BLDG.

Integrity and Innovation



Monjuin Shiigaki (Founder's Precepts) owned by Sumitomo Historical Archives

The Sumitomo Realty Group is a comprehensive real estate enterprise of the Sumitomo Group with a history of over 430 years. Inheriting Sumitomo's business philosophy, with its origins in the *Monjuin Shiigaki* (Founder's Precepts), a document written by the founder of the House of Sumitomo, Masatomo (Monjuin), and given to its family members to offer guidance on how a merchant should conduct business, we have developed our business by placing top priority on integrity and pursuing creation of new value with innovative and challenging spirit.

Reflecting this business philosophy, we have set forth our fundamental mission as to "Create even better social assets for the next generation" with our corporate slogan, "Integrity and Innovation."

Business Philosophy

Inheriting Sumitomo's Business Philosophy with a history of 430 years

- Under no circumstances, shall it pursue easy gains or act imprudently
- Placing prime importance on integrity and sound management in the conduct of its business
- Benefit self and benefit others, private and public interests are one and the same

The business philosophy inherited by the Sumitomo Group strongly demands that we, as people, act in good faith toward all things, not chase easy gains, refine our humanity and develop a well-rounded character, and seek "harmony with the common good" that generates not only our own benefits but also those for society in an integrated manner.

Slogan

Integrity and Innovation

Placing top priority on "integrity," we go beyond simple development with innovative and challenging spirit, relentlessly pursuing value creation without pursuing easy gains. This corporate stance as a developer is expressed in our slogan, "Integrity and Innovation."

Fundamental Mission

Create even better social assets for the next generation

Through our businesses closely associated with people's daily lives, such as office building leasing, condominium sales, custom home construction and remodeling, it is our mission to create assets that live on to the next generation and we strive for sustainable urban development that is "Disaster Resistant," "Environmentally Friendly," "Together with the Community" and "People Friendly."

Code of Conduct

1. Open Culture Opportunity
 2. Higher Goals Innovation
 3. New Approaches Pioneering
 4. Compliance
 5. Rejection of antisocial forces
 6. Trust with our stakeholders
 7. Environmental Protection
- Protecting the global environment through efforts such as resource saving, energy saving, resource recycling, and CO₂ reduction

Pick Up

A Message from the Management P.05

Corporate Philosophy
Our new growth strategies



The Ninth Medium-term Management Plan P.09

Overview of new Medium-term Management Plan from fiscal 2022



The Sumitomo Realty Group's Value Creation P.15

The sources and processes of value creation to enable the Company's sustainable growth



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Editorial Policy

This report was compiled based on the disclosure framework of the International Integrated Reporting Council (IIRC). This report has been compiled to deepen the understanding among our stakeholders on the ESG management of the Sumitomo Realty Group, which has developed its business inheriting the Sumitomo's business philosophy with a history of 430 years. For details of the initiatives for ESG and the SDGs, please refer to the Sustainability/ESG page on the Company website. <https://www.sumitomo-rd.co.jp/english/sustainability/>

Caution Concerning Forward-looking Statements

Forward-looking statements including business forecasts contained in this integrated report represent management's assumptions and beliefs based on the information currently available to the Company and contain risks and uncertainties. Furthermore, they do not represent the Company's guarantee of future performance. Therefore, stakeholders are warned not to solely rely on these statements in making investment decisions. Actual results may differ from these business forecasts due to a variety of important factors. Important factors that could affect actual results include, but are not limited to, the environment surrounding the Group's business areas, such as macroeconomic conditions, the real estate market, and interest rate trends.

Period Covered: April 1, 2021 to March 31, 2022 (Some descriptions on activities and outlook in this report refer to those prior to or after this period.)

Definition of Term: "FY2021," "FY '21," "fiscal 2021" or "fiscal year under review" refer to the fiscal year ended March 31, 2022, and other fiscal years are referred to in a corresponding manner unless otherwise indicated.

Scope of Report: Sumitomo Realty & Development Co., Ltd. and its Group companies

Published: October 2022 (Japanese edition)

Cover Photo: Shinjuku Sumitomo Building (Completion in March 1974, renovations completed in June 2020)

Business Structure

Four Mainstay Businesses Centered on Office Building Leasing

Sumitomo Realty Group

Property management
Sumitomo Fudosan Tatemono Service Co., Ltd.

Condominium management
Sumitomo Fudosan Tatemono Service Co., Ltd.

Sales

- Condominium Sales

Construction

- Shinchiku Sokkurisan Remodeling
- Custom Homes

Sumitomo Fudosan Syscon Co., Ltd.

Leasing

- Office Buildings
- Rental Apartments
- Hotels
- Multipurpose Halls
- Retail Facilities

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

Brokerage

- Real Estate Brokerage

Sumitomo Real Estate Sales Co., Ltd.

Others

- Fitness Sumitomo Fudosan Esforta Co., Ltd.
- General Insurance and Life Insurance Agency Izumi Insurance Service Co., Ltd.
- Restaurant / Catering Izumi Restaurant Co., Ltd. etc.

Sumitomo Realty & Development Co., Ltd.

Four Highly-profitable Mainstay Segments

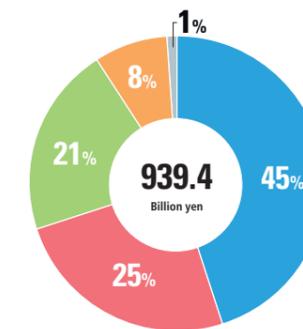
The Sumitomo Realty Group comprises the four mainstay segments: Leasing, the core earnings driver that generates nearly 70% of the operating income overall, owning more than 230 office buildings in central Tokyo; Sales, generating stable profits every year as one of the industry's top suppliers of condominium units; Construction, providing Shinchiku Sokkurisan, the industry's No. 1 full-remodeling business, and custom home construction; and Brokerage, having one of the highest number of transactions in the industry, primarily for existing homes.

Each business has been steadily increasing their performance with a high level of profitability, and contributing to improving the corporate value of the Group.

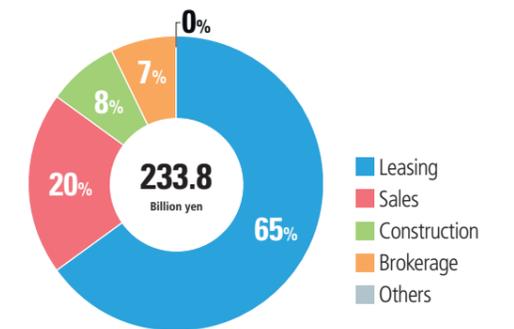
Results for the fiscal 2021

	(Billion yen)
Revenue from operations	939.4
Operating income	233.8
Ordinary profit	225.1
Profit	150.4

Breakdown of revenue from operations



Breakdown of operating income



Note: Percentage is calculated from figures before elimination and/or corporate for the fiscal year ended March 31, 2022.

Revenue from operations

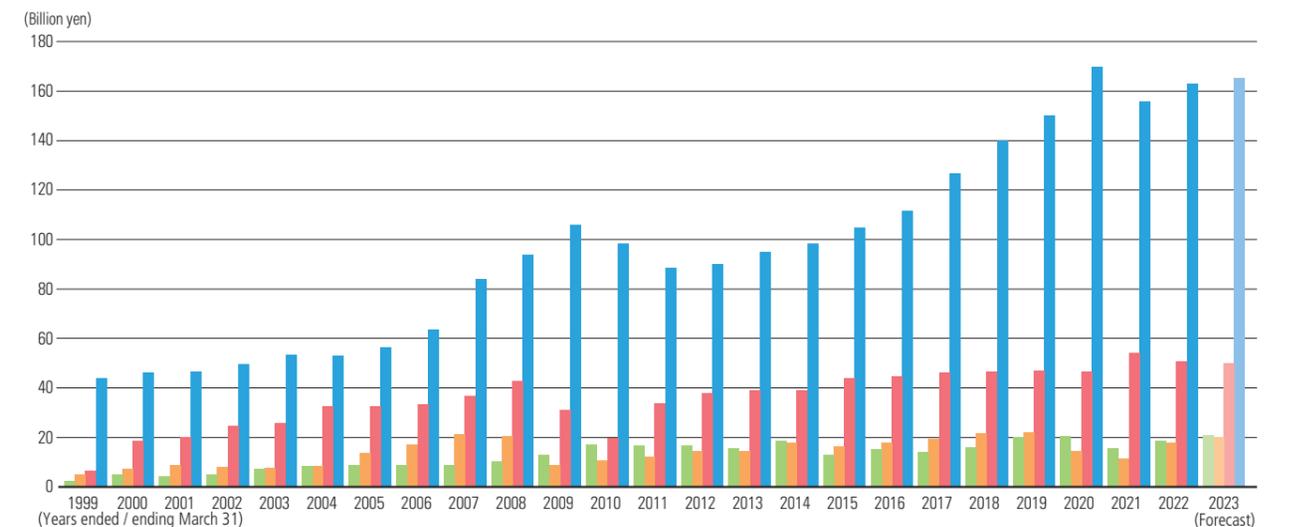
	(Billion yen)			
	FY2021	YoY	FY2022 (F)	YoY
Leasing	425.0	+26.8	430.0	+4.9
Sales	233.7	(29.6)	220.0	(13.7)
Construction	204.3	+15.6	220.0	+15.6
Brokerage	73.4	+7.6	78.0	+4.5

Operating income

	(Billion yen)			
	FY2021	YoY	FY2022 (F)	YoY
Leasing	162.6	+7.4	165.0	+2.3
Sales	50.4	(3.4)	50.0	(0.4)
Construction	18.5	+2.9	21.0	+2.4
Brokerage	18.0	+6.5	20.0	+1.9

Operating income by segment

■ Leasing ■ Sales ■ Construction ■ Brokerage



A Message from the Management

Striving for “Sustainable Growth and Development” Together with the City

Creating “New Value” That Will Be Needed for Future Generations

K. Nishima

Kojun Nishima

President



Management philosophy that inherits “Sumitomo’s Business Philosophy” with a history of 430 years

The Company is a comprehensive real estate enterprise of the Sumitomo Group, which succeeded the Sumitomo Honsha Ltd. and inherits “Sumitomo’s Business Philosophy” which has a history of 430 years. The Sumitomo Group is one of the longest-lasting corporate groups in the world, and its business philosophy — “Placing prime importance on integrity,” “Under no circumstances, shall it pursue easy gains,” “Benefit self and benefit others, private and public interests are one and the same,” etc. — has been handed down as a guiding principle throughout its history. In light of the wisdom of its predecessors, the Sumitomo Realty Group has developed its business based on a philosophy of placing top priority on integrity, not pursuing easy gains, and creating not only economic value through the pursuit of self-interest, but also lasting social value that will be needed for future generations.

Our corporate slogan “Integrity and Innovation” expresses such corporate stance. With this corporate slogan, we have set our code of conduct to create new values by placing top priority on relationships of trust with stakeholders, always setting higher goals, and pioneering with new approaches. Under this slogan, we have set forth our fundamental mission as to “Create even better social assets for the next generation,” and our basic management policy aims to address various social issues including environmental ones through each business while maximizing corporate value.

The real estate business has great social significance with a mission of enriching people’s daily lives by forming bases where people work, live and interact, as well as providing related services. As such, we have identified “Disaster Resistant,” “Environmentally Friendly,” “Together with the Community” and “People Friendly” as our four material issues and have been practicing “Sustainability Management” offering sustainable social assets for future generations.

Our Material Issues (Materiality)



Creating new value and achieving sustainable growth together with the city

We have established a sustainable and stable earnings base by steadily developing the real estate leasing business primarily involving office buildings in central Tokyo. We have developed numerous office buildings through redevelopment under the Urban Renewal Act, etc. over roughly half a century since the early 1970s. By keeping the ownership of these buildings, rather than selling them off, we have accumulated stable revenues. With gross floor area of over 1.7 million tsubo (one tsubo is roughly 3.3m²) as of March 31, 2022, the leasing business has been a solid business platform that accounts for approximately 70% of our overall operating income of over ¥200 billion.

In order to secure a stable supply of land in central Tokyo, where large parcels of land are rare, we, as a “Land Maker,” have been engaged in urban development including redevelopment together with numerous landowners.

Through our redevelopment business to date, in addition to creating an earnings base, we have contributed to solving various issues of the community. By redeveloping the remaining densely built-up areas with low-rise wooden houses in various areas of central Tokyo, which pose high disaster risks, we have realized effective use of land, improvement of disaster preparedness and revitalization of the community. By upgrading urban function through redevelopment, the Company contributes to enhancing the value of not only the redevelopment area but also international metropolis Tokyo overall.

Our strength is the capability of “Land Innovation,” or the capability of development, which we have cultivated over the years as one of Japan’s leading comprehensive developers. By taking advantage of this strength, we will continue to promote sustainable urban development that generates both economic and social value, as well as to achieve sustainable growth and maximize corporate value.

Growth strategies with a view to a new stage

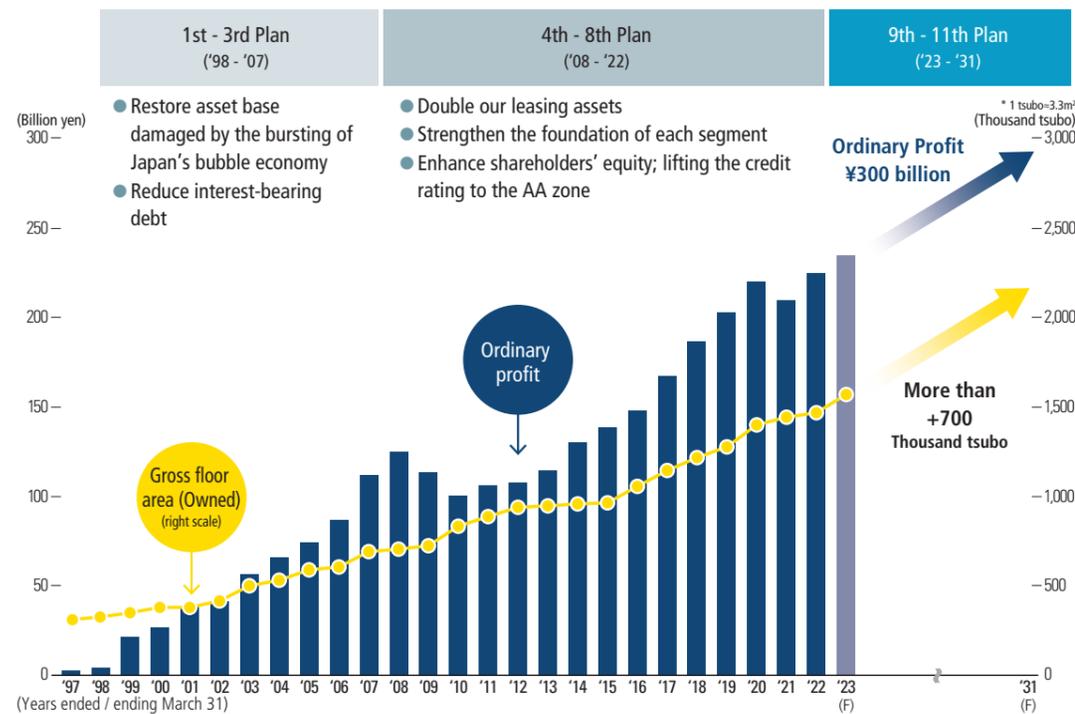
Steadily achieving objectives of the medium-term management plans and maintaining the revenue and profit growth trajectory

With top priority placed on achieving the objectives of the medium-term management plans we have formulated every three years, we have increased our corporate value as a result of having steadily implemented the plans. Over the past 25 years, we have executed eight management plans, and have achieved increases in ordinary profit in 22 fiscal years, excluding the three fiscal years under the global financial crisis and the COVID-19 pandemic.

In the first ten fiscal years (three medium-term management plan periods), we focused on restoring our asset base, which had been damaged by the bursting of Japan’s bubble economy, and reducing interest-bearing debt. In the latter 15 fiscal years (five medium-term management plan periods), we doubled our leasing assets, strengthened management foundations by further solidifying the four segments of Leasing, Sales, Construction and Brokerage, as well as enhanced shareholders’ equity, lifting the credit rating to the AA zone.

Positioning of the Ninth Medium-term Management Plan

Over the next three medium-term management plan periods through fiscal 2030, the Company will maintain its policy to prioritize the allocation of funds to further investment to expand leasing assets and take steps for sustainable profit growth, while aiming for a resilient management foundation and sustainable growth, based on the high level of social contribution of the Company's businesses themselves, and increasing investment capability and the level of flexibility in capital strategy. At present, there are various issues in the management environment such as the COVID-19 pandemic, geopolitical risks, and instability in resource procurement, but as the Company expects to achieve ordinary profit of 300 billion yen for fiscal 2030, it positions the "Ninth Management Plan (fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025)" that started in April 2022 as the first step to achieving that target, and exert every effort to continue enhancing corporate value.



"Ninth Management Plan" aiming to further strengthen foundations

For the new medium-term management plan, the Company has set earnings targets of "consecutive record profit for the period covered" and "achieve cumulative ordinary profit of 750 billion yen and profit of 500 billion yen over the three-year period," while maintaining the pace of growth attained through the Eighth Management Plan.

We aim to achieve our goals by leveraging the "comprehensive strength" of the Group by maintaining a stable earnings base in the office building leasing business in central Tokyo and in the condominium sales business, as well as by realizing high growth in the housing business including the Shinchiku Sokkurisan remodeling, and the brokerage business.

In the office building leasing, although the COVID-19 pandemic has triggered diversified workstyles and the widespread utilization of remote work, it also brought with a reevaluation of the importance of offices in central Tokyo. From the Ninth Management Plan onward, we will continue to steadily promote the development plans of new buildings in central Tokyo with a total gross floor area of more than 700 thousand tsubo, which is equivalent to more than 40% of the total gross floor area of 1.7 million tsubo of all buildings we own for leasing as of March 31, 2022, and aim to further expand our earnings base by completing and bringing such buildings into operation.

Under the fundamental mission to "Create even better social assets for the next generation," we have introduced green financing and set CO₂ emissions reduction targets by 2030 to strive to solve social issues while promoting our business.

Although the future outlook remains uncertain, we will make further efforts to achieve the targets for the Ninth Management Plan by utilizing the comprehensive strengths of the Group as a whole, aiming for sustainable growth and enhancing corporate value thereafter.

Overview of the Ninth Management Plan
▶ P.09

Initiatives toward 2050 carbon neutrality

In terms of initiatives for decarbonization, which is a global social challenge, we have expressed our support for 2050 carbon neutrality, and established an interim target by fiscal 2030, a target to reduce CO₂ emissions by 50% compared with fiscal 2014, immediately prior to the Paris Agreement. As a comprehensive developer that provides social infrastructure closely related to people's daily lives, in each of our mainstay businesses including office building leasing, condominium sales, remodeling, and custom home construction, we will promote the delivery of products and services appealing to consumers for the promotion of widespread energy saving and energy creation, and strive to achieve our CO₂ emissions reduction targets while expanding our business. As concrete initiatives, we will actively promote initiatives to create benefits for all stakeholders; not only benefits for customers but also for business partners and suppliers, as well as solutions to issues faced by national and local governments.

Promotion of diversity as part of our human capital utilization

We have been actively promoting diversity since before, based on the recognition that the presence of diverse perspectives and values reflecting a variety of experiences, skills and attributes within the Company is an advantage that ensures the sustainable growth of the Company.

For more than 20 years, we have been actively hiring people with diverse career backgrounds as individuals who can be immediately effective in the Company. Today, mid-career hires with work experience at other companies account for 90% of our employees and are the source of the Company's growth.

In addition, we believe that equal opportunity is the most important factor in promoting employees to management positions, so we promote employees based solely on their enthusiasm, ability, and achievements, regardless of gender or whether they were hired as new graduates or as mid-career workers. As a result, today, mid-career hires account for more than 60% of managerial personnel, thus ensuring diversity at the management level. These initiatives have increased employee morale and led to developing human resource that can be the candidates responsible for sustainable growth.

Regarding the promotion of female participation and career advancement, we are working on their further improvement by setting and announcing numerical targets every five years for the ratio of female employees in sales and engineering positions that support our front line operations, to increase the number of female employees for future promotion. We will continue to promote diversity as one of our strengths by hiring and promoting a diverse workforce.

Sustainability management contributing to the SDGs

For many years, we have practiced Sustainability Management, inheriting "Sumitomo's business philosophy."

In our redevelopment business centered on office buildings and condominiums, which is our main development approach, we have promoted urban development that contributes to solving issues facing the community. For example, in areas with high disaster risks, such as an area where wooden houses are densely built up, we integrate those houses into a robust fire-resistant building to greatly improve local disaster preparedness. In addition, by promoting projects jointly with landowners, we create hubs for community building and revitalization. In the Shinchiku Sokkurisan remodeling business, we have greatly reduced the amount of waste generated and the use of new materials compared to rebuilding, and by adopting seismic reinforcement as a standard specification, we have actively worked to extend the useful lives of houses as well as promoted safe and secure housing since its launch in 1996.

Further, as mentioned above, we pursue initiatives for decarbonization with an interim target by fiscal 2030, established in May this year.

Under our fundamental mission to "Create even better social assets for the next generation," we will continue to address various social issues including environmental issues through our business activities, as well as contribute to the achievement of the Sustainable Development Goals (SDGs) of the United Nations.

Decarbonization Targets
▶ P.13

Promotion of Diversity for Active Participation of Diverse Personnel
▶ P.54

A Message from the Management

Overview of the Ninth Management Plan

The Sumitomo Realty Group's Value Creation

Business Review

ESG Management

Consolidated Financial and Non-financial Data / Company Information

Overview of the Ninth Management Plan (From Fiscal 2022 to Fiscal 2024)

Earnings Targets

Consecutive record profit for the period covered
Achieve cumulative ordinary profit of 750 billion yen and profit of 500 billion yen over the three-year period
Aim to achieve record profits for the fourth consecutive year since the Sixth Management Plan by maintaining the pace of growth attained through the Eighth Management Plan

Three-year cumulative earnings targets	Revenue from operations	¥ 3 trillion	(Vs. Eighth Management Plan: + ¥ 129.6 billion, + 5%)
	Operating income	¥ 770.0 billion	(" + ¥ 82.5 billion, + 12%)
	Ordinary profit	¥ 750.0 billion	(" + ¥ 94.4 billion, + 14%)
	Profit	¥ 500.0 billion	(" + ¥ 67.2 billion, + 16%)

Comparison of management plan results

(Fiscal year ended/ending March 31)	6th Plan 2014-2016	7th Plan 2017-2019	8th Plan 2020-2022	9th Plan 2023-2025
Revenue from operations	2,442.1 +272.0	2,885.8 +443.7	2,870.4 (15.3)	3,000.0 +129.6
Operating income	500.6 +63.3	613.2 +112.6	687.5 +74.3	770.0 +82.5
Ordinary profit	418.0 +88.9	557.8 +139.8	655.6 +97.8	750.0 +94.4
Profit	238.1 +74.1	353.3 +115.3	432.8 +79.5	500.0 +67.2

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

Performance Targets and Strategies by Segment

We will maintain the position of office building leasing in Tokyo as a solid foundation, and will aim to utilize the comprehensive strengths of the Group as a whole to achieve our targets

Performance targets by segment

(Fiscal year ended/ending March 31)	6th Plan 2014-2016	7th Plan 2017-2019	8th Plan 2020-2022	9th Plan 2023-2025
Revenue from operations	Leasing	886.2	1,073.1	1,218.9
	Sales	773.1	957.2	822.1
	Construction	589.3	634.7	612.0
	Brokerage	177.2	207.7	210.5
	2,442.1	2,885.8	2,870.4	3,000.0
Operating income	Leasing	313.7	415.5	487.3
	Sales	127.2	140.1	150.9
	Construction	47.0	50.4	54.7
	Brokerage	40.6	47.4	44.1
	500.6	613.2	687.5	770.0

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

Strategies

Leasing	Aim to maintain the earnings foundation built through the Eighth Management Plan, and achieve profit growth for the fourth consecutive plan period	<ul style="list-style-type: none"> In office building leasing, we will strive to maintain the profitability of existing buildings, while also securing earnings with the full-year contribution of buildings completed in the Eighth Management Plan (180 thousand tsubo of gross floor area) and by starting operation of new buildings to be completed in the Ninth Management Plan (190 thousand tsubo of gross floor area) In the operation of commercial facilities, such as hotels, event halls, and retail facilities, we will recover the profitability to pre-COVID-19 levels and anticipate a return to growth from the Tenth Management Plan onward
Sales	High level of profit of the Eighth Management Plan to be maintained	<ul style="list-style-type: none"> We will maintain our policy of controlling the pace of sales, pursuing profit rather than volume Rising construction costs will need to be addressed, but the impact will be limited as construction has been started on all projects to be delivered during the Ninth Management Plan We will maintain our policy of securing prime sites steadily amid continuing intensified competition for land acquisition
Construction	In both remodeling (Shinchiku Sokkurisan) and custom home construction, we will focus on controlling costs while enhancing quality, and aim to achieve consecutive record profits by expanding orders	<ul style="list-style-type: none"> We will expand orders by proposing products that accurately respond to customer needs, such as a high level of environmental performance and disaster preparedness We will appropriately address spikes in prices of wood and materials, and minimize the impact
Brokerage	We will further strengthen profitability as we aim to achieve record profit in a management plan with a significant increase	<ul style="list-style-type: none"> We will strengthen Group collaboration and further pursue customer-oriented services to expand our market share

Capital Investment Plans (Non-current asset investment excluding sales assets, such as condominiums for sale)

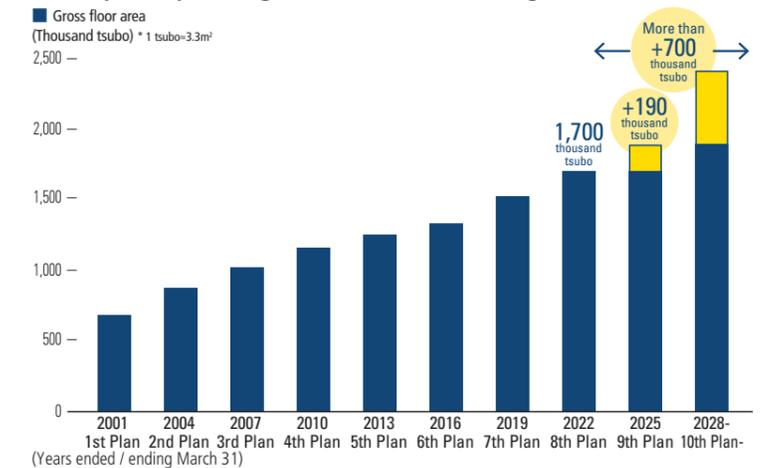
Further investment in leasing office assets in central Tokyo, strengthening our earnings base
Expect to invest 1 trillion yen over the three years of the Ninth Management Plan

- We will invest 700 billion yen in concrete development projects for over 700 thousand tsubo (one tsubo is roughly 3.3 m²) of gross floor area, mainly comprising redevelopment projects
- We will ensure that we take advantage of opportunities that arise by securing 300 billion yen for investments in new projects

Pace of development

	6th Plan	7th Plan	8th Plan	9th Plan	10th Plan onward
Gross floor area (Thousand tsubo)	110	210	180	190	520

Development pace of gross floor area for leasing



Principal new building development projects during the Ninth Plan

Project name	Location (Tokyo)	Gross floor area (tsubo) * 1 tsubo=3.3m ²	Completion (Expected)
Tokyo Mita Redevelopment Project (Mita 3- and 4-chome Project)	Minato Ward	60,400	Feb 2023
Nishi-shinjuku 5-chome Kita Project	Shinjuku Ward	41,300	Mar 2023
Sumitomo Fudosan Akihabara East Building	Taito Ward	3,000	Jan 2024
Sumitomo Fudosan Shinjuku Minamiguchi Building (Shinjuku Minamiguchi Project)	Shibuya Ward	7,200	Feb 2024
Nakano 2-chome Project	Nakano Ward	30,000	Feb 2024
Roppongi Ekimae Project	Minato Ward	9,700	Oct 2024
Sumitomo Fudosan Osaki Twin Building West	Shinagawa Ward	8,800	Oct 2024
Others		33,900	
9th Plan Total		194,300	



Tokyo Mita Redevelopment Project (Mita 3- and 4-chome Project)



Nishi-shinjuku 5-chome Kita Project



Nakano 2-chome Project

Financing Plans

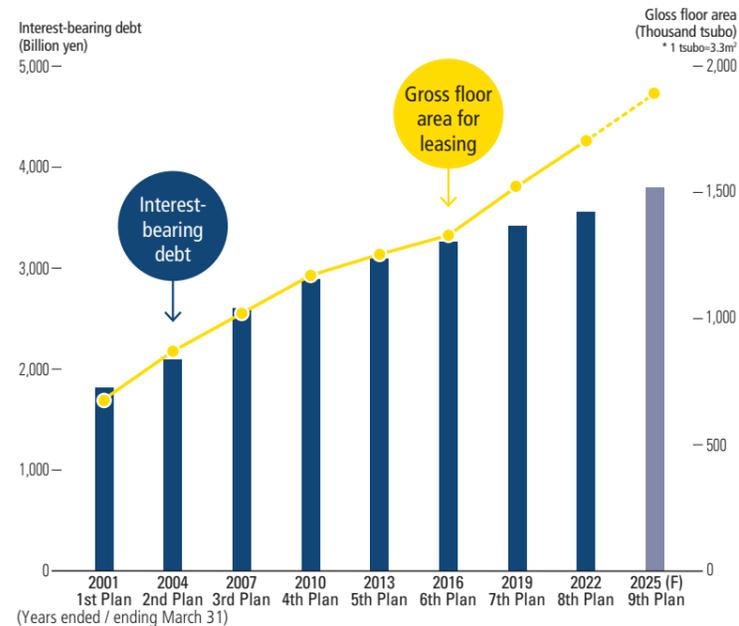
(1) We expect to be able to cover the additional investment of 700 billion yen in properties that are in process with increases in cash flows from the leasing business*

Capital investment and cash flows from the leasing business

	6th Plan	7th Plan	8th Plan	9th Plan
Capital investment (Billion yen)	(422.3)	(663.5)	(805.3)	(1,000.0)
Cash flows from the leasing business	409.8	534.6	644.5	700.0
Interest-bearing debt	3,158.9	3,342.8	3,560.0	3,800.0

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

Interest-bearing debt and gross floor area for leasing



(2) Introduction of green financing

- Procure ¥1 trillion in funds from green financing for 12 buildings, out of 35 buildings owned by the Company that have already acquired a rating of three stars or above in DBJ Green Building Certification (as of August 31, 2022)
- Principles for target properties during financing period
 - Disclose environmental performance information, including CO₂ emissions and energy consumption
 - Maintain at least three stars in the DBJ Green Building Certification
 - Prohibit the sale of the target properties since this financing contributes to addressing social issues such as environmental improvement (retain to maintain performance)
- Obtain assessment of conformity with green finance from JCR and R&I

Target properties (As of March 31, 2022)

Property name	Rank	Gross floor area (Thousand tsubo) * 1 tsubo=3.3m ²
Sumitomo Fudosan Shinjuku Grand Tower	★★★★★	54
Sumitomo Fudosan Osaki Garden Tower	★★★★★	54
Sumitomo Fudosan Shinjuku Garden Tower	★★★★★	43
Tokyo Nihombashi Tower	★★★★★	41
Sumitomo Fudosan Azabujuban Building	★★★★★	14
Sumitomo Fudosan Roppongi Grand Tower*	★★★★	64
Sumitomo Fudosan Shinjuku Oak Tower	★★★★	49
Sumitomo Fudosan Shinjuku Central Park Building	★★★★	46
Shiodome Sumitomo Building	★★★★	30
Sumitomo Fudosan Iidabashi First Tower	★★★★	24
Sumitomo Fudosan Shibakoen First Building	★★★★	19
Sumitomo Fudosan Shinjuku Central Park Tower	★★★★	18
12 properties TOTAL		458

*Upgraded to five stars in July 2022.

Properties that have acquired ★5



Note: DBJ Green Building Certification is a certification system established by the Development Bank of Japan to evaluate real estate for its performance and initiatives regarding "environmental and social awareness" beyond its "profitability."

Policy for Shareholder Returns *Revised on November 11, 2022

Increase the pace of the annual dividend increase from 5 yen to 7 yen, due to the brightening outlook of the business performance

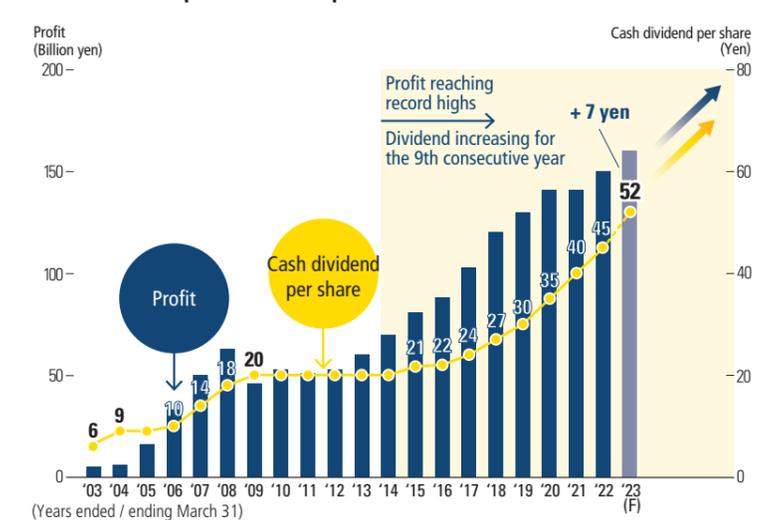
Maintaining policy of prioritizing investment in leasing office assets, and "sustainable dividend increase" policy in line with profit growth

Dividends and earnings per share

	7th Plan			8th Plan		
	2017	2018	2019	2020	2021	2022
Dividends (Yen)	24	27	30	35	40	45
Earnings per share (Yen)	218	253	275	298	298	317

(Fiscal year ended March 31)

Cash dividend per share and profit



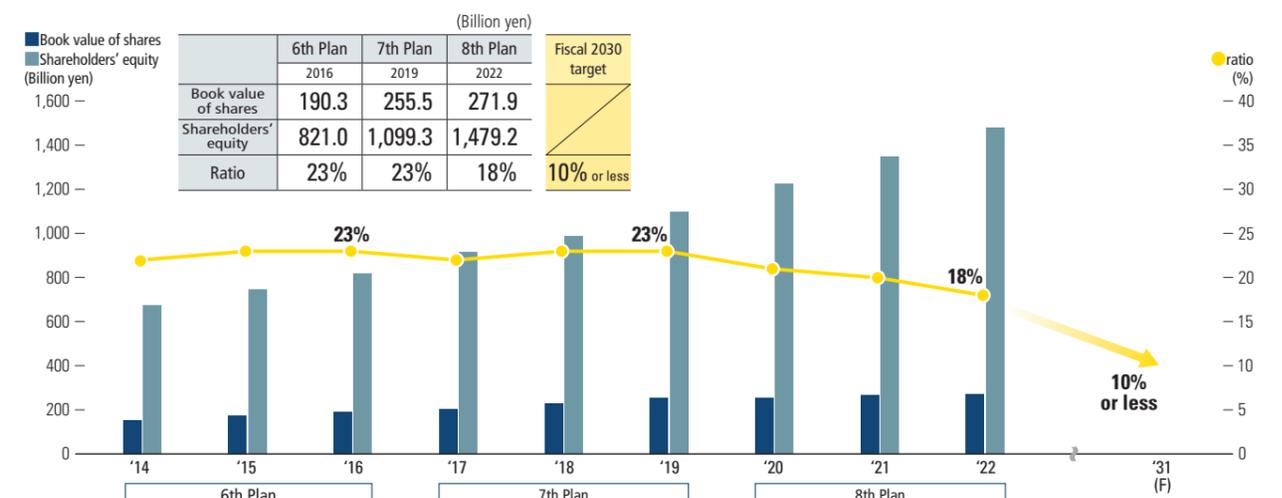
Introduction of Numerical Targets regarding Strategic Shareholdings

Reduce the ratio of the book value of shares held to 10% or less of shareholders' equity by fiscal 2030

The Company maintains that it can acquire and hold shares of business partners, etc., if it is deemed to contribute to the Company's sustainable growth and medium- to long-term enhancement of corporate value primarily from the standpoint of establishing and strengthening stable and long-standing business relationships with them.

In this new management plan, the Company has decided to establish a numerical target for the amount of strategic shareholdings held, and certain rules. As of the end of the previous fiscal year, the book value of listed shares held of 271.9 billion yen was approximately 18% of shareholders' equity of 1,479.2 billion yen (after subtracting net unrealized holding gains on securities, etc., from net assets). Going forward, we will reduce this ratio each year to 10% or less by fiscal 2030.

Book value of listed shares and shareholders' equity



(As of March 31)

Decarbonization Targets - Establishment of CO₂ Emissions Reduction Targets (Scope 1, 2, and 3)

50% reduction in CO₂ emissions (Scope 1, 2 and 3) by fiscal 2030 *Compared with fiscal 2014, immediately prior to the Paris Agreement

Expressed support for 2050 carbon neutrality

Aim to achieve the target by linking decarbonization initiatives with business expansion

- Promote energy-saving in leasing business centered on office buildings and facility management businesses**
 - Further pursue the introduction of highly efficient facilities for new constructions and renovations, and reduce the Company's CO₂ emissions from energy consumption, etc., by 50% per unit of floor area
 - Continue awareness-raising activities for energy saving towards tenants
- Promote measures to reduce emissions in both upstream and downstream parts of main businesses**
 - Support tenant companies to introduce green power for their office spaces in a building
 - Support to curb energy consumption during construction
 - Enhance high-performance designs (adopting ZEH*-M Oriented as the standard specification for condominiums)
 - *ZEH=Net Zero Energy House
 - Promote provision of the new solar power generation service, "SUMIFU x ENEKARI," which will contribute to decarbonization for detached houses
 - Promote provision of Shinchiku Sokkurisan high thermal remodeling products
 - Support to promote spread of automobile charging stations
- Aim to reduce total emissions by 10% in the Ninth Management Plan**
 - Reductions in the condominium business, which accounts for approximately 60% of total emissions, will contribute from the Tenth Management Plan onward, when the construction of properties with new design standards will be completed
 - Aim to reduce emissions by 25% except for condominiums

CO₂ emissions reduction targets for the Ninth Management Plan

	Fiscal 2014 emissions (Thousand tons of CO ₂)	Proportion	9th Plan reduction target	(Reference) Fiscal 2019 emissions (Thousand tons of CO ₂)
Condominiums	3,605	61%	—	3,540
Custom homes and Shinchiku Sokkurisan remodeling	1,591	27%	/	1,565
Office buildings	689	12%		1,366
Other (head office and Group companies)	55	1%		66
Non-condominium	2,336	39%	(25)%	2,997
Total	5,940	100%	(10)%	6,537

Main numerical targets in each business

(1) Percentage of tenant office spaces to introduce green power	30%
(2) Percentage of condominiums to be ZEH-M Oriented designs	100%
(3) Percentage of custom home orders to be ZEH homes (already standardized)	60%
(4) Percentage of Shinchiku Sokkurisan remodeling orders to be high thermal insulation remodeling products (already introduced)	20%
(5) All of electric power used in the Group's own offices to be green by obtaining environmental value generated by solar power through "SUMIFU x ENEKARI"	100%

Our Initiatives for the Decarbonization Targets

Office Buildings

Sumitomo Realty's Green Power Plan

A system for offering three optimal green power plans to meet the needs of each individual tenant company



Given the situation in which each company has different approaches to the use of green power, first in Japan, we have developed "Sumitomo Realty's Green Power Plan" for each individual tenant, offering green power plans for their exclusively-owned areas to suit their needs. This plan has been well-accepted for accommodating a wide range of needs, and it is making major contributions to tenants' decarbonization efforts.

- Plan 1. Non-fossil fuel energy certificate**
Issues non-fossil fuel energy certificate to treat as green power usage. / Achieve decarbonization with no hassle
- Plan 2. Raw green power from newly-built power plant**
Uses raw green power from newly-built power plant according to the contract. / Contribute directly to decarbonization in Japan
- Plan 3. Green power from tenant-owned power plant**
Issues non-fossil fuel energy certificate, which certifies the use of green power generated at tenant-owned power plants. / Use self-generated power

Condominiums

ZEH-M Oriented Design

First in industry to adopt ZEH-M Oriented as standard while maintaining a high level of living comfort



In October 2021, as the first in the industry, we announced to adopt "ZEH-M Oriented" energy saving performance as the standard specification for all condominiums we design and develop from that date forward, without reducing the quality and living comfort. With the improvement of thermal insulation performance and the installation of energy-efficient equipment, we realize both comfortable living for residents and contributions to decarbonization. We also actively request cooperation from our partner construction companies to use green power at the construction sites, and promote decarbonization across the entire value chain, that extends from upstream to downstream, in our new condominium sales business.

*ZEH-M Oriented is an energy saving standard that requires to reduce annual energy consumption of the entire residential building by 20% or more in total in comparison to current energy saving standards

Custom Homes

Sumitomo-Fudosan-no-SUMICA, adopted ZEH as standard

Realizing both environmental performance that exceeds the latest ZEH standards and high product quality



In April 2022, we launched the sale of "Sumitomo-Fudosan-no-SUMICA," which has high environmental performance as a standard specification, exceeding the ZEH level of "thermal insulation performance grade 5" and "primary-energy consumption grade 6," newly established by the Ministry of Land, Infrastructure, Transport and Tourism. By supplying environmentally friendly housing with high disaster prevention capabilities, we continue to deliver sustainable houses that meet the new demands of the times.

ZEH as a standard specification
Premium design
High-grade equipment
High resilience

Shinchiku Sokkurisan Remodeling

High Thermal Insulation Remodeling Plan

Achieving thermal insulation performance equivalent to the energy conservation standards for newly-built houses to suit customers' lifestyles



In December 2021, we began offering our high thermal insulation remodeling plan nationwide. The plan is available to the entire house or even to individual rooms, enabling an increase in the thermal insulation performance only where it is necessary. While 90% of existing housing stock does not meet the current energy-saving standards, we promote thermal insulation improvements that suit customers' lifestyles and deliver energy-saving and highly insulated housing where residents can live in health and comfort.

Extending the useful lives by seismic reinforcement and renovation
Reducing the environmental load by high thermal insulation remodeling

Custom Homes and Shinchiku Sokkurisan Remodeling

SUMIFU x ENEKARI, solar power generation service

Providing environmentally friendly housing that also offers peace of mind at times of disaster, with solar power generation equipment and storage batteries at "zero initial cost"



SUMIFU x ENEKARI
Solar power generation equipment and storage battery installation service for new detached houses

Simply with a fixed monthly service fee ...

- Incur no initial costs for installing solar power generation equipment and storage batteries
- Receive support for equipment repairs and upgrades for the entire period of residency

An industry-first service of offering the benefits of solar power generation services with peace of mind

In cooperation with TEPCO Energy Partner, Inc., we provide the "SUMIFU x ENEKARI" service that installs solar power generation equipment and storage batteries with no burden on the customers in custom home construction and Shinchiku Sokkurisan remodeling businesses. Solar panels and storage batteries are installed at zero initial cost, with support including equipment repairs and upgrades, provided for the entire period of residency through a call center that operates 24 hours a day, 365 days a year without any charge. Through this service, we provide and promote environmentally friendly houses that enable the use of electricity even at times of disaster. At the same time, by aggregating and utilizing part of the environmental value of the electricity generated by customers, this service contributes to the realization of a decarbonized society.

*For details of individual initiatives, please refer to the news releases and ESG reports on the Company website. <https://www.sumitomo-rd.co.jp/english/sustainability/>

About The Sumitomo Realty Group's Value Creation

The Sumitomo Realty Group has promoted business activities with its fundamental mission of "Create even better social assets for the next generation," based on Sumitomo's business philosophy with a history of 430 years.

From the early 1970s, Sumitomo Realty has built up its portfolio of assets in the office building business, which is the foundation for its growth. Along the way, in central Tokyo, where it is difficult to acquire large parcels of land, we have cultivated the capability of "Land Innovation," which has enabled us to continue our business, primarily through redevelopment. At the same time, we have also built up expertise in urban development that contributes to solving regional issues through our business. With these strengths as the source, we aim to maximize our corporate value that creates both economic and social value.

As a comprehensive developer that provides such social assets, we have identified "Disaster Resistant," "Environmentally Friendly," "Together with the Community," and "People Friendly" as our materiality in value creation and ESG management. In addition to office building leasing, in each of our businesses including condominium sales, custom home construction, remodeling and brokerage, we have employed our own ingenuity, built competitive business portfolios, and expanded our businesses.

By promoting business considering materiality, the Sumitomo Realty Group will continue to provide "New Value" to people's daily lives and aim to realize sustainable growth and development together with the city.

Four Material Issues (Materiality)



Source of Value Creation

Capability of "Land Innovation"

History of Value Creation and Our Strengths

→P.17

Solving Social Issues through Redevelopment

→P.19

Business Expansion

Competitive Business Portfolio

Enhancement of Corporate Value through Four Mainstay Businesses

→P.23

Example: Shinchiku Sokkurisan Remodeling

→P.25

Value Creation Process

→P.27

Materiality	Materiality	Examples of Initiatives
Disaster prevention Disaster Resistant	Create bases for a safe and secure living environment by developing disaster resistant buildings and cities	<ul style="list-style-type: none"> Eliminating densely built-up area with wooden houses Widening narrow streets and separating pedestrians and vehicles Adoption of seismic isolation and damping systems Installation of emergency power generators Providing a disaster-prevention base (e.g. shelter for stranded commuters in the event of disaster)
Environment Environmentally Friendly	Create buildings and cities that are comfortable and have lower environmental impact	<ul style="list-style-type: none"> Adoption of highly-efficient energy-saving and water-saving equipment Promoting and preserving greenery in cities to ensure biodiversity Reducing waste emission Requesting for supplier cooperation
Community Together with the Community	Create and operate buildings and cities aiming for sustainable development together with the community	<ul style="list-style-type: none"> Urban development that coexists with the community Attracting a new population (community revitalization) Creating liveliness through town management Support for the formation of communities including mutual assistance
People People Friendly	Create buildings and cities that are comfortable for everyone Develop human resources to increase corporate value	<ul style="list-style-type: none"> Urban development based on universal design Promoting barrier-free housing Protection of human rights Promoting open and vigorous workplace Fostering diverse human resources

History of Value Creation and Our Strengths

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 operation and the core of its corporate value.

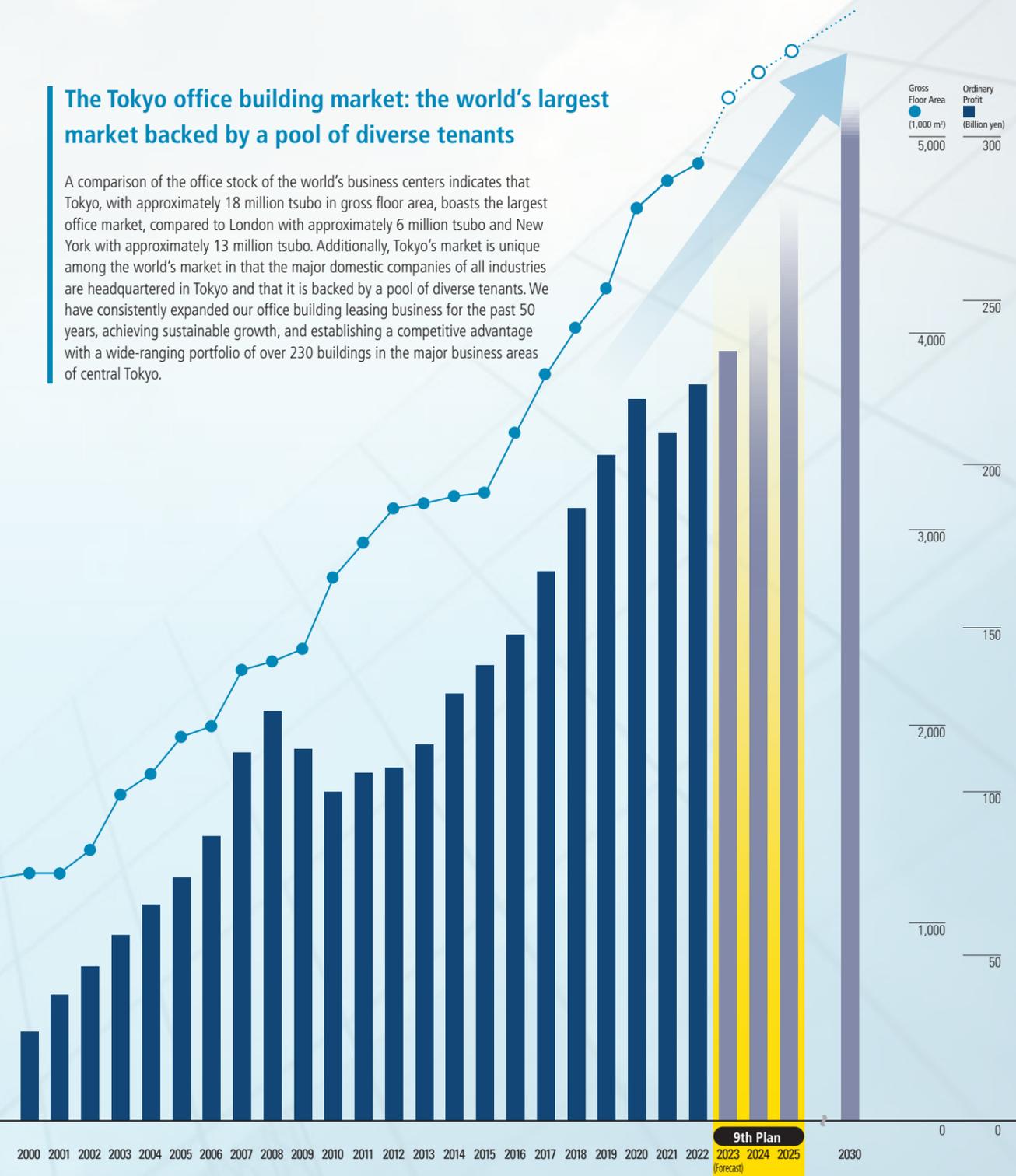
We have been expanding our business platform by promoting the development of office buildings with a specific focus on central Tokyo over roughly half a century since the early 1970s. Despite various changes in the business environment, we have consistently persisted with respect to unwaveringly adhering to the management policies based on a long-term perspective, namely that the Company does not pursue temporary gains by selling assets; the Company holds ownerships of the buildings constructed on sites it has developed; and that the Company generates stable leasing over the long term by owning and leasing such buildings. As a result, we have established a solid earnings base that is resistant to the fluctuation of economic trends.

Major Building Development Projects



The Tokyo office building market: the world's largest market backed by a pool of diverse tenants

A comparison of the office stock of the world's business centers indicates that Tokyo, with approximately 18 million tsubo in gross floor area, boasts the largest office market, compared to London with approximately 6 million tsubo and New York with approximately 13 million tsubo. Additionally, Tokyo's market is unique among the world's market in that the major domestic companies of all industries are headquartered in Tokyo and that it is backed by a pool of diverse tenants. We have consistently expanded our office building leasing business for the past 50 years, achieving sustainable growth, and establishing a competitive advantage with a wide-ranging portfolio of over 230 buildings in the major business areas of central Tokyo.



The source of our corporate value creation

Capability of "Land Innovation"

Acquisition of development sites is the most important aspect of the development of buildings. We have been redeveloping sites by purchasing and assembling small parcels of subdivided land in central Tokyo where large parcels of land are rare, and coordinating the rights and interests of landowners. Today, the capability of "Land Innovation" have become our greatest strength and the source of corporate value creation. Capitalizing on the capability of "Land Innovation" as well as the management foundation and other strengths we have cultivated so far, we intend to further expand our profitability and increase corporate value.

The basis for our value creation model

"Redevelopment" for the Community

Through redevelopment, we have been addressing issues facing the community by improving the disaster preparedness of areas that are at risk such as densely built-up areas with wooden houses still seen in Tokyo's urban areas and providing safe transportation infrastructure. Our track record of development has resulted in deepened relationship of trust with landowners and local government officials, ensuring our constant participation in redevelopment projects. Thus, redevelopment is the basis of our value creation model that expands profits and increases our corporate value.

Solving Social Issues through Redevelopment

Sustainable urban development to improve disaster preparedness and revitalize the community

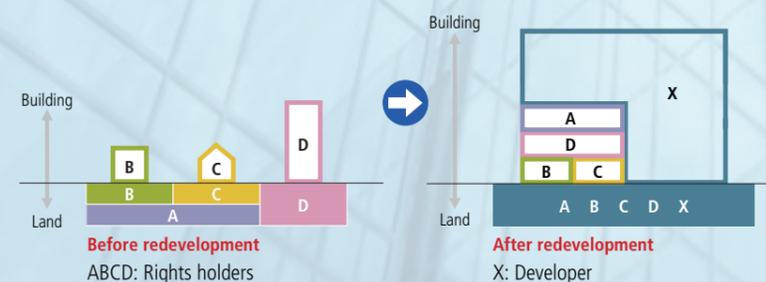


Unlike other major developers in Japan, we started with a mere three buildings in 1949 following the breakup of the conglomerates and it was only from the 1970s that we made our full entry into the business of developing office buildings in central Tokyo. Therefore, instead of reconstructing buildings we owned or purchasing sites through competitive bidding, we focused on a redevelopment method by integrating multiple small parcels of land into a larger scale through persistent efforts, to maximize the site value. In this way, we continued developing superior assets, expanding our business platform and increasing our corporate value.

We have been working on redevelopment pursuant to the Urban Renewal Act that requires the formation of a consensus among multiple landowners and consultations with the authorities, in the areas of central Tokyo that had high potential but had issues such as low utilization and high disaster risks. In the redevelopment, we have improved the city infrastructure including disaster-prevention functions through joint projects aiming at intensive land use encompassing the area, as well as eliminating densely built-up areas with wooden houses and widening narrow streets. In addition, we have promoted the creation of new value by sustainable urban development, contributing to the revitalization of the community.

Redevelopment under the Urban Renewal Act

The Urban Renewal Act of Japan was enacted in 1969 to ensure the effective utilization of land through the improvement of the densely populated urban areas in an integrated and comprehensive manner. Through the communal use of small parcels of land and the development of public facilities such as parks and roads, it enables buildings to be rebuilt into high-rise structures, significantly increasing the floor area. The landowners acquire floor space in the redeveloped building commensurate with the value of the land or building prior to redevelopment and the developer (the Company) covers the project funds including the construction costs and acquires the remaining floor space.



* There are two types of urban-redevelopment projects: The Type 1 Urban-Redevelopment Project based on the right conversion method without land acquisition and the Type 2 Urban-Redevelopment Project that involves land acquisition. Type 2 Urban-Redevelopment Projects are permitted in urgent situations such as for areas where disasters are imminent and are executed by local governments, rather than individuals or associations, over a relatively short period of time.

1. Intensive land use of areas with densely built-up wooden houses in central Tokyo

Example | Iidabashi Area

In some areas of central Tokyo where old wooden houses are densely built, underutilized, and at risk of disasters such as the spread of fire, we are promoting urban redevelopment that takes advantage of their potential for advanced use, improves disaster preparedness by making buildings fireproof and earthquake resistant, and revitalizes the community.

In the case of the Iidabashi area, where wooden houses were densely built-up in central Tokyo, we promoted a successive redevelopment project in the neighboring block, following the momentum created by the revitalization of the preceding project. Each project has been designed to take advantage of its location as the city center, to create a mixed-use complex consisting of offices at its core, residences, retail facilities and multipurpose halls, as well as to improve disaster preparedness by widening and improving surrounding roads, thereby widely attracting new workers, residents and visitors, making communities lively day and night.

Main building	Sumitomo Fudosan Iidabashi First Building	Sumitomo Fudosan Iidabashi First Tower
Completion	March 2000	April 2010
Gross floor area (approx.)	62,900m ²	78,400m ²
Purposes	Office, residence, retail	Office, residence, retail, multipurpose hall



Redevelopment under the Urban Renewal Act - Major projects completed and planned

(As of March 31, 2022)

Project area	Main building	Location	Gross floor area m ² (approx.)	Main purposes	Completion
Shukugawa Station Front No.1	Shukugawa Green Town	Nishinomiya, Hyogo	33,400	Residence-Retail-Office	Nov 1977
Nishi-kanda 3-chome North-east	Chiyoda First Building East	Chiyoda Ward, Tokyo	38,800	Office-Residence-Retail	Oct 1998
Nakanosakaue Chuo 1-chome West	Sumitomo Nakanosakaue Building	Nakano Ward, Tokyo	36,600	Office-Residence-Retail	Apr 1999
Koraku 2-chome East	Sumitomo Fudosan Iidabashi First Building	Bunkyo Ward, Tokyo	62,900	Office-Residence-Retail	Mar 2000
Roppongi 1-chome West	Izumi Garden Tower	Minato Ward, Tokyo	208,400	Office-Residence-Retail	Oct 2002
Nishi-shinjuku 6-chome South	Sumitomo Fudosan Shinjuku Oak Tower	Shinjuku Ward, Tokyo	163,100	Office-Residence-Retail	Nov 2002
Nishi-kanda 3-chome North-west	Chiyoda First Building West	Chiyoda Ward, Tokyo	63,400	Office-Residence-Retail	Jan 2004
Mita Koyamacho East	City Tower Azabujuban	Minato Ward, Tokyo	64,600	Residence	May 2009
Osaki Station West Gate Central	Osaki West City Towers	Shinagawa Ward, Tokyo	129,100	Residence-Office-Retail	Aug 2009
Nishi-shinjuku 6-chome West No.6	Central Park Tower La Tour Shinjuku	Shinjuku Ward, Tokyo	153,500	Residence-Office-Retail-Multipurpose hall	Mar 2010
Kakyoin 1-chome No.1	City Tower Sendai Kakyoin	Sendai, Miyagi	25,400	Residence-Retail-Office	Mar 2010
Koraku 2-chome West	Sumitomo Fudosan Iidabashi First Tower	Bunkyo Ward, Tokyo	78,400	Office-Residence-Retail-Multipurpose hall	Apr 2010
Hachioji Station South Gate	Southern Sky Tower Hachioji	Hachioji, Tokyo	99,800	Residence-Office-Retail	Nov 2010
Nishi-shinjuku 8-chome Naruko	Sumitomo Fudosan Shinjuku Grand Tower	Shinjuku Ward, Tokyo	179,800	Office-Residence-Retail-Multipurpose hall	Dec 2011
Ageo Nakasendo East	City Tower Ageo Ekimae	Ageo, Saitama	39,900	Residence-Office-Retail	Dec 2012
Asahi-dori 4-chome	City Tower Kobe Sannomiya	Kobe, Hyogo	92,900	Residence-Hotel-Retail	Mar 2013
Hiroshima Station South Gate B Block	City Tower Hiroshima	Hiroshima, Hiroshima	125,500	Residence-Retail-Office	Aug 2016
Roppongi 3-chome East	Sumitomo Fudosan Roppongi Grand Tower	Minato Ward, Tokyo	210,500	Office-Residence-Retail-Multipurpose hall	Oct 2016
Kokubunji Station North Gate	City Tower Kokubunji The Twin	Kokubunji, Tokyo	93,200	Residence-Retail-Office	Mar 2018
Nishi-shinagawa 1-chome	Sumitomo Fudosan Osaki Garden Tower	Shinagawa Ward, Tokyo	222,000	Office-Residence-Retail	Aug 2018
Oi 1-chome South No.1	City Tower Oimachi	Shinagawa Ward, Tokyo	60,600	Residence-Retail	Jul 2019
Kanda-neribeicho	Sumitomo Fudosan Akihabara Ekimae Building	Chiyoda Ward, Tokyo	30,800	Office-Residence-Retail	Aug 2019
Tokorozawa Station West Gate North	City Tower Tokorozawa Classy	Tokorozawa, Saitama	38,500	Residence-Retail	May 2021
Musashi-koyama Ekimae-dori	City Tower Musashi-koyama	Shinagawa Ward, Tokyo	53,500	Residence-Retail	Jun 2021
Mita 3- and 4-chome	(Tentative name) Tokyo Mita Redevelopment Project	Minato Ward, Tokyo	228,800	Office-Residence-Retail	Feb 2023 (expected)
Nishi-shinjuku 5-chome North	(Tentative name) Nishi-shinjuku 5-chome Kita Project	Shinjuku Ward, Tokyo	136,600	Residence-Office-Retail	Mar 2023 (expected)
Nakano 2-chome	(Tentative name) Nakano 2-chome Project	Nakano Ward, Tokyo	99,000	Office-Residence-Retail	Feb 2024 (expected)

2. Solving various challenges the community faces

Example | Osaki Area

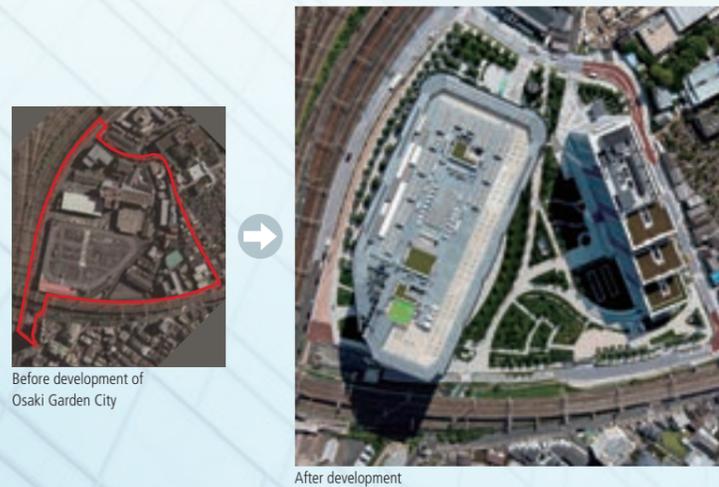
Most redevelopment sites have their own particular set of challenges. We work to build a consensus with landowners, residents in the vicinity, and the local authorities to solve those challenges with the local characteristics in mind and to develop functions of the redevelopment sites in line with the area growth.

In the case of the Osaki area, we built an office building and a condominium as well as created spacious green open public spaces covering some 8,000m², in order to formulate a complex of urban area and develop urban functions around the station.

The redevelopment project improved the disaster preparedness of the community by eliminating a densely built-up area with wooden houses, integrating those houses into a large fire-resistant building, and developing the surrounding area such as widening narrow roads. In addition, it has also contributed to promoting universal design of the area by eliminating a large difference in elevation, and providing open spaces for community building and as a disaster-prevention base.

Sumitomo Fudosan Osaki Garden Tower	
Principal purpose	Office, retail, etc.
Site area (30,080m ²)	19,927m ²
Gross floor area (219,565m ²)	178,141m ²
Floor area ratio	Approx. 780%
No. of floors	24 above ground, 2 below ground, 2 rooftop floors

Osaki Garden Residence	
Principal purpose	Residence (423 units), office, etc.
Site area (30,080m ²)	10,153m ²
Gross floor area (219,565m ²)	41,424m ²
Floor area ratio	Approx. 250%
No. of floors	22 above ground, 2 below ground, 1 rooftop floor



Before development of Osaki Garden City

After development



City development to tackle the challenges facing the community

1 Enhancement of disaster preparedness by eliminating the densely built-up area with wooden houses and narrow streets

The site 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. The redevelopment realized a safe and secure community through improvement of roads around the site to ensure safety for the pedestrians and to allow the smooth flow of vehicles as well as fireproofing the buildings.

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 Creating open space for interaction among the community and as a disaster-prevention base

The area used to be an industrial area with little greenery and lacked places for people to gather due to a densely built-up area with housing. Through this redevelopment, spacious green open public spaces covering some 8,000m² were created, encouraging interaction among the people and bringing liveliness in the community, as well as serving as a disaster-prevention base in the event of an emergency.

3. Striving for continuous community revitalization

Example | Roppongi Area

In addition to solving local challenges by developing robust buildings and improving the surrounding roads, we believe that continuously revitalizing the community and maintaining the connections with surrounding communities are also important in urban development. With this in mind, we also focus on area management such as holding events at its public open spaces for the community to interact.

In the Roppongi area, at the IZUMI GARDEN large urban block covering an area of approximately 6 hectares lying across both sides of the Roppongi-itchohome Station, we promote area management that contributes to the sustainable value creation of the cities, including seasonal entertainment that creates liveliness, as well as events aimed at raising awareness of disaster preparation and fostering a sense of mutual aid in collaboration with the local communities, tenant companies, fire departments, and others.

Main building	Izumi Garden Tower
Completion	October 2002
Gross floor area (approx.)	208,400m ²
Purposes	Office, residence, hotel, retail, museum, multipurpose hall

Main building	Sumitomo Fudosan Roppongi Grand Tower
Completion	October 2016
Gross floor area (approx.)	210,500m ²
Purposes	Office, residence, retail, multipurpose hall



Before development of Izumi Garden Tower

Before development of Sumitomo Fudosan Roppongi Grand Tower

After development

Examples of area management to promote revitalization of local community formation

Events held in the past



Cherry Blossom Festival



Cherry Blossom Festival - Cherry Trees Illuminated



Christmas Illumination



Disaster-Prevention Fair



Summer Festival



Marche' Event

Enhancement of Corporate Value through Four Mainstay Businesses

With our capability of "Land Innovation" as the driving force, in addition to establishing the foundations for sustained growth centered on the revenue from our office building leasing business, we operate leasing-related businesses such as rental apartments and hotels, and the real estate-related businesses such as condominium sales, custom home construction, remodeling and brokerage, which contribute to solving local and social issues as a comprehensive developer.

Not only in office building business but also in these other businesses, we have expanded our business by creating new and highly competitive products and services based on unique innovations we developed with new ideas, not bound by industry customs and common sense.

Launched as a new business in 1996 after the bursting of the bubble economy, Shinchiku Sokkurisan full remodeling system instead of rebuilding became a cutting-edge business model never seen in the industry before. Shinchiku Sokkurisan has been supported by many customers for not only the improvement of disaster preparedness but also its clear fixed-price system and environmental performance, and has grown into a leading brand in the industry.

Leasing — Affiliated businesses (Rental apartments, hotels, multipurpose halls, etc.) ▶ P.33

In our leasing business, since the early 1970s, we have built up our portfolio centered on office buildings in Tokyo, and have pursued urban development by positioning office buildings at its core. In the urban development, we have developed rental apartments, hotels, multipurpose halls, retail facilities, and other facilities in addition to office buildings, for multi-purpose use with the aim of revitalization of local communities through improved convenience and creation of liveliness, reflecting the characteristics of the areas. By directly managing and operating these businesses, it has contributed to enhancing the value of the area and to the expansion of the Company's earnings base.

1997	Opened Hotel Villa Fontaine Developed with the concept of "high-grade economy," challenging the norms of business hotels of the time
2000	Launched "La Tour" series of premium residence
2002	Opened Izumi Garden Gallery Began full-scale operation of event hall business
2020	Fully opened Ariake Garden, a large-scale complex

- **Rental Apartments** Owning and operating a total of over 5,400 units
- **Hotels** Operating a total of 18 hotels / 3,493 rooms
- **Multipurpose Halls** Operating over 30 facilities
- **Retail Facilities** Sumitomo Fudosan Shopping City Ariake Garden with over 200 shops

(As of March 2022)



Hotel "Villa Fontaine"



Multipurpose hall "Bellesalle"



Premium residence "La Tour"



Izumi Garden Tower

Sales — Condominium sales ▶ P.39

Since its Launch in the 1960s, we have established a reputation as a pioneer in condominium sales and leveraged our expertise developed in the office building leasing business by integrating multiple small parcels of land into a larger scale. Since the 2000s, we have increased our share of supply in industry and expanded our business.

We have increased our competitiveness in this market with a sales policy that is not insistent on selling out all the units on the sale-date, our unique "Dynamic Panorama Windows" that enable residents to enjoy the view, which is an appeal of high-rise condominiums, Grand Mansion Gallery, a general exhibition hall, that introduces all of our available properties in one place, Remote Condominium Sales service that offers online property showings, and other customer-first unique plans and services.

1976	Completed Yono House, the first high-rise condominium that adopted integrated design in Japan
2007	Completed the World City Towers, large-scale condominiums for inner-city living (over 2,000 units, the largest in Japan at the time)
2011	Opened "Grand Mansion Gallery"
2014 - 2019	Number of condominium units brought to market over the full year was the highest in Japan for the sixth consecutive year
2020	Introduced "Remote Condominium Sales"



City Towers Tokyo Bay



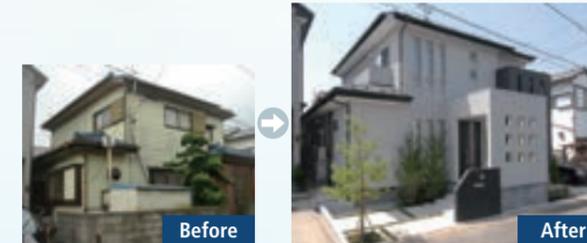
World City Towers



City Towers Tokyo Bay Entrance hall

Construction — Shinchiku Sokkurisan remodeling ▶ P.41

The Shinchiku Sokkurisan remodeling business was launched a year after the Great Hanshin-Awaji Earthquake, the devastating earthquake which happened in 1995. It has been well-received by customers with a groundbreaking business model such as seismic reinforcement as a standard specification and clear fixed-price system, providing safe and secure housing at 50-70% of the price for rebuilding. Having expanded the business nationwide, a cumulative total of units contracted exceeded 150,000 over a period of 25 years.



1996	Commenced Shinchiku Sokkurisan remodeling business
1998	Commenced Shinchiku Sokkurisan condominium remodeling business
2000	Expanded its business to 46 prefectures throughout Japan (excluding Okinawa)
2021	Achieved cumulative total of 150,000 units contracted in Shinchiku Sokkurisan remodeling business

Construction — Custom homes ▶ P.43

After housing development in the United States in the 1970s, we started full-scale operation in Japan in 1982. We have increased our market share especially in metropolitan areas with the competitiveness of the product line-up which stands out for the urban modern exterior design and high-grade facilities. In May 2022, we have launched a new product with the latest ZEH standard as its standard specification, and are focusing our efforts on the promotion of decarbonization, which is a social challenge.



1995	Commenced American Comfort custom home construction business
2003	Launched J-URBAN urban-style housing series
2021	Launched "SUMIFU x ENEKARI," new solar power generation service
2022	Launched "Sumitomo-Fudosan-no-SUMICA," adopted ZEH as the standard specification

Brokerage — Sumitomo Real Estate Sales Co., Ltd. ▶ P.45

Sumitomo Real Estate Sales entered the existing housing brokerage business in 1979. Committed to store development of the directly operated brokerage offices, we have built up a finely tuned and community-based sales structure under the principle of "Customer-First." Our brokerage business has continued to



grow while responding to the needs of the times, including opening brokerage offices dedicated to condominiums, and the introduction of a highly transparent and fair brokerage system that incorporates digital technologies.

1975	Established Sumitomo Real Estate Sales Co., Ltd.
2001	The number of STEP brokerage offices exceeded 200
2019	Opened "Mansion Plaza" brokerage offices
2021	Launched real estate DX service "STEP Auctions"

Historical operating income

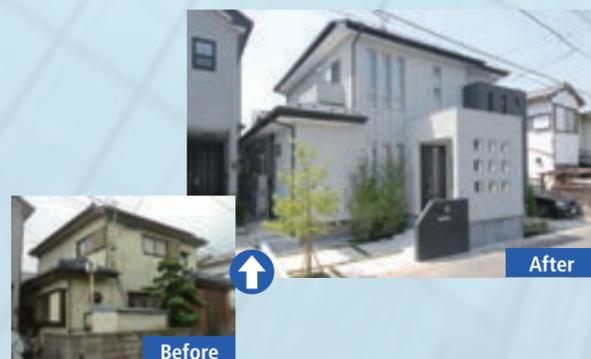


Example: Shinchiku Sokkurisan Remodeling

Extending useful life and reducing environmental burden by improving functionality through renovation



The Shinchiku Sokkurisan remodeling business was launched after the Great Hanshin-Awaji Earthquake of 1995 with the desire to renovate existing houses to make them earthquake resistant without the high cost of rebuilding. Based on our concept of safe and secure housing, it boasts the industry's foremost track record for large-scale remodeling, featuring seismic reinforcement work and a clear fixed-price system. It marked its 25th anniversary this year, since its launch in 1996, and the cumulative total of units contracted exceeded 150,000 units (as of June 30, 2021). Today, Shinchiku Sokkurisan has become so popular across the nation that it is a brand synonymous with full remodeling. By leaving main structural components intact and improving housing functionality without rebuilding, the Shinchiku Sokkurisan remodeling contributes to not only extending the useful lives of existing houses, but also to addressing the social issues concerning houses in Japan by being environmentally friendly, i.e., minimizing industrial waste, CO₂ emissions, and waste of resources.



The desire for safe and secure housing

Many houses were destroyed and many precious lives were lost in the Great Hanshin-Awaji Earthquake of 1995. Subsequent research revealed that many old houses were left without rebuilding, despite having structural problems, due to various reasons including costs. The Shinchiku Sokkurisan remodeling was born from the desire to "find a way to make such houses earthquake-resistant at a reasonable price without rebuilding in order to save precious lives." As such, it offers a full lineup mainly from "full remodeling" which transforms a house into a safe/secure and earthquake-resistant one while utilizing the existing structural elements, to "partial reform," according to the customers' various needs and budget.



A house destroyed in the Great Hanshin-Awaji Earthquake, photographed by Professor Kenji Miyazawa

Social issues concerning houses in Japan

- 1 Insufficient earthquake resistance and thermal insulation
- 2 Environmental impact from waste generated when rebuilding
- 3 Insufficient thermal insulation causing increased energy consumption

Through the Shinchiku Sokkurisan remodeling

- Realizing extended useful life
Earthquake-proofing and seismic retrofitting
Revised floor plans to suit lifestyles
- Reduced environmental impact
Reduction of materials used and waste generated
Installation of solar power generator and reduction of energy consumption by improving thermal insulation performance

Although the penetration rate of earthquake resistant houses in Japan is increasing every year, there are still many housing stocks with low earthquake resistance. In addition, the rebuilding cycle in Japan is short compared with that in Europe and the U.S., and waste from the demolition of houses accounts for a large share of waste discharged by the construction industry. There are growing calls for shifting to a stock-type society by extending the useful life of housing.

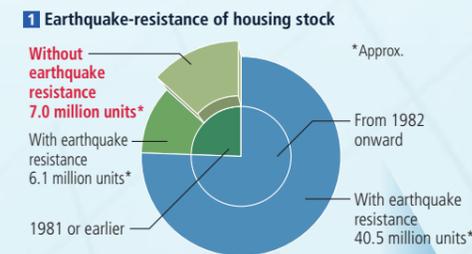
Moreover, although discussions have been carried out on various topics for newly constructed detached houses, such as improving their environmental performance toward the realization of carbon neutrality in 2050, little progress has been made toward promoting energy savings or decarbonization for existing houses, which far outnumber new houses (there are currently roughly 50 million existing houses). As such, dealing with existing detached houses, which account for a large percentage of Japanese housing stock, will be essential for Japan's decarbonization.

International comparison of the average age of houses

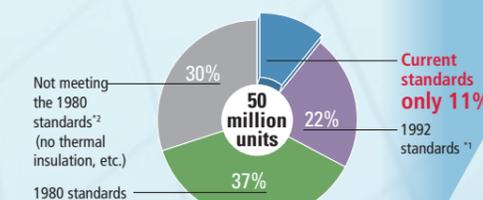


Source: Housing Economics Data: International Comparison of Average Age of Houses Deregistered (2021), Ministry of Land, Infrastructure, Transport and Tourism.

Social issues concerning houses in Japan

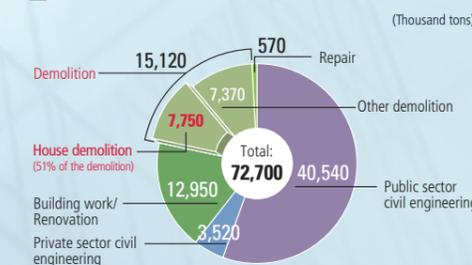


Energy-saving standards (thermal insulation performance) of housing stock (about 50 million units)



*1: Standard established in 1992, pursuant to the Act on Rationalizing Energy Use
*2: Standard established in 1980, pursuant to the Act on Rationalizing Energy Use

Breakdown of construction waste



Sources: 1. Progress of Earthquake Proofing of Houses (2018), Ministry of Land, Infrastructure, Transport and Tourism.
2. Housing Economics Data: Performance of Housing Stock (Barrier-Free and Energy-Saving) (2021), Ministry of Land, Infrastructure, Transport and Tourism.
3. Status of Industrial Waste Associated with Demolition of Houses (36th Meeting of the Housing and Building Land Committee of the Panel on Infrastructure Development), Ministry of Land, Infrastructure, Transport and Tourism.

Shinchiku Sokkurisan initiatives

1 Extending the useful lives of houses through seismic reinforcement and revision of floor plans

Shinchiku Sokkurisan offers proposals mainly for seismic reinforcement work that meets the government's safety standards, based on earthquake resistance diagnosis. Moreover, in preparation for increasingly severe earthquakes, we have developed a new proprietary method and provide optimal seismic reinforcement and damping plans for houses of all ages. In addition to functional improvements, we offer solutions reflecting customers' lifestyles such as changes in family structure and aging by layout changes, extensions, downsizing and transforming the house into a two-family house. In this way, we are promoting extended useful lives of houses without rebuilding.

2 Improvement of thermal insulation of existing houses and promotion of installation of solar power generation systems

We began accepting orders for a high thermal insulation remodeling plan that enables existing houses with low thermal insulation performance to achieve a thermal insulation performance equivalent to the energy conservation standards for newly-built houses. This plan is available to the entire house or even to just individual rooms, enabling an increase in the thermal insulation performance only where it is necessary. In addition, we have begun offering "SUMIFU x ENEKARI" to install solar power generation equipment at zero initial cost, together with seismic reinforcement. Through these new services, we will further contribute to the realization of a carbon neutral society by reducing CO₂ emissions from housing.

3 Reduction of environmental load through waste reduction

Shinchiku Sokkurisan remodeling contributes to the reduction of the environmental burden through seismic reinforcement while the principal structural elements of the house are retained, thus minimizing industrial waste discharge, CO₂ emission, and waste of resources, compared to the demolition involved in building a new house.

Release of results of joint research on the decarbonization effect of building renovation

With the aim of establishing a new environmental evaluation method for building renovation, we started a joint research with The University of Tokyo and Musashino University in December 2021. The research results found that for detached houses in which full renovation was performed and significantly improved building performance (earthquake resistance, thermal insulation performance, etc.), the reuse of foundations, main frames, etc. dramatically reduced the amount of new materials used compared to rebuilding the entire building, and cut CO₂ emissions by 47%. We will continue this research with the aim of further contributing to decarbonization and realization of a stock-type society.



Value Creation Process

Four material issues (Materiality) to "Create even better social assets for the next generation"

 Disaster Resistant	 Environmentally Friendly	 Together with the Community	 People Friendly
Create bases for a safe and secure living environment by developing disaster resistant buildings and cities	Create buildings and cities that are comfortable and have lower environmental impact	Create and operate buildings and cities aiming for sustainable development together with the community	Create buildings and cities that are comfortable for everyone Develop human resources to increase corporate value

Value creation through our business



Office Buildings



Redevelopment



Condominiums



Shinchiku Sokkurisan Remodeling



Custom Homes



Real Estate Brokerage



Retail Facilities
Multipurpose Halls
Hotels

OUTPUT

- Sustainable urban development
- Product planning with long-lasting appeal (long-selling products)
- Supply of disaster-resistant office and housing
- High level of energy-saving performance and operation with external certifications

- Promotion of widespread use of green power
- Sustained growth and record-high profits
- Sustainable dividend increase and shareholder returns



OUTCOME

- Improvement of functionality and resilience of cities
- Promotion of decarbonization
- Promotion of urban greening
- Promotion of universal design in cities

- Revitalization and development of the community
- Improvement of working and living environments
- Extension of the life of stocks, and resource saving/recycling
- Contribution to SDGs

Social Issues

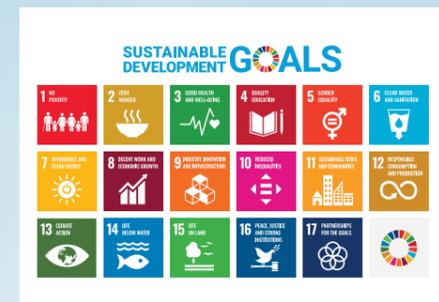
- Climate Change
- Natural disasters
- Population decline
- Declining birthrate and aging population
- Diversification of stakeholder needs etc.

INPUT

Major Management Resources

- Sumitomo's Business Philosophy and Management Philosophy
- Capability of "Land Innovation" for securing land
- Over 230 office buildings in Tokyo
- Stable and high-earnings base
- Well-balanced business structure
- Workforce with diverse experiences and skills
- Extensive customer base etc.

Achieve sustainable growth together with the city



Business Review

Financial Results for Fiscal 2021 and Progress of the Eighth Management Plan

1 | Overview of Consolidated Results

Return to record-high ordinary profit, and record-high profit for the ninth consecutive year

The financial results for the fiscal year under review are as shown in the table below. Revenue from operations, operating income, ordinary profit and profit all increased from the previous year. Ordinary profit returned to a record high as the decline in profit caused by COVID-19 pandemic only lasted for one year, while profit attributable to owners of parent achieved a record high for the ninth consecutive year.

Increased revenue and profit in office building business, significant increase in brokerage profit

By segment, the mainstay office building business recorded increases in both revenue and profit, and the decline in commercial facilities such as hotels and event halls shrank compared with the previous year, resulting in increased revenue and profit in the leasing business. In addition, there was a contribution to overall performance from increased revenue and profit in the construction business including Shinchiku Sokkurisan remodeling, as well as the brokerage business, owing to good performance from brokerage of existing homes. In the sales business, focusing on condominium sales, revenue and profits decreased owing to a decline in the number of units delivered, but it achieved a high level of operating income and performed well.

Non-operating loss recorded 8.7 billion yen (an improvement of 0.5 billion yen year-on-year). Extraordinary loss recorded 6.4 billion yen (down 6.8 billion yen year-on-year), owing to the absence of 11.8 billion yen in gains on the transfer of equity interest in the condominium development joint venture company in Dalian City, China, which the Company recorded in the previous year.

As a result, revenue from operations for the fiscal year was 939.4 billion yen (up 2.4% year-on-year), operating income was 233.8 billion yen (up 6.7% year-on-year), ordinary profit was 225.1 billion yen (up 7.2% year-on-year) and profit attributable to owners of parent reached 150.4 billion yen (up 6.4% year-on-year).

	(Billion yen)		
	FY2020 (Apr 1, 2020 - Mar 31, 2021)	FY2021 (Apr 1, 2021 - Mar 31, 2022)	YoY change
Revenue from operations	917.4	939.4	+21.9
Operating income	219.2	233.8	+14.6
Ordinary profit	209.9	225.1	+15.1
Profit attributable to owners of parent	141.3	150.4	+9.0

2 | Outlook for Next Fiscal Year (Announced on May 12, 2022)

Forecasts for the next fiscal year are as shown to the right. Revenue from operations, operating income, ordinary profit and profit attributable to owners of parent will all increase from the previous year. We intend to achieve a record-high ordinary profit for the second consecutive year, and the tenth consecutive year of record-high in profit attributable to owners of parent.

The real estate leasing business will maintain an increase in both revenue and profit, and a high level of business performance is expected for each of the housing-related businesses.

	(Billion yen)		
	FY2021 (Apr 1, 2021 - Mar 31, 2022)	FY2022 Forecast (Apr 1, 2022 - Mar 31, 2023)	YoY change
Revenue from operations	939.4	950.0	+10.5
Operating income	233.8	240.0	+6.1
Ordinary profit	225.1	235.0	+9.8
Profit attributable to owners of parent	150.4	160.0	+9.5

3 | Progress of the Eighth Management Plan

The fiscal year under review marked the end of the "Eighth Management Plan," which the Company has been operating since April 2019. In the second year of the plan, declines in revenue and profit were unavoidable due to the impact of COVID-19, but in the fiscal year under review, the final fiscal year of the plan, revenue and profit increased, and ordinary profit recovered to a record-high in one year, as described in the above "Overview of Consolidated Results." Three-year cumulative performance is as shown in the table below. Although we did not achieve our initial targets formulated before the COVID-19 pandemic, we achieved record-high operating income and ordinary profit for the third consecutive management plan from the Sixth Management Plan.

	(Billion yen)						
	7th Plan Results (Apr 1, 2016 - Mar 31, 2019)	FY2019	FY2020	FY2021	8th Plan Results (Three-year cumulative)	Vs. 7th Plan	8th Plan Targets* (Apr 1, 2019 - Mar 31, 2022)
Revenue from operations	2,885.8	1,013.5	917.4	939.4	2,870.4	(15.3)	3,100.0
Operating income	613.2	234.3	219.2	233.8	687.5	+ 74.3	740.0
Ordinary profit	557.8	220.5	209.9	225.1	655.6	+ 97.8	700.0

* Announced on May 16, 2019

Overview of Each Segment

Revenue from operations

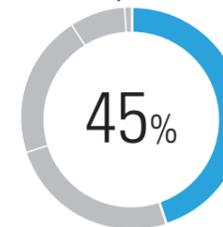
	(Billion yen)			
	FY2021	YoY	FY2022 (F)	YoY
Leasing	425.0	+26.8	430.0	+4.9
Sales	233.7	(29.6)	220.0	(13.7)
Construction	204.3	+15.6	220.0	+15.6
Brokerage	73.4	+7.6	78.0	+4.5

Operating income

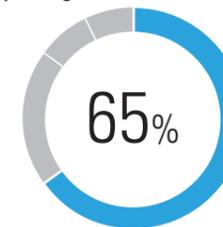
	(Billion yen)			
	FY2021	YoY	FY2022 (F)	YoY
Leasing	162.6	+7.4	165.0	+2.3
Sales	50.4	(3.4)	50.0	(0.4)
Construction	18.5	+2.9	21.0	+2.4
Brokerage	18.0	+6.5	20.0	+1.9

Leasing

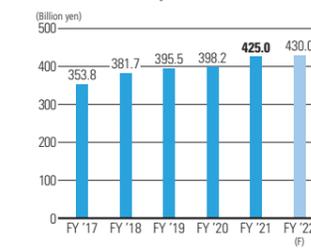
Percentage of revenue from operations



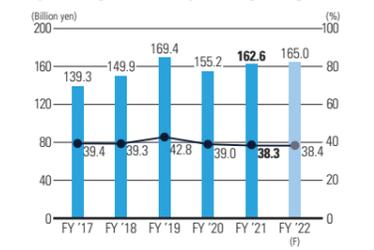
Percentage of operating income



Revenue from operations

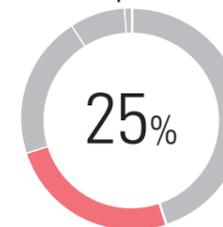


Operating income/Operating margin

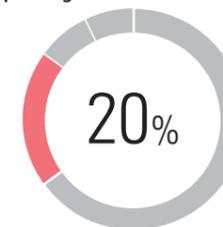


Sales

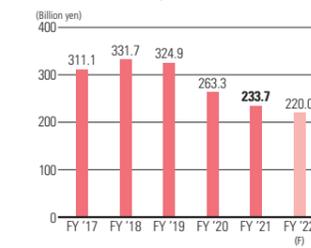
Percentage of revenue from operations



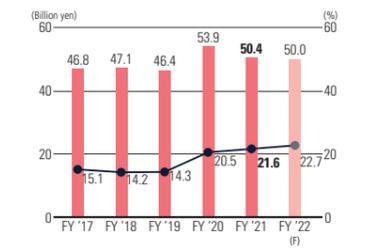
Percentage of operating income



Revenue from operations

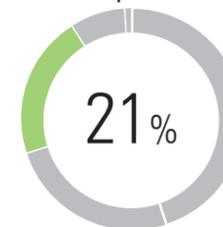


Operating income/Operating margin

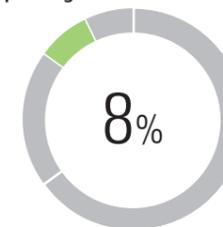


Construction

Percentage of revenue from operations



Percentage of operating income



Revenue from operations

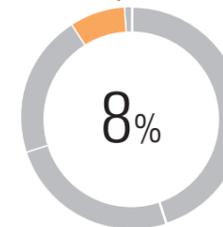


Operating income/Operating margin

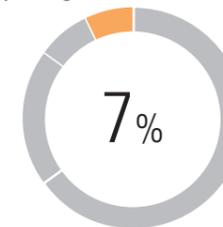


Brokerage

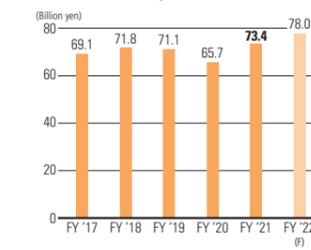
Percentage of revenue from operations



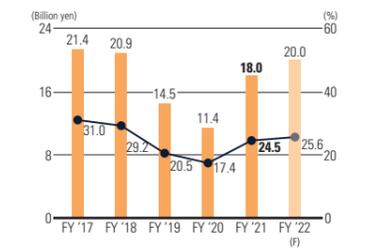
Percentage of operating income



Revenue from operations



Operating income/Operating margin



Overview of Each Segment

Leasing

Full-year contribution from office buildings, resulting in higher revenue and profit

In the fiscal year under review, revenue and profit in the mainstay office building business increased due to the full-year operation of Sumitomo Fudosan Kojimachi Garden Tower, Sumitomo Fudosan Ochanomizu Building and other buildings completed in the previous fiscal year, as well as the absence of acquisition expenses for large properties, which the Company acquired in the previous year.

In addition the decline in the commercial facilities such as hotels and event halls shrank compared with the previous year as a result of the full-year operation of Ariake Garden and temporary contribution to revenue related to the Olympics, etc., despite the ongoing impact of COVID-19.

As a result for this segment, both revenue and profit increased.

Seesawing market, vacancy rate is 5.8% in existing buildings

Although the vacancy rate in existing buildings rose in the first half of the year, it remained flat with 5.8% in the second half of the year. As the tenant needs grow increasingly diverse, the market conditions continue to move back and forth.

In addition, in terms of tenant-seeking activities for new buildings, contracts have almost been completed for Sumitomo Fudosan Tamachi Building East and Sumitomo Fudosan Kanda Izumicho Building, which were completed in the first half of the year, and the Company is focusing on tenant-seeking activities for properties such as Sumitomo Fudosan Osaki Twin Building East, which was completed in the fourth quarter, as well as the Tokyo Mita Redevelopment Project and the Nishi-shinjuku 5-chome Kita Project, which are large-scale buildings to be completed in the next fiscal year.



Sumitomo Fudosan Osaki Twin Building East
(Completion: Jan 2022)
Shinagawa Ward, Tokyo
No. of floors: 19 above / 2 below ground
Gross floor area: 47,203m²

Tokyo Mita Redevelopment Project
(Expected completion: Feb 2023)
Minato Ward, Tokyo
No. of floors: 42 above / 4 below ground
Gross floor area: 199,709m²

Nishi-shinjuku 5-chome Kita Project
(Expected completion: Mar 2023)
Shinjuku Ward, Tokyo
No. of floors: 35 above / 2 below ground
Gross floor area: 136,565m²

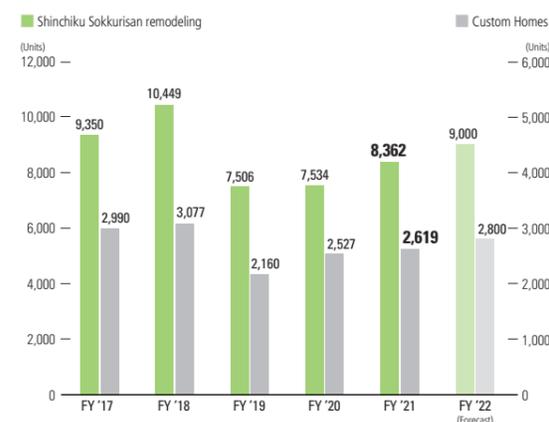
Construction

Orders increased, resulting in increase of revenue and profit

In the fiscal year under review, the number of units contracted increased with 8,362 units in the Shinchiku Sokkurisan remodeling business (up 828 units year-on-year) and 2,619 units in the custom home construction business (up 92 units year-on-year), compared with the previous year, when the Company restricted sales activities under the state-of-emergency declarations. In the fiscal year under review, the Company introduced new environmentally-friendly products, such as the new solar power generation service "SUMIFU × ENEKARI" and high thermal insulation remodeling plans, contributing to increased orders.

As a result for this segment, both revenue and profit increased as the number of units delivered increased, despite the impact of rising prices of timber and other materials.

Number of units contracted



Sales

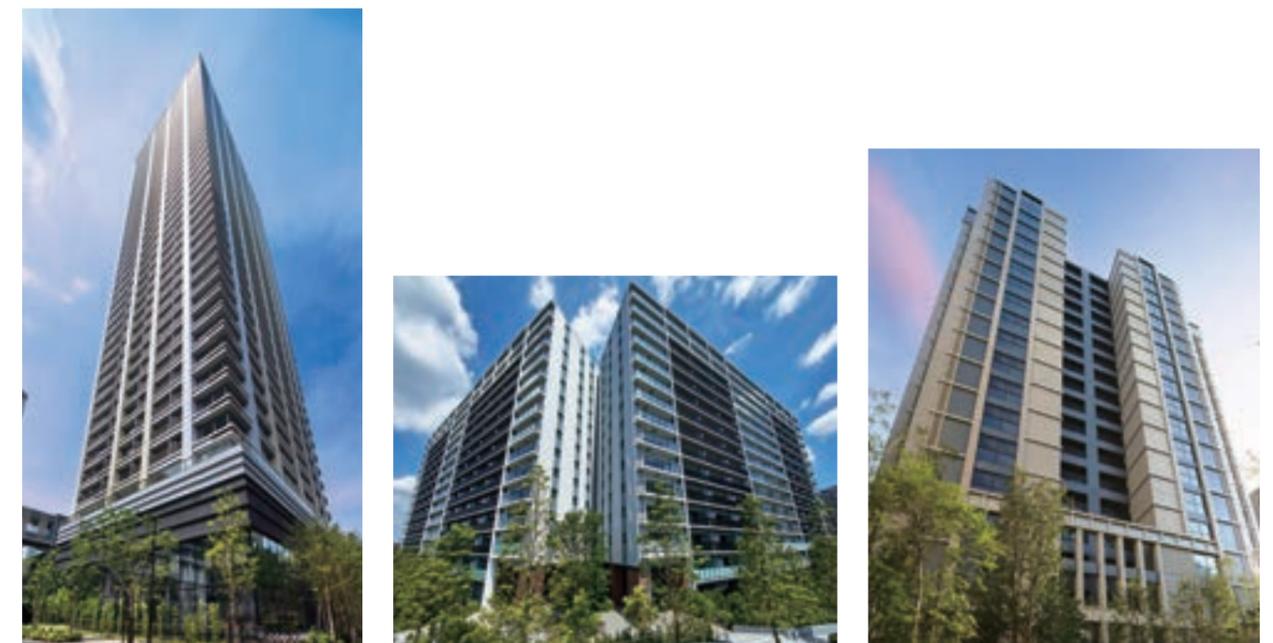
Achieved high level of operating income, in line with initial plans

In the fiscal year under review, a total of 3,604 condominium units, detached houses, and land lots were delivered (down 560 units year-on-year), owing to steady progress on deliveries from condominiums including the large-scale properties such as City Towers Tokyo Bay and City Tower Ginza East, which were completed through the previous year, as well as the start of deliveries of City Tower Musashi-koyama and City Terrace Kanamachi, etc.

Although the segment's revenue and profit decreased due to the decline in the number of units delivered compared with the previous year, operating income achieved a high level at 50.4 billion yen, in line with the initial plan (50.0 billion yen).

Steady progress in condominium contracting, with 80% of units to be delivered in the next fiscal year already sold

The number of condominium units sold made good progress as planned, at 3,047 units, unchanged from the previous year, and at the beginning of the fiscal year, approximately 80% of the 3,000 units planned to be delivered in the next fiscal year were sold (approximately 80% in the previous year).



City Tower Musashi-koyama
(Delivery start: Aug 2021)
Shinagawa Ward, Tokyo
No. of floors: 41 above / 2 below ground
No. of units for sale: 320

City Terrace Kanamachi
(Delivery start: Oct 2021)
Katsushika Ward, Tokyo
No. of floors: 19 above ground
No. of units for sale: 610

Grand Hills Minami Aoyama
(Delivery start: Apr 2022)
Minato Ward, Tokyo
No. of floors: 18 above / 2 below ground
No. of units for sale: 100

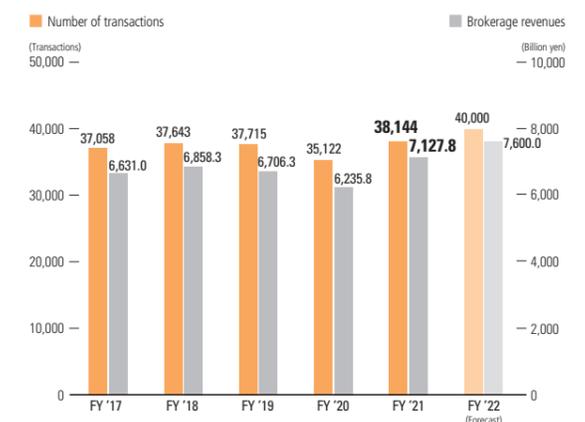
Brokerage

Record-high number of transactions, revenue, and operating income

In the fiscal year under review, the number of transactions recorded record-high for the first time in two years, at 38,144 transactions (up 3,022 year-on-year), primarily for existing condominiums. The number of transactions increased compared with the previous year when the Company practiced self-restraint in sales activities under the state-of-emergency declarations, and "STEP Auctions," a new service introduced in September also contributed to the result of the record-high number of transactions.

As a result for this segment, both revenue and profit increased significantly with record-high revenue and operating income (after reflecting segment changes implemented in the previous fiscal year in past results).

Number of transactions and brokerage revenues



Business Segments | Leasing

Office Buildings/Rental Apartments/Hotels/Multipurpose Halls/Retail Facilities



Challenges

- Response to increasingly diverse office needs
- Compliance with increasingly high environmental performance standards
- Strengthening disaster countermeasures in preparation for severe natural disasters

Opportunities

- Demand for office buildings with better locations and functions
- Increase in demand for office buildings with high level of disaster preparedness and environmental performance

Competitive advantages

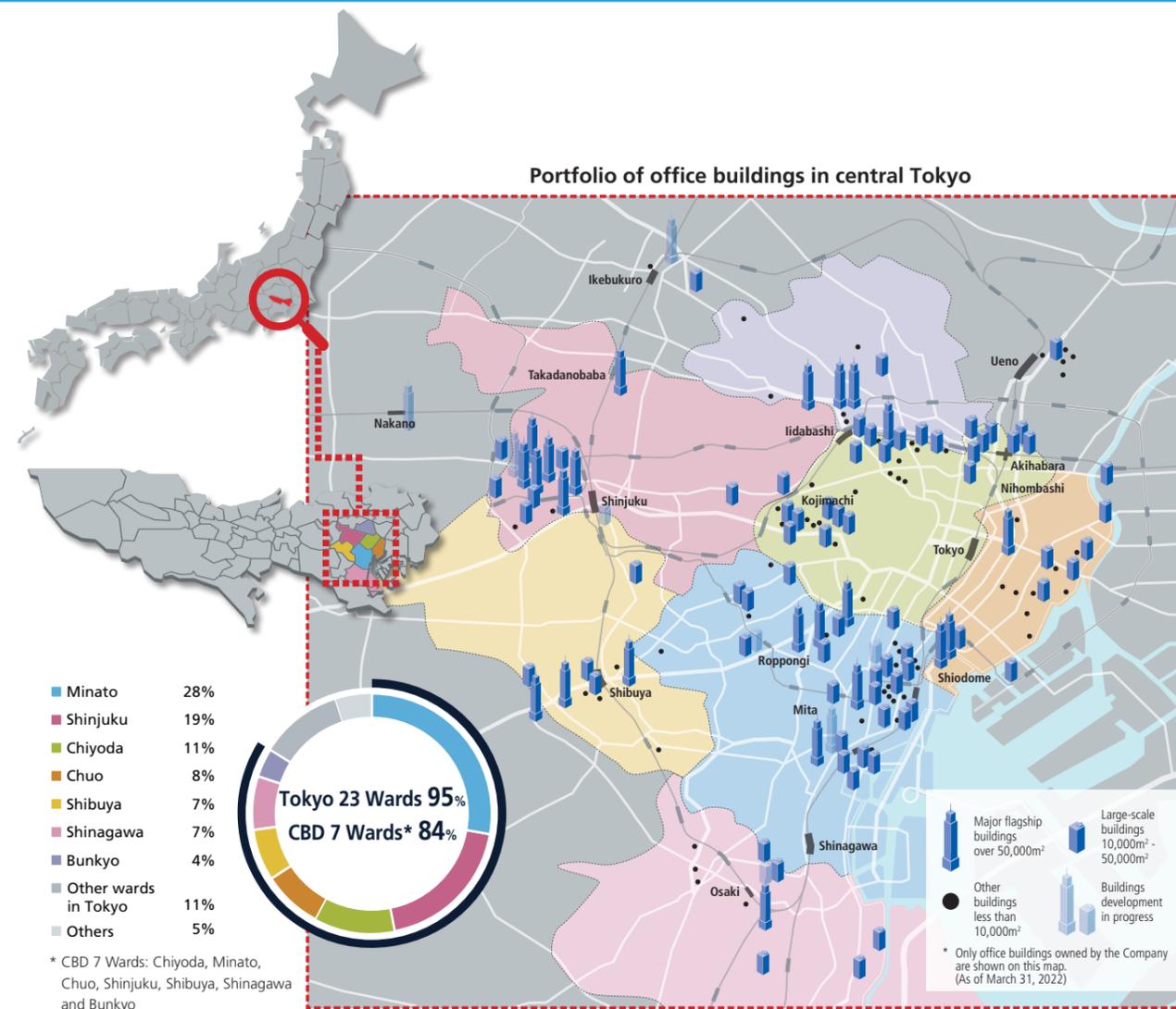
- 1 An extensive line-up of buildings in various locations and scales to meet diverse needs, primarily in central Tokyo
- 2 State-of-the-art facilities, offering high degree of functionality, comfort and environmental performance
- 3 Seismic isolation/damping systems and high level of disaster-preparedness for enhanced BCP compliance

Portfolio of office buildings catering to diverse needs

Tokyo is Japan's economic center, where companies from all industry sectors congregate, creating a superior market with stability over the long term. In the office building leasing business, which is the core of our real estate leasing business, our leasing portfolio emphasizes locations in central Tokyo; 95% of our portfolio is in Tokyo's 23 wards, and 84% is in the seven wards of the Tokyo CBD (Central Business District). Many of our buildings are located in proximity of major railway and subway stations, offering excellent accessibility favored for a business base.

The functionality of our buildings gives us a major competitive advantage in the market. In preparation for a large-scale earthquake of the kind that have occurred to date, we have actively adopted seismic isolation/damping systems for our buildings, enhanced BCP compliance with uninterrupted power supply specifications, including the installation of emergency power generators. In addition, we also have adopted a high level of environmental performance that enables our buildings to acquire Green Building certification by introducing highly efficient equipment and energy-saving specifications.

The Company will continue to build a stable earnings base through continuously supplying highly competitive office buildings, mainly in the Tokyo CBD, where demand is expected to remain stable into the future.



High degree of functionality and comfort for office spaces

The standard floors of our buildings feature large spaces free of pillars or columns, providing highly efficient office spaces with layout flexibility to meet the needs of each tenant company such as consolidating multiple offices onto a single floor or creating an open space that facilitates internal communication and generates creative ideas, and building remote conferencing booths.



Office floor image

Tenant comment

"Office will evolve into a special place for communication in the times ahead"

The COVID-19 pandemic made us realize that it is possible to get work done even remotely. However, looking at it in another way, having an office will give companies a competitive advantage. The more companies move away from offices and away from the CBD, having an office in the CBD will be more special in a way. In fact, I actually believe that now is exactly the right time to invest in offices.

In the era of coexisting with COVID-19, the office will no longer be just a place for working. It will become a special place for precious and heartwarming communication whether business or personal. How to design offices with the notion that they are community spaces will likely become the key to office strategy going forward.



Akiyuki Minami
Chairperson
coconala Inc.

(Tenant at Shibuya Infoss Tower)

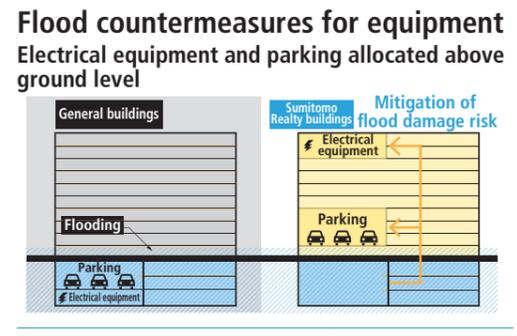
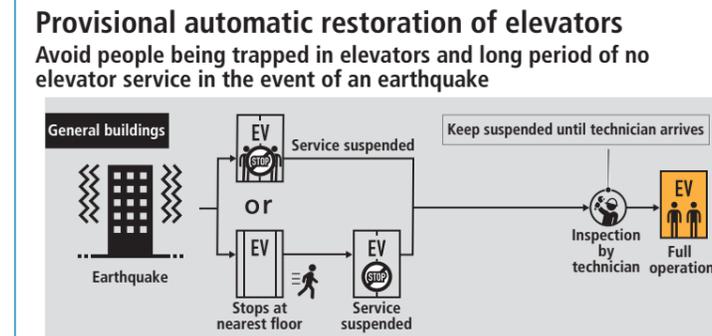
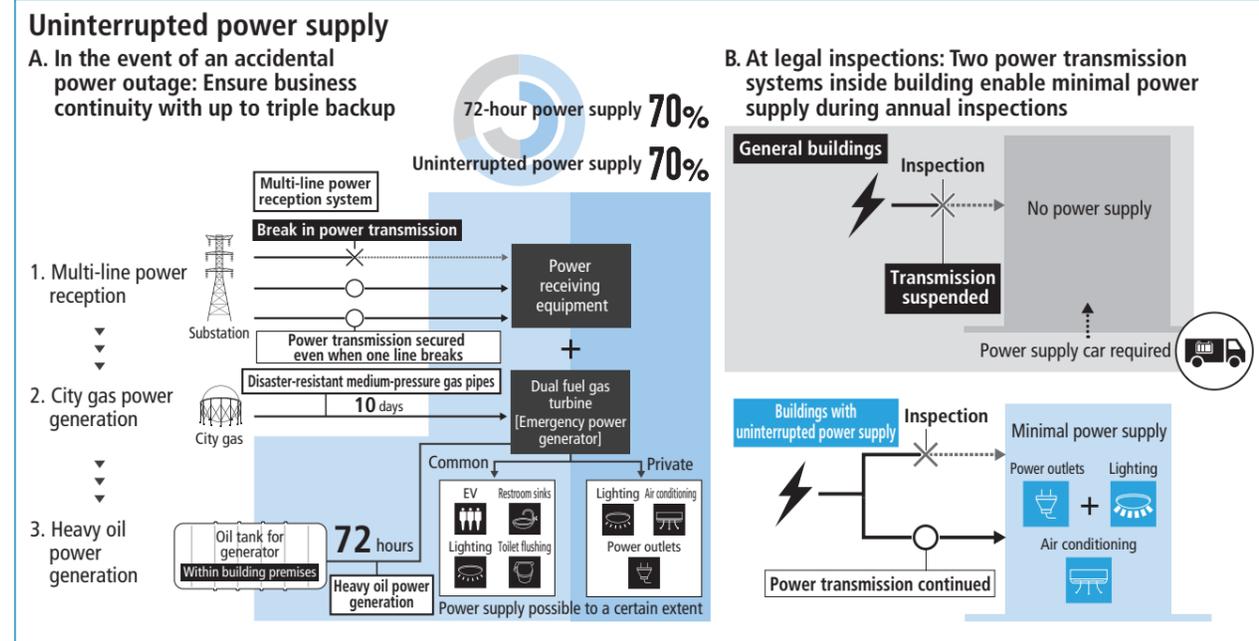
* Please refer to the Company website for the entire interview (Japanese only). https://office-b.sumitomo-rd.co.jp/office/case_01/

Disaster Prevention for Office Buildings

The Company strives to create office buildings that continue to function and secure the safety and peace of mind of our tenants even at times of disaster. Our entire portfolio meets or exceeds the new earthquake resistance standards adopted in 1981, and approximately 80% of the buildings we own are structured with a seismic isolation and/or damping system, while enhancing BCP compliance with measures for uninterrupted power supply including installation of emergency power generators in about 70% of our buildings (100% of those completed in or after 2001). We directly manage the buildings 24 hours a day, 365 days a year, making it possible to respond swiftly to emergencies.

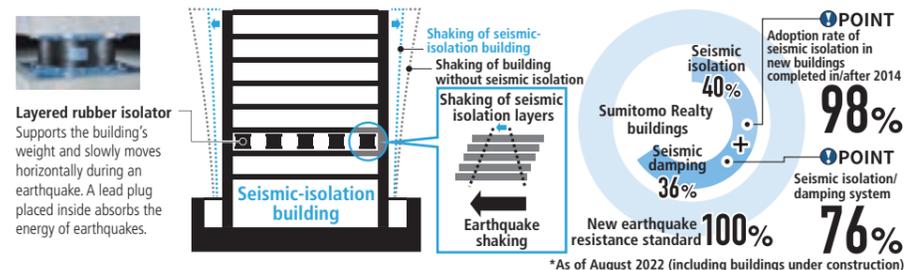
BCP | Uninterrupted power supply / elevator restoration & flooding countermeasures

*The diagram below is for illustrative purposes only. Not all features are available in all Sumitomo Realty buildings.



STRUCTURE | Seismic isolation system

Seismic isolation devices are installed at the bottom of and on mid-level floors of buildings to absorb the shaking. Structures that suppress the direct transmission of seismic energy to the building mitigate the risk to human life, as well as the risk of furniture toppling.

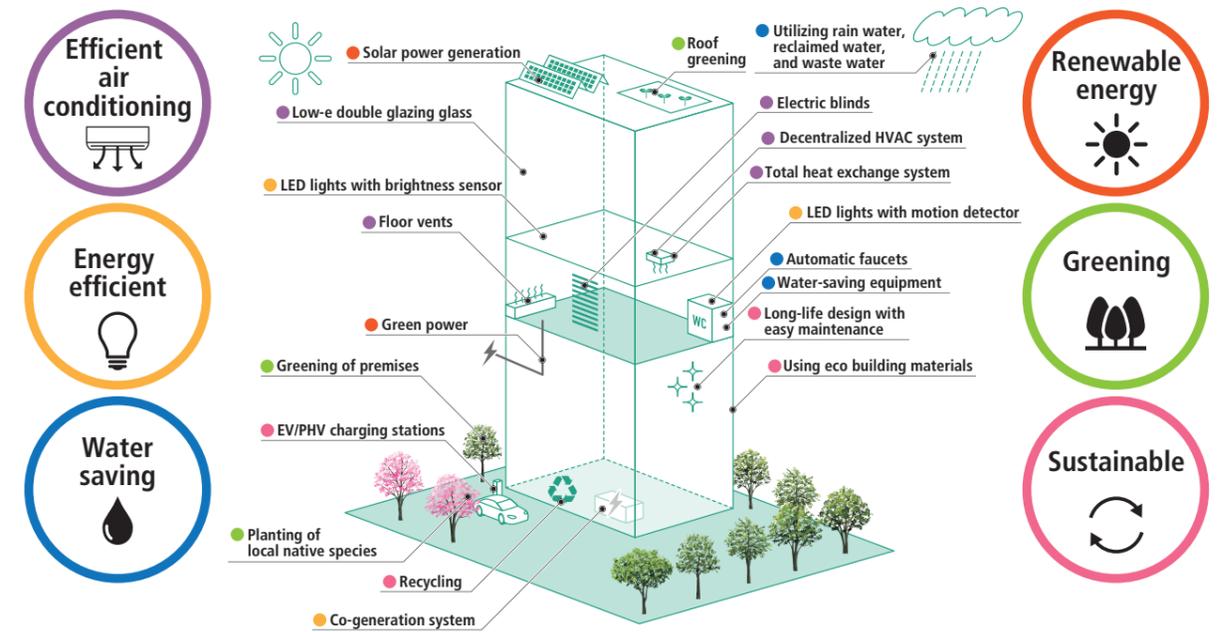


SERVICE | Direct management 24 hours a day

24-hour, year-round management by Sumitomo Realty employees enables swift responses even in times of trouble.

Environmental technologies for office buildings

In the construction of new office buildings and when upgrading equipment in existing buildings, we actively install the state-of-the-art and highly energy-efficient equipment in promoting the development of environmentally friendly, sustainable office buildings. Our buildings' performance and initiatives regarding "environmental and social awareness" have been highly evaluated, and 35 buildings with a total gross floor area of 840,000 tsubo (1 tsubo ≈ 3.3m²) acquired DBJ Green Building Certification. This is the largest gross floor area held among the owners of buildings in the Office Building Category. (As of August 2022, researched by the Company)



DBJ Green Building Certification



Offer a choice of green power plans for tenants to their exclusively-owned areas - A first in the industry to offer separate green power plans to individual tenants! -

As an initiative for decarbonization in office building leasing to achieve carbon neutrality by 2050, we have developed a scheme in which tenants can select the best plan from multiple green power introduction methods to meet their diverse needs, depending on the individual company's approach.

Sumitomo Realty has actively promoted energy conservation in its office building development and operations, resulting in gaining S-class (excellent business operator) certification, which is the highest ranking given for efforts taken to conserve energy, for five consecutive years. Through this green power introduction initiative, we will strive to make offices even more decarbonized alongside our tenants, and contribute to the achievement of the decarbonization targets set forth by the government.

Three plans and their advantages

- Plan 1. Non-fossil fuel energy certificate**
Issues non-fossil fuel energy certificate to treat as green power usage / Achieve decarbonization with no hassle
- Plan 2. Raw green power from newly-built power plant**
Uses raw green power from newly-built power plant according to the contract / Contribute directly to decarbonization in Japan
- Plan 3. Green power from tenant-owned power plant**
Issues non-fossil fuel energy certificate, which certifies the use of green power generated at tenant-owned power plants / Use self-generated power



Condominium Leasing

We own and operate over 5,400 condominium units for leasing primarily in major metropolitan areas. Of these, the “La Tour” series at its core offer premium residences with great views, high-grade specifications and facilities, hotel-style bilingual concierge services and advanced security systems. As of March 31, 2022, we operate 25 La Tour buildings with approx. 3,500 units in areas such as Daikanyama, Roppongi, Shibuya and Shinjuku, as well as Kyoto and Sapporo.

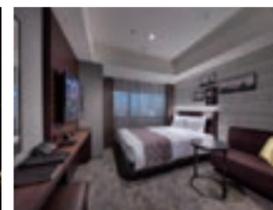
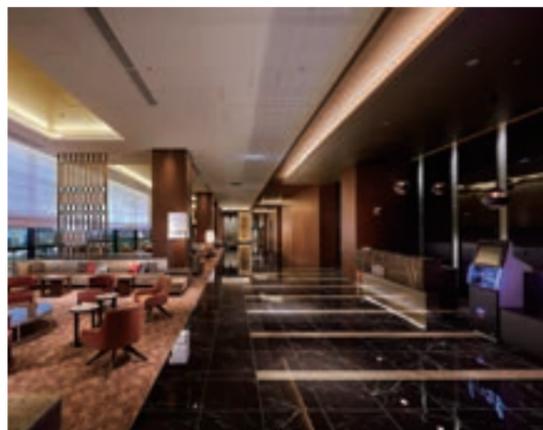


La Tour Series



Hotels

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 18 hotels / 3,493 rooms, including 14 Villa Fontaine hotels in central Tokyo and one in Kobe, two Village series hotels in Izukogen and Kyoto targeting resort customers and tourists, and “inumo Shibakoen,” where guests can enjoy staying with their dogs. (As of March 31, 2022)



Sumitomo Fudosan Villa Fontaine Co., Ltd.

Opened a full-service hotel for guests with dogs, “inumo Shibakoen by Villa Fontaine”



We have launched a new hotel brand, “inumo” (meaning “dogs, too” in Japanese), for dogs and their families to enjoy their trips and comfortable stays. Opened in February 2022, “inumo Shibakoen by Villa Fontaine” (Minato-ku, Tokyo) is dog-friendly throughout the building with a dog run, grooming, dog-sitting services, and an Italian restaurant where guests can enjoy the meals with their dogs by their side.

inumo Shibakoen offers a new kind of hotel stay as a hub for sightseeing in Tokyo for guests with dog in tow or as a place to casually refresh themselves with their dogs.



Multipurpose Halls

Sumitomo Fudosan Bellesalle Co., Ltd. operates over 30 facilities with multipurpose halls and conference rooms mainly in central Tokyo. Easily accessible and featuring an array of equipment and fixtures, our venues are used for a wide range of events, including exhibitions, large-scale entertainment events, family sales, academic conferences, lectures, and seminars. The Company also operates shared office spaces “Bellesalle Lounges,” offering well-equipped private rooms and small meeting rooms suitable for remote work and web conferences. (As of March 31, 2022)



Sumitomo Fudosan Bellesalle Co., Ltd.

Retail Facilities

Sumitomo Fudosan Retail Management Co., Ltd. manages Ariake Garden, which was completed on a vast 10.7 hectare tract in March 2020, and Haneda Airport Garden, which is connected directly to Haneda Airport. Ariake Garden is a commercial complex featuring a wide variety of shops catering to diverse needs both for every day and special occasions. It has been well-received as it proposes a new lifestyle for Tokyo bay area while contributing to the revitalization of the community.



Sumitomo Fudosan Retail Management Co., Ltd.

Sumitomo Fudosan Shopping City Ariake Garden Acquired Highest Rating in DBJ Green Building Certification



Sumitomo Fudosan Shopping City Ariake Garden, the core facility of the Ariake Garden, completed in March 2020, has received the highest (five-star) rating in the Retail category of DBJ Green Building Certification.

The certification not only takes into account energy saving performance, but also facility performance aspects such as providing EV charging spaces, contributions to the local community, disaster preparedness including the stockpiling of adequate emergency provisions, and considerations for user diversity such as the installation of a prayer room and multi-lingual (Japanese, English and Chinese) facility announcements.

Business Segments | Sales

Condominiums/Residential Lots



Challenges

- Responding to changes in housing demand with diversifying lifestyles
- Securing land that will enable new supply

Opportunities

- Sustained housing demand in convenient locations both in the city center and the suburbs
- Increased demand for housing with a high level of environmental performance

Competitive advantages

- 1 Exteriors, common area design, functions and equipment that retain their asset value for the future
- 2 Operating mainly in major cities throughout Japan — stable supply with 80% of the portfolio in the Tokyo metropolitan area
- 3 Unique services and equipment designed for customers' convenience and comfort

Condominiums that retain their asset value for the future

We provide condominiums that will retain their asset value and appeal as time passes. They are characterized by enhanced product planning with stylish exteriors that make them landmarks, elegant entrances, extensive common areas, disaster-resilient and high-spec basic performance, latest housing equipment, etc. A number of our condominiums have garnered the Good Design Award sponsored by the Japan Institute of Design Promotion.



Examples of our unique customer-first products and services

* Facilities and equipment may differ by property.

Dynamic Panorama Windows

In high-rise units, the residents can enjoy a dynamic view (a direct sky view) with an exceptionally wide range of vision, experiencing a sense of release that brings a feeling of being part of the sky, even while remaining seated.



Enhanced common areas

Taking advantage of large-scale condominiums, we have increased our product appeal by enhancing the common areas. As well as spacious entrance halls with a two-story atrium, our condominiums provide extensive facilities for community interaction, including kids' rooms, party rooms, lounges, guest rooms, fitness rooms and remote work rooms, which residents can readily use, offering an attractive residence.

We have also introduced "Smart lock with payment system*" that allows residents to book and pay for these common facilities on their computer or smartphone, and then unlock the door to the booked room using a PIN. In addition to enabling access to common facilities with non-face-to-face contact, we are also enhancing the common facilities of small and medium-sized properties to increase convenience and asset value.

* Scheduled for installation in 75 properties as of March 31, 2022



Grand Mansion Gallery

With the concept of enhancing customer convenience and satisfaction, we offer a one-stop service with sections for consultation, selection and experience, providing necessary information depending on the customers' respective purposes. The facilities are located close to 10 conveniently accessible terminal stations mainly in the Tokyo metropolitan area. (As of March 31, 2022)



One-stop support from consultation to property introduction by our knowledgeable and professional staff



Detailed information available for all of our properties on the market, enabling comparison and consideration of multiple properties simultaneously



Display corner for hands-on experience of housing equipment and specifications

Online sales service

We are pioneers in the industry in offering a service that enables customers to consult and deliberate both in person and online. For all newly built condominiums* nationwide, we introduce electronic contracts and the "Remote Condominium Sales" service, which permits customers to complete the entire process—from information gathering to delivery—without the need for meeting in person, while our "Online Tours" allow customers to obtain property descriptions, tour model rooms and discuss housing loans online. With these and other services, such as online applications and IT-based briefing on important matters, we strive to improve customer convenience by meeting a wide range of needs.

*Excluding joint-venture properties, etc.



Promoting Decarbonization in the Development of New Condominiums

- "ZEH-M Oriented" energy-saving performance as the standard specification for all new condominiums
- Requesting green power usage at the construction site

In October 2021, as the first in the industry¹, we have decided to adopt "ZEH-M Oriented" energy saving performance as the standard specification for all condominiums² we design and develop from that date forward, without reducing the quality and living comfort. We also actively request cooperation from our partner construction companies to use green power at the construction sites. For construction companies without measures to do so, we request their collaboration by providing a framework that enables the introduction of green power. Through these efforts, we promote decarbonization across the entire value chain that extends from upstream to downstream, in our new condominium sales business.

¹: Based on research by Sumitomo Realty, using public information. ²: Excluding joint-venture properties, etc.

Topics

Business Segments | Construction

Shinchiku Sokkurisan Remodeling



Detached House Remodeling/Condominium Remodeling



Challenges

- Rising costs due to increases in prices of construction materials, etc.
- Responding to diversifying needs for remodeling, and the need of disaster countermeasures

Opportunities

- Rising demand for large-scale remodeling, utilizing the existing houses
- Rising demand for environmentally friendly and safe/secure housing in times of disaster

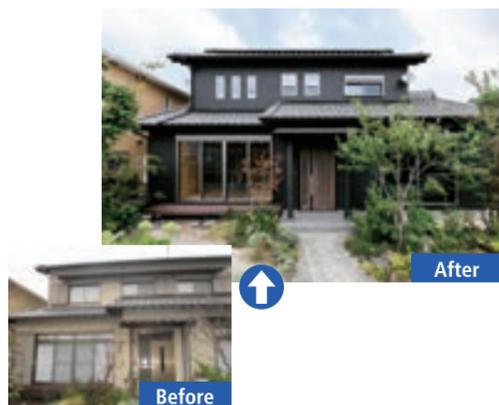
Competitive advantages

- 1 No. 1* in the industry for both detached houses and condominium units with new "full remodeling" system
- 2 Seismic reinforcement applicable to houses of all ages
- 3 Worry-free fixed pricing system at 50-70% of the rebuilding cost
- 4 Established a system to propose ideal homes by remodeling existing houses purchased through brokerage network of our group company

*2021 rankings for number of large-scale remodeling (contracted units) and sales for condominium remodeling, researched by The Japan Journal of Remodeling

Shinchiku Sokkurisan remodeling — No. 1 in the industry

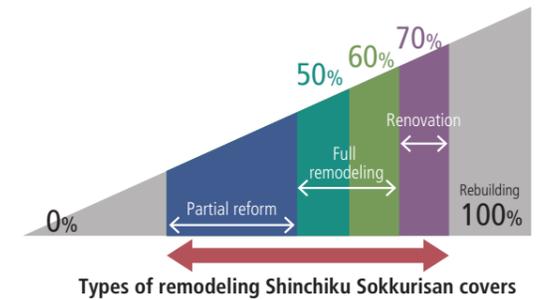
Making use of the foundations and pillars of the old houses, the Shinchiku Sokkurisan remodeling system involves renovating the entire house, improving its earthquake resistance, performing thermal insulation works, and renewing the kitchen and bathroom, floor plans, interiors, and exteriors depending on the customer's needs. Since its launch in 1996, the number of units contracted has steadily grown to exceed a cumulative total of 150,000 (as of June 30, 2021). As a pioneer in the full remodeling business, in addition to detached houses, we have also engaged ourselves in the full remodeling of condominium units nationwide, establishing a new genre in an industry that until then had offered only complete rebuilding or partial remodeling.



Conventional remodeling	Shinchiku Sokkurisan Remodeling New system: neither conventional remodeling nor rebuilding
Principally remodeling certain parts of the house	Full remodeling with a price 50-70% of rebuilding
Seismic reinforcement by remodeling not considered	Seismic reinforcement for peace of mind
Estimates are based on a cost estimation system and prices are unclear	Clear fixed-price system
Additional charges incurred due to unforeseen circumstances	No additional charges after work commences

Lower cost than rebuilding

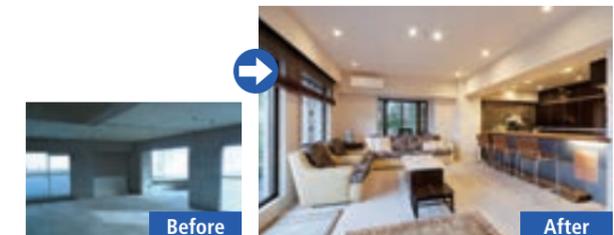
Shinchiku Sokkurisan remodeling realizes housing renovation for about 50-70% of cost of rebuilding, responding to customers' various needs, lifestyles and budgets. In addition to conventional "partial reform," it offers "full-remodeling," which transforms the house into an earthquake resistant one while utilizing the existing structural elements and "renovation," which completely refurbishes both the interior and exterior and enables flexible layout changes.



Condominium remodeling — No.1* in the industry for eight consecutive years

Since 1998, we have pioneered the industry's skeleton renovation business for condominium units. The entire exclusively-owned area is dismantled and removed, leaving only the structural frame. Everything else—from the equipment, interior, base materials to the wiring to the plumbing—is completely renewed to allow flexible layout change and make the exclusively-owned area look like new.

* Researched by The Japan Journal of Remodeling, FY2013–2020



Skeleton image

Number of units contracted for Shinchiku Sokkurisan

The Sumitomo Realty Group's remodeling business provides remodeling including Shinchiku Sokkurisan full remodeling, skeleton renovations for condominium units, and partial remodeling, meeting customers' wide-ranging needs and conditions. Through our involvement in many different housing renovations over 25 years, we have amassed a wealth of expertise and experience in areas such as layout changes, seismic reinforcement, and handling of different structures, which has enabled us to offer proposal- and consulting-based remodeling. Revenue from the remodeling business topped ¥100 billion for the first time in the remodeling industry in fiscal 2014, and we have established our position as the top brand in the industry. The cumulative total of units contracted exceeds 150,000 (as of June 30, 2021), and we have built a track record of solid reliability.



"Shinchiku Sokkurisan" high thermal insulation remodeling and SUMIFU x ENEKARI Promotion of decarbonization through renovation to safe, secure and energy-efficient housing

In our Shinchiku Sokkurisan remodeling business, in addition to seismic reinforcement for the peace of mind, we promote the extension of the useful life of existing houses by renovating them into environmentally friendly and comfortable houses with excellent energy-saving performance. We have also begun providing the following new services that contribute to the decarbonization of the housing stock of over 50 million units in Japan, which the Japanese government has recognized as an issue.

■ **High Thermal Insulation Remodeling Plan** (Began accepting orders in December, 2021)
Remodeling plan available to the entire house or even to individual rooms, ensuring the thermal insulation performance equivalent to the energy conservation standards* for newly-built houses

*Compliant with 2016 energy-saving standards

■ **Shinchiku Sokkurisan and SUMIFU x ENEKARI** (Began accepting orders in April, 2022)
Seismic reinforcement (Shinchiku Sokkurisan) for the peace of mind, combining a new solar power generation service (SUMIFU x ENEKARI) which enables installation of solar panels and storage batteries at zero initial cost

We will continue to promote the provision of housing that contributes to the decarbonization with a safe and comfortable living environment.



Topics

Business Segments | Construction

Custom Homes



Challenges

- Rising costs due to increases in prices of construction materials, etc.
- Need for environmental considerations and disaster countermeasures in line with the times

Opportunities

- Rising demand for comfortable, safe/secure and environmentally friendly houses
- Rising demand for houses that offer a high level of disaster preparedness

Competitive advantages

- 1 Custom homes that combine innovativeness and functionality with attractive design
- 2 High-grade interiors as a standard specification at reasonable prices
- 3 Proprietary earthquake-proofing technology, and product planning for enhanced safety and environmental performance
- 4 A one-stop support system to build a house from searching for suitable land by brokerage network of our group company

Innovative exterior design and specifications that only a developer can provide

Leveraging our expertise gained in developing numerous office buildings and condominiums, we have incorporated innovative designs and specifications that only a developer can provide, including the “J-URBAN” urban-style housing series which feature distinctive, modern exteriors characterized by the extensive use of glass, and houses with housing equipment designed for luxury condominiums.

High-grade housing fixtures with interiors for luxury condominiums

We have adopted high-grade room interiors and facilities found in condominiums as standard for detached houses at a reasonable price.

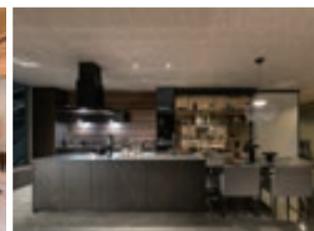
- Kitchen Adopted an original high-end kitchen made of a new ceramic material that offers optimal functionality for kitchens, including scratch resistance, stain resistance and heat resistance, alongside expressive and beautiful design
- Bathroom Enhanced functions, including a heat-retaining bathtub made of artificial marble and a bathroom dryer with heater and ventilation functions



PREMIUMJ Yokohama No.1



Interior image



Kitchen

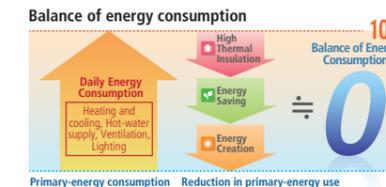
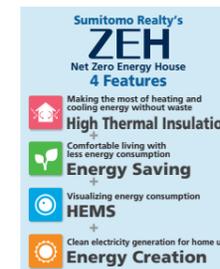


Bathroom

Zero Energy House friendly to both the residents and the environment

Making net zero energy use in the home the future standard for living

We propose smart, high-quality living by our long-life house in consideration of energy saving and the environment as Net Zero Energy House (ZEH), which is friendly to both the residents and the environment, while maintaining living comfort.



Disaster countermeasures for safety and security

Disaster countermeasures for safety and security in addition to superior design and high-quality fixtures and specifications



- Seismic Control System
Seismic damping devices absorb seismic energy and reduce shaking by approximately 50%



- Power Panel — Strong bearing walls with high magnification
Outstanding strength, able to withstand deformation and distortion from earthquakes, etc.



- Potable water storage system
Fresh drinking water stored in the water pipes underfloor, and easily withdrawn in the event of water outage



- Rainwater tank
Approximately 100 liters of rainwater stored for use in the event of water outage

A number of Good Design Awards (Products awarded for Good Design Awards 2021)

Our product line-up has won a number of Good Design Awards* and been highly evaluated for product planning



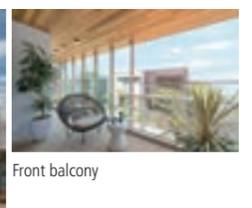
PREMIUMJ Kyotogojo - Reconstruction of traditional Japanese housing



Verandah terrace encourages interaction



NEW J-URBAN COURT Futamatagawa - House embraces light and breeze



Front balcony

*Sponsored by the Japan Institute of Design Promotion

“Sumitomo-Fudosan-no-SUMICA” — Ensuring thermal insulation and energy-saving performance that exceeds the latest ZEH standards

Future homes with a sophisticated design that are friendly to people and the environment

In April 2022, we launched “Sumitomo-Fudosan-no-SUMICA” with thermal insulation and energy-saving performance that exceed the ones of the latest ZEH standards, unique solar power generation service*, and sophisticated design and functions. By proposing the sustainable housing and peace of mind for living demanded in the “new normal” era, we strive to expand our business and contribute to the promotion of decarbonization of detached houses.

* SUMIFU X ENEKARI provided as a standard specification



Topics

Business Segments | Brokerage



Challenges

- Keeping up with further developing and deepening digital technology in real estate brokerage
- Expanding provision of services to the growing senior population

Opportunities

- Continuing expansion of the brokerage market with further increase in superior housing stock
- Increased awareness of housing for new styles of living, and diversified lifestyles

Competitive advantages

- 1 Industry-leading network of directly operated brokerage offices in 256 locations nationwide
- 2 High customer-satisfaction ratings
- 3 Prompt response to varying customer needs through coordination among Group companies

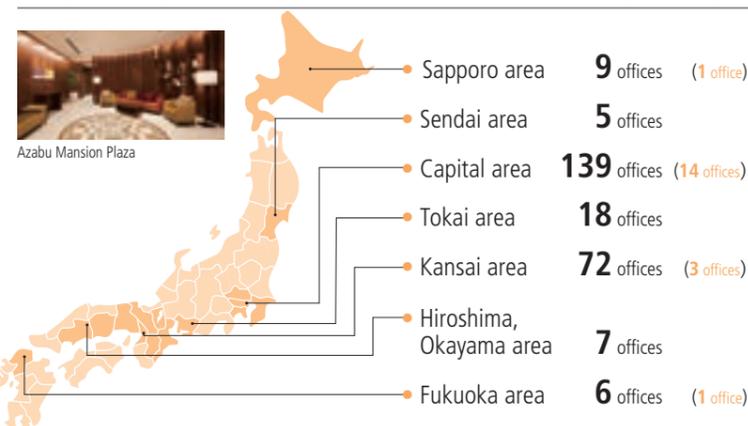
As one of the leading brands in the industry, we have built a network of 256 directly operated brokerage offices across Japan, focusing on the brokerage of existing condominiums, detached houses, and land lots.

The business has built up a community-based sales structure under a principle of "Customer-First," recording some 38,000 transactions in fiscal 2021, which makes it one of the leading companies in the industry.

Further, to meet the brisk demand for condominiums in central Tokyo, we are also operating Mansion Plaza brokerage offices, specializing in premium condominiums that have high asset value.

256 directly operated brokerage offices

(including Mansion Plaza) (As of March 31, 2022)



Azabu Mansion Plaza

Topics

STEP Auctions

In the autumn of 2021, we launched "STEP Auctions," a new service that enables us to make fairer and best proposals with a "Customer First" approach, nationwide.

Whereas previously, it was most common for each brokerage office to deal with several dozen companies in the area, under this new service, property information is sent out at once to over 5,700 registered real estate brokers* nationwide that meet our standards, and all applications are received by the head office. This allows the speedier introduction of prospective buyers with more favorable conditions. This service has already been well-accepted by many sellers.

*As of April 1, 2022



Group Companies

Sumitomo Fudosan Tatemono Service Co., Ltd.

Sumitomo Fudosan Tatemono Service Co., Ltd. conducts property management for about 170,000 condominium units nationwide centering on Sumitomo Realty's condominiums after delivery. In pursuit of comfortable, safe and secure living environments for customers, it offers 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, etc.) to respond to various customers' needs based on abundant know-how and solid technological capabilities. Its service includes provision of useful lifestyle-related services such as professional housecleaning.

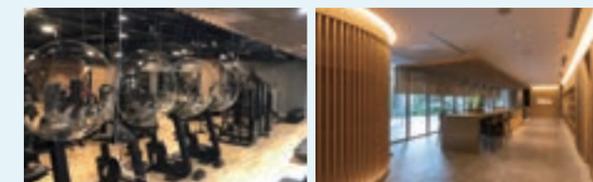


Sumitomo Fudosan Esforta Co., Ltd.

Sumitomo Fudosan Esforta Co., Ltd. marked its 35th anniversary in September 2021. It operates "ésforta," high-end urban fitness clubs located primarily in Tokyo. Based on the concept of "assigned instructor system," instructors propose comprehensive fitness menus according to the members' individual needs by combining gym, pool, studio and nutritional programs, and provide support. The company also operates a wide range of facilities such as a golf academy and fitness studios, primarily offering yoga and dance programs. In addition, utilizing the know-how cultivated through direct operation of facilities, the company is contracted with organizations including municipalities to operate and manage their sports facilities.

Operation of six ésforta fitness clubs and 13 other facilities (as of March 31, 2022)

- ésforta (6 locations)
- My Golf Style (8 locations)
- Bay Rhythm (3 locations)
- Contracted operation and management of public facilities (8 organizations)
- Prime Gym (1 location)
- Prime Golf (1 location)



Sumitomo Realty & Development CA., Inc.

Hotel ownership and management

Izumi Insurance Service Co., Ltd.

General insurance and life insurance agency

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 carries out the construction work contract business, which engages in the construction of Mansion Gallery, 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, and also runs several restaurants such as a Japanese dining restaurant, "Azabu Tansumachi Tenryoan" and a café dining restaurant, "DELTAZURE."

In addition, it runs Rieven House convenience stores within Sumitomo Realty's office buildings in Tokyo, offering a product mix geared to the needs of office workers.



Izumi Kaihatsu Sangyo Co., Ltd. (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. ▶ P.37

Sumitomo Fudosan Bellesalle Co., Ltd. ▶ P.38

Sumitomo Fudosan Retail Management Co., Ltd. ▶ P.38

Promotion of ESG and Contributions to SDGs

The Sumitomo Realty Group has been practicing Sustainability Management that inherits Sumitomo's Business Philosophy. We have set forth four material issues in promoting ESG as "Disaster Resistant," "Environmentally Friendly," "Together with the Community" and "People Friendly." We aim to contribute to solving community and social issues through our business activities while maximizing our corporate value. We will also contribute to the achievement of UN's Sustainable Development Goals (SDGs).



Sustainability Promotion System

In order to promote sustainability across the Group, Sumitomo Realty has established the Sustainability Committee chaired by the Company's President to manage status of progress towards the targets regarding sustainability.

In addition, its subordinate organizations, the Sustainability Promotion Council, the BCP Council and Internal Control Meeting chaired by the Head of Corporate Planning Division, work to identify and solve issues related to corresponding sustainability issues.

Important issues are conferred with the Sustainability Committee, and reported to the Board of Directors as necessary.

System Diagram (As of September 2022)



Major ESG Initiatives (April 2021 – June 2022)

► For details about the Company's sustainability and ESG initiatives, please refer to the Company website. <https://www.sumitomo-rd.co.jp/english/sustainability/>

ESG Initiatives	
2021	<p>Apr Held the 2nd event for the "Kanosei Art Project," a joint project involving artists with disabilities</p> <p>May Established an association for the reconstruction of Tamagawa Housing, a large-scale housing complex completed in 1968 Shinjuku Sumitomo Building Renovation Project won the "Award of Excellence" for the Renovation Category of CTBUH Awards 2021</p> <p>Jun Held the 108th STEP Concert, a classic concert for families to enjoy (registration required, free invitation) Held "Ariake Minna no KOMOGOMO Concert 2021," a classical music concert for people of all ages, including babies less than one year old</p> <p>Jul 25th anniversary of Shinchiku Sökkurisan full remodeling business - Achieved cumulative total of 150,000 units contracted The STEP Concert, a classic concert for families to enjoy, certified under the "THIS IS MECENAT 2021" Mecenat activity certification program Higashi-Ginza Area Management Project: Hoarding Fence Art Exhibition Project in Tsukiji 1-chome demolition site</p> <p>Sep Conducted Remote Fire Prevention Drill, a new fire prevention drill involving remote workers Sumitomo Realty and TEPCO Energy Partner concluded "Decarbonization Lead Project" agreement Launched SUMIFU x ENEKARI, an industry-first service of new residential solar power generation Launched "Sumitomo-Fudosan-no-Miraino-le" (Sumitomo Realty's next generation home), which ensures efficient energy use and secures lifelines for disasters Became the first in the industry to standardize the ZEH-M Oriented energy-saving standard for condominiums Started promoting and requesting the use of green power at condominium construction sites</p> <p>Oct Supported "Operation Gundam R (Recycle)" at Sankaku Hiroba in Shinjuku Sumitomo Building and Ariake Garden, etc. Decarbonized the SEGA SAMMY Group headquarters with raw green electricity from newly established power plants</p> <p>Nov Began offering a set of plans to introduce green power to leased office spaces of individual tenants</p> <p>Dec Launched "High Thermal Insulation Remodeling Plan" by Shinchiku Sökkurisan, which meets energy-saving standards for newly-built houses Held the 109th and 110th STEP Concerts, classic concerts for families to enjoy (registration required, free invitation)</p>
2022	<p>Feb Shinchiku Sökkurisan launched industry-academia collaboration research to establish an environmental evaluation method for the renovation of existing houses</p> <p>Mar Started recycling and awareness-raising initiatives in collaboration with Suntory Group to facilitate the sustainable recycling of PET bottles in office buildings Planted a tree descended from an ancient cherry tree at Daigoji Temple as a symbol of "sustainable community development" that will continue into the future Higashi-Ginza Area Management Project: Held an event to display traffic-safety posters painted by elementary school students</p> <p>Apr Shinchiku Sökkurisan started offering SUMIFU x ENEKARI, a new solar power generation service through renovating existing detached houses Participated in the "30by30 Alliance for Biodiversity" and strengthened biodiversity conservation activities Launched "Sumitomo-Fudosan-no-SUMICA," ensuring thermal insulation and energy-saving performance exceeding the latest ZEH standards</p> <p>May Established and announced CO₂ emissions reduction targets by fiscal 2030 Signed a comprehensive collaboration agreement on forest cultivation with Susono City</p> <p>Jun Shinjuku Sumitomo Building won the "Award of Minister of Land, Infrastructure, Transport and Tourism" for Achievement award of Japan Association for Real Estate Sciences Released the result of joint research with The University of Tokyo and Musashino University on "Shinchiku Sökkurisan" building renovation - Cutting CO₂ emissions by 47% compared to rebuilding Signed a comprehensive collaboration agreement with Daikin for decarbonization of air conditioning systems (Phase 1: Regeneration and reuse of recovered refrigerants)</p>

Recognition from external organizations and endorsement of international initiatives, etc.

The Sumitomo Realty Group has received high recognition from external organizations for its initiatives to date, and has also endorsed international initiatives, etc. We continue to contribute to the realization of a sustainable society.

ESG indexes



International initiatives, etc.



Recognition from external organizations

Environment



View of virgin forest from the entrance lobby of La Tour Sapporo Ito Garden

Addressing Environmental Issues

In recent years, countries around the world have been working together against various environmental issues, including climate change. In Japan, momentum toward reducing greenhouse gas emissions has been rising, and carbon neutrality by 2050 has been declared. In addition, public-private initiatives taken for the conservation of water resources, preservation of biodiversity, reduction of waste, and others, are also moving into even higher gear. As well as supporting the targets set forth by the national and the local governments and administrative organizations, the Sumitomo Realty Group is putting its efforts into various initiatives in cooperation with respective stakeholders through its business operations.

In our Ninth Management Plan announced in May 2022, we established our own target of a 50% reduction in CO₂ emissions by fiscal 2030 compared with fiscal 2014, immediately prior to the Paris Agreement.

*For details of our initiatives, please refer to "Decarbonization Targets" and "Our Initiatives for the Decarbonization Targets" on pages 13-14.

We will continue to promote a variety of initiatives for environmental protection as we expand our business activities.

Climate Change

Risks and opportunities associated with climate change

In order to address the physical risks associated with climate change, various schemes to curb it, and transition risks such as changes in the business environment, the Sumitomo Realty Group has organized and analyzed the financial impacts brought by climate change and responses to those impacts from the four perspectives of governance, strategy, risks, and targets, based on the TCFD Framework, and is promoting a variety of initiatives. Important issues among the identified risks are conferred with the Sustainability Committee, chaired by the President, and reported to the Board of Directors as necessary, thereby establishing a supervisory system by the Board of Directors. *For details, please refer to the following information.

Disclosure based on TCFD recommendations

Please refer to the Sustainability page (Environment page) on the Company website.

<https://english.sumitomo-rd.co.jp/sustainability/environment>

(Reference) Assumed risks and opportunities by the Company

Scenario	Category	Subcategory	Event	Impact	Period
1.5 to 2°C	Transition risk	Policies and Regulations	Increasing demand for ZEB ^{*1} and ZEH ^{*2}	Medium to Large	Short term
1.5 to 2°C	Transition risk	Policies and Regulations	Introduction of a carbon tax	Medium to Large	Medium term
1.5 to 2°C	Opportunity	Products and Services	Lower prices of high environmental performance products due to their spread	Small	Long term
1.5 to 2°C	Opportunity	Products and Services	Increasing interest in environmental performance	Medium	Short term
4°C	Physical risk	Acute	Increasing occurrence of natural disasters due to extreme weather	Medium	Short term
4°C	Opportunity	Products and Services	Increasing interest in disaster prevention features	Medium	Medium term

*1 ZEB: Net Zero Energy Building

*2 ZEH: Net Zero Energy House

Joint research on "Shinchiku Sokkurisan"

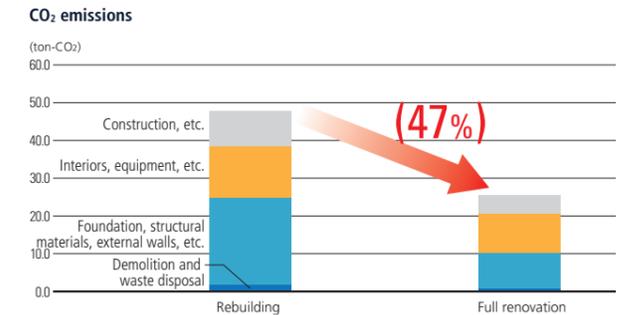
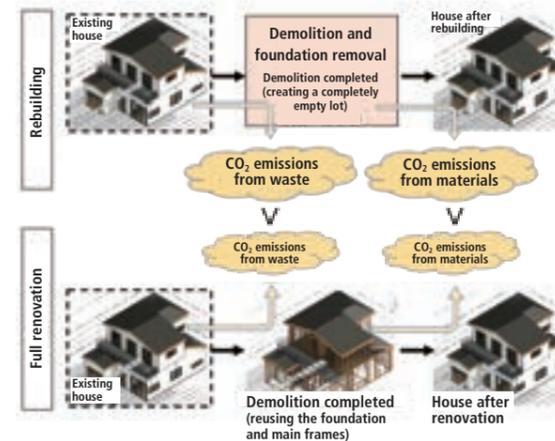
POINT

"Housing regeneration" attracting attention as an effective approach to the decarbonization of existing houses, which is essential to the decarbonization of the household sector. Quantifying decarbonization effects with The University of Tokyo and Musashino University, and contributing to decarbonization in Japan with an environmental appeal to customers

From December 2021 to March 2022, The University of Tokyo, Musashino University, and Sumitomo Realty carried out the first phase of joint research to establish an environmental evaluation method for the renovations of existing detached houses.

In its efforts aimed at achieving carbon neutrality by 2050, the Japanese government has set an interim target of a reduction of CO₂ emissions from the household sector by 66% by 2030, compared to the FY2013. Achieving this target will require immediate action. Although discussions have been carried out on various topics for newly constructed detached houses, such as improving their environmental performance, little progress has been made toward promoting energy savings or decarbonization for existing houses, which far outnumber new houses (there are currently roughly 50 million existing houses). This research, which quantifies the decarbonizing effects of remodeling, is expected to bring effective approaches to the decarbonization of existing houses.

In the first phase of this research, we performed a building LCA (Life Cycle Assessment) evaluation, using digital technologies such as BIM (Building Information Modeling) and 3D modeling to assess the amount of the building components reused, both before and during renovation of existing detached houses. The amount of new materials used was also determined based on order statements, etc. The results of evaluation performed at renovation worksites found that for detached houses in which full renovation was performed and significantly improved building performance (earthquake resistance, thermal insulation performance, etc.), the reuse of foundations, main frames, etc. dramatically reduced the amount of new materials used compared to rebuilding the entire building, and cut CO₂ emissions during renovation by 47%.



In one case constructed by Sumitomo Realty, reusing foundations and structural materials made it possible to reduce the amount of CO₂ emissions from the manufacture of construction materials by 47%, or approximately 22 t-CO₂, per house

Comprehensive collaboration agreement signed for the decarbonization of air conditioning systems (Phase 1: Regeneration and reuse of recovered refrigerants)

POINT

Comprehensive collaboration agreement signed for the decarbonization of air conditioning systems, which account for nearly half of energy consumed in office buildings. Further development of office buildings with a high environmental performance that also contributes to tenants' decarbonization

For the decarbonization of air conditioning systems, which account for nearly half of energy consumption in office buildings, we concluded a comprehensive collaboration agreement for the decarbonization of air conditioning systems with Daikin Industries, Ltd. in June 2022.

Regarding greenhouse gases emitted from air conditioners, the amount is the greatest when air conditioners are in operation. Refrigerants have the second-greatest impact on the emission amount. Under this agreement, we will jointly promote a variety of initiatives to examine and optimize the energy-saving effects of air conditioning systems and to recycle and reuse air conditioning refrigerants.

As the first project under this agreement, we work with the Daikin group and other business partners to regenerate and reuse all refrigerants in principle recovered from air conditioners in the office buildings we operate and turn them



Multi air conditioner compressor units for building at Sumitomo Fudosan Roppongi Grand Tower

into recycled products. In this way, it is expected to reduce CO₂ emissions by greatly reducing the amount of refrigerant production.

Environment

Biodiversity

► Susono City and Sumitomo Realty signed a comprehensive collaboration agreement on forest cultivation

POINT Under the slogan of “Forest cultivation starts here as we work together for the next generations,” with the cooperation of the city, promote and disseminate initiatives for sustainable reforestation and conservation of the forest with biodiversity and other multifaceted functions

In May 2022, we signed a comprehensive collaboration agreement with Susono City on forest cultivation centered on the approximately 185 ha of the forest we own in the city’s Chabatake district, with the aims of promoting sustainable and wide-area forest development and multifunctional enhancement of forests in Susono City.

Under the slogan of “Forest cultivation starts here as we work together for the next generations,” we actively promote the regeneration and conservation of the forest, which has diverse value indispensable to the area, such as biodiversity, watershed conservation, prevention of landslides, and CO₂ absorption. Further, by widely disseminating this initiative, we aim to promote similar activities in many other forests including ones in Susono City.

In addition to forest regeneration through final cutting and reforestation in accordance with a forest management plan, we will utilize the wood as construction material in our housing business taking advantage of the forest’s location close to urban cities, provide wood education for children, and promote other multifaceted initiatives.



“Sumitomo Fudosan no Mori” (Sumitomo Realty Forest) 70-year-old cypress trees



Susono City: Mayor Harukaze Murata, Sumitomo Realty: Deputy President Yoshiyuki Odai



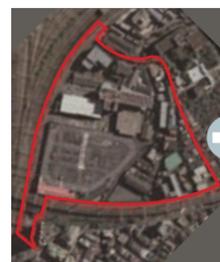
► Other initiatives for preserving biodiversity

Greenery in cities

Not only protecting and making use of natural surroundings, our development business greatly contributes to the creation of green space which is lacking in urban areas by working on greening areas that have poor green coverage, and maintaining biodiversity in those areas as a result.

Osaki Garden City is a redevelopment project of a former driving school site and a densely built-up district with wooden housing on the west side. This area used to be an industrial area with little greenery and narrow streets which posed challenges with respect to disaster response. By the completion of Osaki Garden City, the overall location’s green coverage increased from 0.01% to 35% including its roof greening, and it also helped revitalization of the community, utilizing the vast open space on the site to hold various events.

La Tour Sapporo Ito Garden has been developed on the former site of Kairakuen, one of the first municipal parks in Japan, by taking advantage of the valuable old trees growing wild in the premise. While carefully preserving these trees, the entrance lobby is designed with a view of them, creating an environment that brings residents a sense of affinity.



Osaki Garden City



La Tour Sapporo Ito Garden



Resource Circulation

► Facilitating the sustainable recycling of PET bottles in office buildings

POINT Against the background of ocean pollution, environment for plastic recycling is developed in response to strong demand in Japan Collaborative project realizes the semi-perpetual recycling of PET bottles, discharged in large volumes from office buildings

In March 2022, in collaboration with Suntory Foods International Limited, we started a PET bottle horizontal recycling initiative for three of Sumitomo Realty buildings.

PET bottles are conventionally recycled into food trays and textile products. In this horizontal PET bottle recycling, an advanced recycling method, properly sorted PET bottles are recycled and turned back into raw materials for PET bottles. It allows resources to be used semi-perpetually, and so is attracting attention as a method that meets the demands for a resource-circulating society.

We operate more than 230 office buildings, and over 1,000 tons of PET bottles (equivalent to approximately 50 million PET bottles for 500ml) are collected from these buildings annually. In addition to environmental initiatives including 3R activities (Reduce, Reuse, Recycle) which we have been conducting, we started this horizontal PET bottle recycling to realize a sound material-cycle society, in line with the growing momentum to promote recycling across the whole nation, including the enforcement of the Act on Promotion of Resource Circulation for Plastics, against the background of marine plastic problems.



► Other initiatives for resource recycling and water conservation

3R initiatives

At Sumitomo Realty’s office buildings, we carry out activities to reduce waste discharge and promote recycling across our entire portfolio. In addition to displaying posters to raise awareness of waste reduction and recycling among tenants, we promote waste separation by providing waste separation bins to tenants at our own expense when they move in. We also have concluded contracts with waste disposal companies for each building to ensure the appropriate recycling of recyclable waste, such as dry cell batteries, fluorescent lamps, styrofoam, metal, PET bottles, cans, jars and used paper.

Risk analysis and initiatives for water resource and conservation

Sumitomo Realty has not earned any revenue from its business activities in areas where water stress is a concern, based on the Aqueduct Survey conducted by the World Resource Institute (WRI). Even though Japan, where our business activities are mainly based, has been certified as a “Low-Medium” water risk area, and water stress is relatively low and is considered less likely to be directly affected by water resource depletion and other related issues, we will continue to closely monitor risks related to water resources in our supply chain, including the depletion of water resources in the major countries of origin of materials and other supplies.

For conservation of water resource, the Company actively promotes installation of water saving equipment at all properties it develops by adopting design standards specifying use of ultra-water-saving toilets, flush volume of 6 liters or less significantly less compared with 13 liters used by previous model, installing them to all new buildings as well as existing properties through renovation.

In addition, we have been substantially reducing water consumption by setting up sewage and rainwater reclamation facilities that purify the water, and using the greywater to flush toilets and water plants, mainly in large office buildings.



Standard recycling stations provided free of charge to our tenants for the promotion of waste separation

Society



Response to Social Issues

The Sumitomo Realty Group operates businesses that are closely related to people's lives, providing social infrastructure and related services that compose cities, including office buildings, condominiums, detached houses, remodeling, and real estate brokerages. In those business activities, we are continuously engaged in addressing diverse social issues such as disaster prevention, respect for human rights, health and safety, promotion of diversity, and human resource development, which involve many of our stakeholders including employees, customers, business partners and local communities, as well as contributing to local communities and society.

Respect for Human Rights and Response to Risks of Violations

Recognizing that respect for human rights is one of the most important issues in conducting its businesses, the Sumitomo Realty Group has set forth a basic policy on human rights that applies to all employees of the Group, and undertakes thorough prevention and response to risks of human rights violations through employee training and other measures. In addition, we request our suppliers to support our human rights policy through our "Sustainable Procurement Guidelines," which describes this policy.

In fiscal 2021, we undertook a review of our human rights policy and conducted human rights due diligence, etc. to identify current risks. In order to promote further initiatives, we will keep monitoring our major suppliers on a regular basis and continue to undertake initiatives for the identification, prevention, and mitigation of the risks.

Outline of Basic Policy (Initiatives) on Human Rights

Please refer to Society Report on the Company website for details.
<https://english.sumitomo-rd.co.jp/sustainability/society>

Applied to all employees of the Sumitomo Realty Group

- Compliance with norms and decrees related to human rights
- Respect for human rights and prevention of discrimination, etc. in the whole business
- Human rights due diligence to identify and address issues
- Appropriate education and awareness raising through human rights training
- Appropriate remedies and corrective actions for victims
- Review of human rights risks and issues as appropriate through dialogue with stakeholders

Identification of Risks through Human Rights Due Diligence

Sumitomo Realty Group conducts human rights due diligence to prevent negative impacts on human rights through our business activities. By assessing the human rights risks that exist in the value chain of its business activities, the Group has identified the following challenges on which we need to focus our effort. We will conduct appropriate reviews regarding these challenges as necessary, through continuous monitoring.

1. Working environment for employees	We maintain an environment where employees can work in a healthy and safe condition, under strict standards that exceed legal requirements.
2. Prohibition of discrimination or harassment in workplaces	We thoroughly implement measures to prevent any kind of discrimination and harassment in workplace.
3. Working environment for suppliers	We protect the health and safety of our suppliers' employees through training and other means, and request our suppliers to maintain an appropriate working environment.
4. Customers' health and safety	We conduct thorough quality control of the products and services we provide, so that customers can use them in a healthy and safe condition.
5. Protection of the human rights of foreign technical interns	For foreign technical interns working for a Group company engaged in hotel management, we have confirmed that the contractors who are their direct employers maintain a good working environment, including the payment of appropriate wages and the provision of a consultation desk in the interns' native languages, and will continue to confirm them. Further, in collaboration with the contractors, we hold local gatherings with the families of the foreign technical interns, where we provide explanations of their work and video messages from the interns, in an effort to create an environment where they can work with peace of mind.

Promotion of Diversity for Active Participation of Diverse Personnel

As mentioned in A Message from the Management, we have long been promoting diversity based on the recognition that diverse perspectives and values are an advantage for the sustainable growth of a company. We have been working on the improvement of the work environment and implementation of training programs for a diverse workforce, as follows.

▶ Female participation and career advancement

We have announced a numerical target for the ratio of female employees newly hired in sales and engineering positions that support our front line operations. By further increasing the ratio of female at the workplace and working on their career development, we intend to expand the pool of our human resources for future promotion and gradually promote them to managerial positions.

* Target ratio of female employees in new hires: Increasing to 25% in sales and 13% in engineering positions by the end of fiscal 2025. (As of fiscal 2021, 23.8% in sales and 12.3% in engineering positions)



▶ Childcare, nursing care support

In order to create a comfortable work environment for those with particular needs such as childcare and nursing care, we offer various support programs including a childcare and nursing care leave system and a shorter working hour system.

▶ Employment of people with disabilities

We conduct hiring without discriminating age, gender or region, and 2.4% of employees of Sumitomo Realty are people with disabilities, exceeding the 2.2% required under the system on employment rate of persons with disabilities. In order to make workplaces comfortable for people with disabilities, we have installed multipurpose bathrooms and barrier-free elevators.

▶ Expanding opportunities for elderly employees

We are expanding opportunities for elderly employees to put their rich experience to work by hiring new employees aged 60 or older and rehiring retirees.

▶ Various training programs

We work to expand the knowledge of employees by various training programs, and inform them of the code of conduct suitable for employees of the Sumitomo Realty Group and ensure their compliance.

Human resource training	Occupational safety, harassment	New employee training	Company history, business manners, human rights, compliance
Managerial position training	Harassment, labor management, compliance	Engineer training	Technical guidance, risk assessment methods, construction methods
Occupational safety training	Technical guidance, risk assessment methods	Certification training	Encouraging to acquire certifications

Society

Disaster Countermeasures

Japan is one of the countries in the world with the greatest earthquake risk, and we recognize that improvement of resilience is one of the extremely important themes for our business activities. As a supplier of social assets that form the foundations of people's lives such as office buildings and condominiums, the Sumitomo Realty Group promotes initiatives to increase the resilience of the properties supplied in each business and to improve disaster preparedness in the operation of them.

► Disaster prevention for office buildings

In the office building leasing business, to meet the needs for BCP, for which greater emphasis has been placed after the Great East Japan Earthquake, we have been actively adopting seismic isolation and damping systems, and developing buildings with specifications such as uninterruptible power supply. (Please refer to "Business Segments: Leasing" on page 35.)

Further, in the large-scale development sites we manage, in order to contribute to the community's disaster preparedness as a hub, we hold joint disaster drills with not only workers in our office buildings but also local residents, volunteer fire corps, and fire stations at times. We also confirm the system of facilities for stranded commuters, which we prepare in multiple buildings with local governments. Through these, we make efforts to improve disaster preparedness of the community as a whole in preparation for emergencies.



TOPIC Disaster drills for the new normal

With many workers not yet returning to their offices due to the COVID-19 pandemic, to prepare for disasters in line with the times, we conducted disaster drills remotely in conjunction with fire departments, as well as new disaster drills for individual tenants.

Remote disaster drills at Shibuya Garden Tower

"Shibuya Challenge!" training by Shibuya Fire Station

Video training for tenants

► Disaster prevention for custom homes

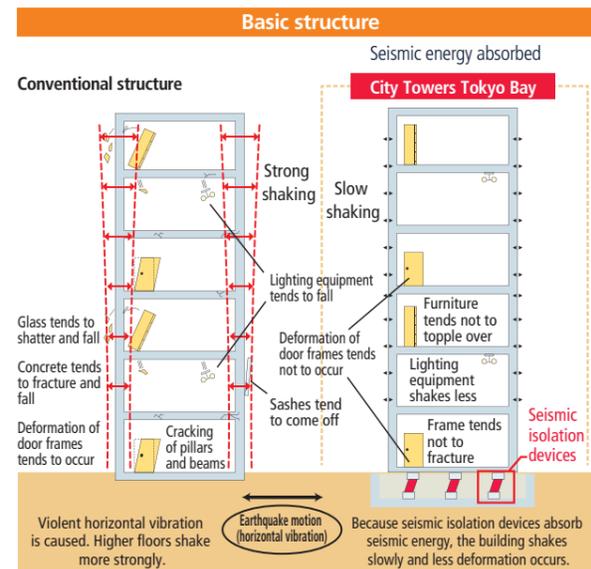
In our custom home business, we are researching and developing various specifications with earthquake resistant countermeasures while incorporating earthquake-resistant technologies for buildings and condominiums. We also offer new types of disaster prevention that meet the needs of the times, such as packaged products, including solar power generation equipment and water storage facilities.



► Disaster prevention for condominiums

In our condominium business, we have adopted seismic isolation/damping structures that prevent deformation of buildings and alleviate shaking during an earthquake in order to realize safe and secure housing. In addition, various disaster countermeasures are implemented, such as installation of emergency power generators, elevator safety functions, storerooms for emergency supplies and emergency wells.

Key disaster countermeasures (City Towers Tokyo Bay)



► Disaster prevention of Shinchiku Sokkurisan remodeling

In order to improve functionality to make existing houses earthquake resistant without rebuilding, Shinchiku Sokkurisan offers seismic reinforcement work that meets the government's safety standards, based on earthquake resistance diagnosis.

We are promoting a variety of initiatives to realize further safety, such as the development of our original earthquake-resistant construction method.



Promotion of Community Revitalization and Contribution to Local Communities

In order to achieve the sustained revitalization of development areas, we have strived to create a lively atmosphere by holding entertainment events not only in the redevelopment area but also at buildings that serve as local hubs. We also emphasize contributions to the development of community and society through our business activities, and are engaged in various social contribution activities through our business activities in cooperation with stakeholders.

► Bringing liveliness to communities through area management

We are promoting various activities to revitalize the communities at our buildings as local hubs. Since its completion in 1974, the Shinjuku Sumitomo Building, nicknamed "Sankaku Biru" (triangular building), has been the center of the lively atmosphere. After a large-scale renovation, it was renewed in June 2020 with the "Sankaku Hiroba" (triangular plaza), a large space with a capacity of about 2,000 people. Its all-weather atrium has the feel of an outdoor venue while protecting the plaza from the effects of the weather and temperature. This large-scale renovation is not just a building renewal, but also contributes to the further revitalization of Shinjuku with the event space which accommodates a range of activities, as a hub of the city.



► Participating in the Kanosei Art Project

The Company is participating in the Kanosei Art Project, which Toppan Printing Co., Ltd. has carried out since 2018. It aims to showcase works by artists with disabilities in various products. This project is being promoted as a new attempt to combine self-support for people with disabilities and corporate human resource development. As we endorse the approach of "Going beyond offering support for people with disabilities to create sustainable initiatives with them as business partners," we are participating in this project and displaying artists' works in our buildings for the aesthetics of the buildings.



► The Daigo Cherry Tree, a symbol of "Sustainable community development"

As a symbol of the sustainable community development that we have promoted under our slogan of "Create even better social assets for the next generation," we have planted descendants of the Taiko Shidarezakura (Taiko Weeping Cherry) in our development sites.

The Taiko Shidarezakura is a weeping cherry tree that has been carefully preserved at Daigoji Temple, a World Heritage Site in Kyoto, and has entwined the history with the temple. This tree was loved by Hideyoshi Toyotomi (1537-1598), and is said to be "the cherry tree with a heart that seeks to benefit others," which is also in line with our business philosophy.

With this "heart" that seeks to benefit others and society, we will continue to promote business activities that contribute to the community.



► "STEP Concert" certified as Mecenat Activity

As part of our social contribution activities, for 34 years from 1987, we have held "STEP Concerts," full-scale classical concerts for all ages to enjoy side by side, for which all are invited for free, with the aim of creating opportunities for people to appreciate art and culture.

Since 1996, the concerts have been designated as a child welfare cultural asset recommended by the Social Security Council of the Ministry of Health, Labour and Welfare, and more recently, they were certified as an outstanding mécénat activity in the "This is MECENAT 2021" certification system, which is run by Association for Corporate Support of the Arts sponsored by Agency for Cultural Affairs.

We will continue to contribute to local communities through the support and dissemination of cultural and artistic activities.



"This is MECENAT" is certification system founded in 2014 by Association for Corporate Support of the Arts in order to demonstrate the social significance and presence of diverse activities implemented in all regions around the country by corporations for the purpose of promoting social creativity through arts and culture. (Sponsored by Agency for Cultural Affairs)

Reference: About "This is MECENAT" (JP) <https://mecenat-mark.org/outline/>

Governance



Board of Directors and Corporate Auditors (As of September 30, 2022) *Representative Director

Directors



Chairman of the Board
Kenichi Onodera
 Apr 1970 Joined the Company
 Jun 1998 Director
 Jun 2005 Representative Director
 Jun 2007 Director - President
 Sep 2019 Director - Chairman of the Board (present)



President
Kojun Nishima*
 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)



Deputy President
Masato Kobayashi*
 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
Yoshiyuki Odai*
 Apr 1985 Joined the Company
 Jun 2011 Director
 Nov 2019 Head of Corporate Planning Division (present)
 Apr 2022 Representative Director – Deputy President (present)



Director/Senior Managing Executive Officer
Nobuaki Takemura
 Apr 1981 Joined the Company
 Jun 2008 Director (present)
 Jun 2010 Representative Director
 Jun 2013 Director - Deputy President
 Apr 2022 Senior Managing Executive Officer (present)
 Group Compliance Supervisor (present)
 Representative Director - President of Sumitomo Real Estate Sales Co., Ltd. (present)



Director/Senior Managing Executive Officer
Hiroshi Kato
 Apr 1984 Joined the Company
 Jun 2013 Director (present)
 Sep 2016 Head of Shinchiku Sokkurisan Remodeling Division (present)
 Apr 2020 Senior Managing Executive Officer (present)
 Apr 2022 In charge of Custom Home Construction Business (present)



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



Outside Director
Yozo 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 (present)
 Jun 2014 Corporate Auditor of the Company
 Jun 2019 Director of the Company (present)



Outside Director
Nobumasa Kemori
 Sep 1980 Joined Sumitomo Metal Mining Co., Ltd.
 Jun 2007 Representative Director - President
 Jun 2013 Representative Director - Chairman
 Jun 2017 Executive Advisor
 Jun 2019 Director of the Company (present)
 Jun 2021 Honorable Advisor of Sumitomo Metal Mining Co., Ltd. (present)

Corporate Auditors



Corporate Auditor
Yoshifumi Nakamura
 Apr 1973 Joined the Company
 Jun 2002 Director
 Jun 2007 Representative Director
 Jun 2011 Corporate Auditor (present)



Corporate Auditor
Toshikazu Tanaka
 Apr 1983 Joined the Company
 Jun 2013 Director
 Representative Director - President of Sumitomo Real Estate Sales Co., Ltd.
 Jun 2019 Corporate Auditor of the Company (present)



Outside Corporate 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
 Jun 2019 Corporate Auditor of the Company (present)
 Jul 2022 Honorary Advisor of Sumitomo Mitsui Construction Co., Ltd. (present)



Outside Corporate Auditor
Chiyono Terada
 Jun 1976 Founded Art Hikkoshi Center
 Jun 1977 Established Art Hikkoshi Center Co., Ltd.
 President and CEO
 Apr 2018 President and CEO of Art Group Holdings, Inc. (present)
 Dec 2019 Chairperson Emeritus of Art Corporation (Changed corporate name into Art Moving Company Co., Ltd. in January, 2022) (present)
 Jun 2020 Corporate Auditor of the Company (present)

Executive Officers

Senior Managing Executive Officer
Ryuzo Amemiya

Executive Officer
Makoto Nakano

Executive Officer
Dai Miyamoto

Managing Executive Officer
Ichiro Wada

Executive Officer
Takuji Iba

Executive Officer
Tokiyuki Okada

Managing Executive Officer
Hiroyuki Hashizume

Executive Officer
Kenichi Kawai

Executive Officer
Takeo Kojima

Governance

Overview of Corporate Governance

Basic Views of Corporate Governance

Sumitomo Realty is a comprehensive real estate enterprise of the Sumitomo Group which has a history of 430 years and inherits Sumitomo's business philosophy of "Placing prime importance on integrity," and "Under no circumstances, shall it pursue easy gains." The Company's slogan, "Integrity and Innovation" expresses its corporate stance to all stakeholders including its employees, customers, business partners, creditors and shareholders. This includes the pride as a developer which values "Integrity" above all, and creates new corporate value with a pioneering spirit, without pursuing easy gains under any circumstances.

Under this slogan, we have set forth our fundamental mission as to "Create even better social assets for the next generation," and our basic management policy aims to contribute to addressing various social issues such as the environment, while maximizing corporate value through each business.

This fundamental mission also includes a reminder "Do not rest on seniors' laurels and make the best efforts for a better company for the next generation." At this point in time, we believe that the management of the Company should continue to be carried out by people mainly from within the Company who have inherited the strong will to sow the seeds of growth for the sake of the next generation. In doing so, we believe that employees will be able to maintain a high level of motivation to eventually participate in management.

In consideration of this basic stance, we are working to further strengthen and enhance corporate governance so as to contribute to the enhancement of the Company's corporate value over the medium- to long-term, by working on collaboration and dialogue with all stakeholders including shareholders, improving the efficiency of decision-making, appropriate supervision of execution, and proper disclosure of information.

The maximum number of directors in the Board stipulated in the Articles of Incorporation is 12. The Board of Directors is comprised of seven directors from within the Company who are in charge of business execution as they are deeply familiar with the significance of always looking resolutely forward and continuing to invest for sustainable growth, and two outside directors with experience as chairman and president of listed companies, who have superior character and insight and understand the Company's management principles.

Role and Structure of the Board of Corporate Auditors

Corporate auditors are responsible to supervise whether directors are performing their duties properly by using the powerful authority endorsed by law. The Board of Corporate Auditors consists of four corporate auditors, half of whom are the two outside corporate auditors.

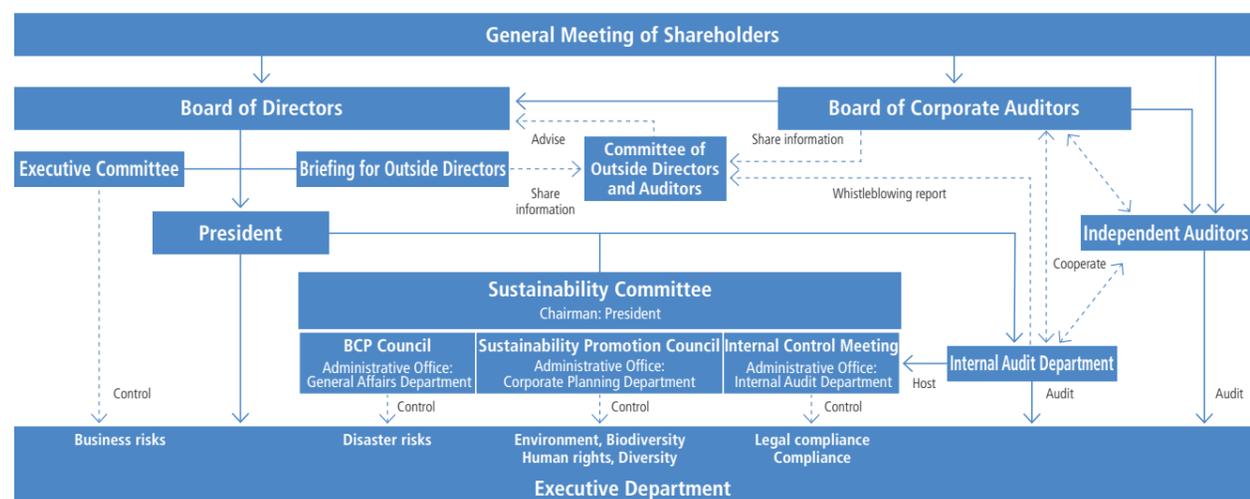
Cooperation among Internal Audit Department, Independent Auditor, and Corporate Auditors

We have established the Internal Audit Department to check the business execution status of each Department of the Group and the operational status of internal controls, to prevent fraud and errors, and to make proposals for operational improvement. The Internal Audit Department reports the results of its internal audits to, and exchanges views as appropriate with, corporate auditors and the independent auditor in an effort to forge closer collaboration between the three parties and increase the quality and efficiency of individual audits.

Executive Officer System

Due to the limited number of directors, we have introduced an executive officer system comparable with directors so that we can appoint officers necessary for business expansion, and we have appointed nine executive officers who do not concurrently serve as directors. Compensation for executive officers who are non-concurrent directors is not an employee salary, but is to be paid from the total compensation for directors, which is clearly based on the Company's performance set at 1% of consolidated ordinary profit for the previous fiscal year, because they are considered to be comparable with directors.

Corporate Governance System



Overview of Corporate Governance System and Reasons for its Adoption

Under the Companies Act of Japan, companies may adopt one of the following three forms of organizational structure: (i) a company with corporate auditors, in which the Board of Directors assumes executive responsibility, while corporate auditors are in charge of the monitoring of management; (ii) a company with a nominating committee, etc., wherein the Board of Directors is tasked with the management monitoring function and the Board of Executive Officers assumes executive responsibility; and (iii) a company with an audit and supervisory committee, in which the management monitoring function of corporate auditors is incorporated into the functions of the Board of Directors. In this way, companies may select the optimum governance structure that best suits their circumstances.

As stated in the Basic Views above, in order for the Company to continue growing, we believe that people from within the Company who are deeply familiar with the significance of continuing to invest, always looking resolutely forward even in difficult times, should be the core members of management and execution, and the motivation of juniors, who will acquire experience in the real estate business and eventually join the management team, should be maintained; hence we have a structure as a company with corporate auditors,

where the Board of Directors bears responsibility for execution and corporate auditors take on the management supervision function.

Seven directors from within the Company, who are deeply familiar with the business content, are in charge of management and execution, while two outside directors and four corporate auditors for a total of six persons, which accounts for over 40% of the 13 attendees of the Board of Directors meeting, are responsible for the management supervision function. In order to fully demonstrate the supervisory function, we have built a system to accurately grasp the management condition and issues and to cooperate with each other as follows. We believe that the Company's corporate governance is sufficiently functioning, as its effectiveness is reflected in our business results.

Role and Structure of the Board of Directors

The Board of Directors promotes the sustainable growth of the Company and the enhancement of corporate value over the medium- to long-term, improves profitability and business efficiency, and prevents fraud before it occurs. In order to do so, it is responsible for deliberating and deciding important matters for the Company such as basic management policy and management strategy, as well as supervising the execution of duties by each director.

Initiatives to Strengthen Corporate Governance

Steps Taken to Strengthen Corporate Governance

- Jun 2002 Appointed two outside corporate auditors, making half of the four corporate auditors outside members
- Apr 2004 Reformed the management system, reducing the number of directors from 23 to nine
- Jun 2004 Introduced a fully performance-based compensation system for directors
Abolished the retirement benefit and bonus system for directors

- Jun 2015 Appointed two outside directors
Established a Committee of Outside Directors and Auditors and began holding briefings for outside directors on a regular basis, to strengthen the supervision function of outside directors and outside corporate auditors
- Apr 2020 Introduced an executive officer system
- Jun 2020 Appointed one female corporate officer (outside corporate auditor)

Roles of Outside Directors and Outside Corporate Auditors

As part of its initiatives to strengthen corporate governance, the Company appointed two outside corporate auditors in 2002 and two outside directors in 2015.

Corporate auditor is a system that has taken root in Japan for a long time. Corporate auditors use the strong investigative power granted by the law to audit whether the directors are conducting their duties appropriately. Although full-time corporate auditors from within the Company are familiar with the Company's internal affairs and have excellent information-gathering skills, they might become somewhat lenient, albeit unconsciously, when it comes to auditing their colleagues. Therefore, the Company ensures that at least half of the corporate auditors are outside members to add an objective perspective and thereby ensure the effectiveness of audits.

Likewise, it is undeniable that the Board of Directors may become narrow-minded if it consists only of people from within the Company, and it is possible that the Board may find itself left behind by the changes in the world. Therefore, the Company has appointed outside directors who have excellent character and insight, who understand its management philosophy, and who have experience as a chairman or president of listed companies, in order to have them advise the management team and monitor the directors by utilizing their wide range of knowledge and insight based on their experience in corporate management.

Efforts to Strengthen the Supervision Function

The Company has two outside directors and four corporate auditors for a total of six persons, which accounts for over 40% of the 13 attendees of the Board of Directors meeting, responsible for the management supervision function. In order to ensure that outside directors and outside corporate auditors can fully perform their roles, in the fiscal year under review the Company (i) held eight briefings for outside directors in which they were briefed on the agendas for the Board of Directors meetings, the content of discussions of the Executive Committee, and other issues; and (ii) convened 14 meetings of the Board of Corporate Auditors wherein they received reports from the independent auditor and the Internal Audit Department and conducted interviews about the operating situation with the heads of each department.

In addition, (iii) we have established a Committee of Outside Directors and Auditors with only four members, comprised of outside directors and outside corporate auditors. The Committee of Outside Directors and Auditors directly hears from each officer about the execution status of the duties of which he or she is in charge and the issues they are aware of, as well as giving appropriate advice. In the event of whistleblowing report toward officers, outside corporate auditors receive a report directly from the internal reporting desk that received the report and share the information at the Committee of Outside Directors and Auditors.

Through these initiatives, we believe that the Company's corporate governance has achieved a certain level of quality, and its effectiveness is reflected in our business results.

Governance

The Status of Main Activities of Outside Officers

Position	Name	Main activities
Director	Yozo Izuhara	Mr. Izuhara attended all meetings of the Board of Directors held during the fiscal year under review and expressed his opinions necessary for the deliberation of agenda, etc. as appropriate. He also provided advice from an independent standpoint in terms of the supervision of the Group's management and the medium- to long-term improvement of its corporate value not only in the Board of Directors meetings but also through such forums as briefings for outside directors and meetings of the Committee of Outside Directors and Auditors.
Director	Nobumasa Kemori	Mr. Kemori attended all meetings of the Board of Directors held during the fiscal year under review and expressed his opinions necessary for the deliberation of agenda, etc. as appropriate. He also provided advice from an independent standpoint in terms of the supervision of the Group's management and the medium- to long-term improvement of its corporate value not only in the Board of Directors meetings but also through such forums as briefings for outside directors and meetings of the Committee of Outside Directors and Auditors.
Corporate Auditor	Yoshiyuki Norihisa	Mr. Norihisa attended all meetings of the Board of Directors, the Board of Corporate Auditors, and the Committee of Outside Directors and Auditors held during the fiscal year under review, and expressed his opinions necessary for the deliberation of agenda, etc. as appropriate.
Corporate Auditor	Chiyono Terada	Ms. Terada attended all except one of the meetings of the Board of Directors and all meetings of the Board of Corporate Auditors and Committee of Outside Directors and Auditors held during the fiscal year under review, and expressed her opinions necessary for the deliberation of agenda, etc. as appropriate.

Evaluation of Effectiveness of the Board of Directors

Every year, the Company analyzes and evaluates the effectiveness of the Board of Directors to further improve its functions.

A survey to all of our directors and corporate auditors for evaluating the composition, operations, deliberations, and other aspects of the Board of Directors, showed improvements

compared to the last survey with high evaluation. Based on this result, at the meeting of the Board of Directors held on March 25, 2022, analysis and evaluation of the structure and the operational status of the Board of Directors were performed, and it was confirmed that the effectiveness of the Board of Directors was secured appropriately.

Policies for Appointment of Officers

Basic Policy

Regarding nomination of candidates for directors, as well as the appointment of executive officers, persons with a wealth of 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 narrowed down to candidates through multiple meetings of Executive Committee. The final decision is then made by the Board of Directors based on

thorough deliberation, reflecting independent and objective opinions of independent outside directors and outside corporate auditors. Independent outside directors and outside corporate auditors have opportunities to know relevant information such as the background, insights and achievements of internal directors and executive officers at several occasions including meetings of the Committee of Outside Directors and Auditors, briefings for outside directors, and meetings of the Board of Corporate Auditors.

Skill Matrix (Abilities Expected of Each Director)

Name	Corporate management	Leasing	Sales	Construction	Brokerage	Redevelopment	Planning and finance	Compliance
Kenichi Onodera	○	○	○	○	○	○	○	○
Kojun Nishima	○	○	○	○	○	○	○	○
Masato Kobayashi	○		○			○		
Yoshiyuki Odai	○						○	○
Nobuaki Takemura	○				○			○
Hiroshi Kato	○			○				
Hisatoshi Katayama	○					○		
Yozo Izuhara Outside (independent)	○							○
Nobumasa Kemori Outside (independent)	○							○

Compliance with the Independence Criteria of Outside Directors and Outside Corporate Auditors and Reasons for Appointment Thereof

Regarding appointment of outside directors and outside corporate auditors, the Company has adopted the requirements for outside directors and outside corporate auditors prescribed in the Companies Act and the independence criteria set by the Tokyo Stock Exchange.

Name	Independence	Supplementary explanation of the relationship	Reasons of appointment
Yozo Izuhara	○	Mr. Izuhara has a background at 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.	Mr. Izuhara had served as President and Chairman of Nippon Sheet Glass Co., Ltd., and he has extensive knowledge on overseas business and M&A as a manager. The Company deems him to be suitable as an outside director, and therefore appointed him to that position.
Nobumasa Kemori	○	Mr. Kemori has a background at 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.	Mr. Kemori had served as President and Chairman of Sumitomo Metal Mining Co., Ltd., and he has extensive knowledge of the mining industry from a long-term perspective and overseas business as a manager. The Company deems him to be suitable as an outside director, and therefore appointed him to that position.
Yoshiyuki Norihisa	○	Mr. Norihisa has a background at 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.	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 corporate auditor and has appointed him to that position.
Chiyono Terada	○	Ms. Terada has a background at Art Moving Company 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.	Ms. Terada has a wealth of managerial experience at another company. In view of her personality, insight, experience, etc., the Company judges she is suitable and qualified to serve as an outside corporate auditor and has appointed her to that position.

Officers' Compensation

Resolutions of the General Meeting of Shareholders concerning Officers' Compensation, etc.

At the Ordinary General Meeting of Shareholders held on June 29, 2004, a resolution was passed to set the total annual compensation for directors at just 1% of consolidated ordinary profit for the previous consolidated fiscal year. (The number of directors at the time of resolution was 12.)

On April 1, 2020, the Company introduced an executive officer system, which enables the appointment of officers comparable to directors necessary for business expansion, with the aim of the further broadening the scope of business and enhancing employee morale. Accordingly, with the agreement of all directors, the compensation of executive officers is also to be paid from the aforementioned total amount of compensation for directors. (Hereinafter, directors and executive officers are collectively referred to as "directors, etc.")

The monetary compensation for corporate auditors is determined to be within 6.5 million yen per month, in accordance with the resolution made at the Ordinary General Meeting of Shareholders held on June 29, 1999. (The number of corporate auditors at the time of resolution was five.)

Policies related to the Determination of the Content of Compensation, etc., for Individual Directors, etc., and Authorization for the Determination Thereof

The policy for the determination of the content of compensation, etc. for individual directors, etc. (hereinafter referred to as the "determination policy") is established by resolution of the Board of Directors. Under the determination policy, compensation for each director, etc., consists only of fixed compensation, and the specific content (payment amount, timing of payment, payment method, etc.) of the compensation for individual directors is determined by agreement between the Chairman of the Board and Representative Directors, based on a resolution of authorization by the Board of

Directors. When making this agreement, each director's duties and level of contribution to performance are considered.

Whereas the total annual amount of directors' compensation is set at 1% of consolidated ordinary profit for the previous fiscal year, the full amount is not paid to the individual directors, etc., in the current fiscal year, and part of directors' compensation is retained without fixing the amount per director, etc., for future use as retirement benefits for directors, etc., and supplementation of declines in the compensation of directors, etc., due to downturns in business performance, etc.

With regard to compensation for directors, etc., in the fiscal year under review, based on authority resolved by the Board of Directors at a meeting held on June 29, 2021, the specific content (payment amount, timing of payment, payment method, etc.) of the compensation for individual directors was determined by agreement between Mr. Kenichi Onodera (Director - Chairman of the Board/Chairman of the Board), Mr. Kojun Nishima (Representative Director and President/Head of Building Development Division), Mr. Nobuaki Takemura (Representative Director and Deputy President/Head of Management Division), and Mr. Masato Kobayashi (Representative Director and Deputy President/Head of Residential Business Division).

These four directors are, respectively, the Chairman of the Board, Representative Director and President, Representative Director and Deputy President in charge of the Management Division, and Representative Director and Deputy President in charge of the Business Division, and as these persons received this authorization based on the judgment that they would be able to agree upon and comprehensively examine and appropriately assess the duties and contributions to performance of each director from their respective viewpoints, the Board of Directors has judged that the content of the compensation of individual directors, etc., for the fiscal year under review is in line with the determination policy.

Governance

Amount Paid to Each Director and Executive Officer

Category	Amount paid (Million yen)	Amount by type of compensation (Million yen)				Number of officers eligible (Persons)
		Basic compensation	Stock options	Bonus	Retirement benefit	
Directors (excluding Outside Directors)	786	786	—	—	—	8
Executive Officers	278	278	—	—	—	6
Outside Directors	46	46	—	—	—	2
Total	1,111	1,111	—	—	—	16

Notes: 1. Whereas the total annual amount of compensation for directors including outside directors for fiscal year ended March 31, 2022 is fixed at 2,125 million yen, the full amount has not been paid to the individual directors and executive officers in the same fiscal year, and 1,014 million yen, the difference from the above-mentioned amount paid, has been retained as provision for future use such as their retirement benefits and supplementation of declines in their compensation due to future downturns in business performance, etc. Regarding the retained amount, the timing of payment and the amount for individual officers cannot be determined, and thus, the retained amount will become subject to calculation of compensation etc. of individual officers upon payment in the future or upon confirmation of future payment.

Total Amount of Compensation etc. for Each Category of Corporate Officers and Number of Officers Eligible

Category	Total amount of compensation (Million yen)	Amount by type of compensation (Million yen)				Number of officers eligible (Persons)
		Basic compensation	Stock options	Bonus	Retirement benefit	
Directors (excluding Outside Directors)	2,079	2,079	—	—	—	8
Corporate Auditors (excluding Outside Corporate Auditors)	30	30	—	—	—	2
Outside Directors/ Outside Corporate Auditors	72	72	—	—	—	4
Total	2,182	2,182	—	—	—	14

Notes: 1. With the agreement of all directors, a portion of the amount of directors' compensation has been allocated to the six executive officers.
2. The breakdown of total amount of compensation etc. for outside directors and outside corporate auditors is 46 million yen for outside directors and 26 million yen for outside corporate auditors.

Total Amount of Compensation of Persons with Total Compensation of 100 Million Yen or More

Name	Category	Total compensation (Million yen)	Amount by type of compensation (Million yen)			
			Basic compensation	Stock options	Bonus	Retirement benefit
Kenichi Onodera	Director	142	142	—	—	—
Kojun Nishima	Director	142	142	—	—	—
Nobuaki Takemura	Director	114	114	—	—	—
Masato Kobayashi	Director	114	114	—	—	—

Risk Management

Issue Awareness and Action Plans

The Sumitomo Realty Group recognizes that it is important for corporate management to take measures to prevent, mitigate and avoid various business risks, as well as respond to emergencies that are expected to have a significant impact on corporate activities, based on an understanding of the various risks involved in business.

In addition to risk management by each business department, the Group strives to stabilize its business activities and sustainably enhance corporate value by understanding, analyzing and appropriately dealing with risks associated with management and businesses through the establishment of cross-sectional organizations.

Management Structure

In order to address various business risks, the Company established the Sustainability Committee chaired by the Company's President. For monitoring and addressing the risks associated with the business, such as investment risk and market risk, the executive officers in charge of and responsible for respective departments and subsidiaries report them to the President and the Board of Directors. The President and the Board of Directors then discuss

and respond to these risks. With the process above, we have established a system that the Board of Directors monitors the risk management and reviews the operational status as appropriate.

We have also established a system whereby the BCP Council responsible for the risks of large-scale disasters, etc. affecting business continuity, and the Sustainability Promotion Council responsible for issues and risks affecting corporate activities, including environmental problems, climate change, and human capital problems, discuss policies for the Group, monitor the status, and report the results to the Sustainability Committee.

Examples of Risks that the Company Recognizes and the Board of Directors Supervises

- Risk related to force majeure events, including disasters
- Risk related to compliance
- Risk related to suppliers
- Risk related to finance
- Risk related to climate change
- Risk related to information security
- Risk related to the spread of COVID-19

For details of each risks, please refer to our Governance Report on the Company website.

<https://english.sumitomo-rd.co.jp/sustainability/governance>

Compliance

Issue Awareness and Action Plans

The Sumitomo Realty Group has set forth its fundamental mission which is based on Sumitomo's business philosophy, and it established the Code of Conduct as guidelines to govern all our officers and employees in order to fulfill this fundamental mission. The Code of Conduct upholds the concept of implementation of compliance and promotes compliance activities based on the understanding that compliance is an important management issue.

The Company defines implementation of compliance as not only complying with laws and regulations, but also sensitively responding and adapting to social demands that underlie laws and regulations. We promote our business activities by responding to laws, regulations, internal rules, social common sense, corporate ethics and social demands that underlie them.

Management Structure

The Group has established the Sustainability Committee chaired by the President, and its subordinate organization, the Internal Control Meeting (hosted by the Company's Internal Audit Department), monitors compliance promotion activities* of the Group and reports the result to the Sustainability Committee. The Internal Audit Department performs internal audits to check the business execution status of each department of the Group and the operational status of internal controls, prevent any illegal acts or misconduct, and provide suggestions for business improvement. Moreover, the department and the independent auditor report the results of their audits to the corporate auditors and exchanges opinions in an appropriate manner. These activities help to improve the quality and efficiency of the audit work of the corporate auditors, the independent auditor and the Internal Audit Department. The Group has a system in which the Board of Directors supervises the compliance promotion activities. Of the matters examined by respective department and subsidiaries, important matters are reported to the Board of Directors.

* Compliance promotion activities refer to activities to prevent all types of corruption including bribery and money laundering, as well as activities to comply with various laws and regulations concerning the environment and society.

Whistleblowing System

The Sumitomo Realty Group has established a whistleblowing system for the employees and their families of the entire Group, which aims to enable early detection of compliance violations and appropriate corrective action. In order to encourage active consultation and reporting, we have designed the system to

provide strict legal protection for those who report violations as well as to allow them the option of anonymous reporting. In this system, we respond to not only clear compliance violations but also potential violations.

We have established two points of contact for reporting; the Internal Audit Department, which is independent of business divisions or other internal organizations, serves as the internal point of contact, and an external law firm, which is independent of the management, serves as the external point of contact.

In addition, we have established a consultation hotline in each Group company's Human Resources Department to provide consultation on harassment and other issues related to the working environment.

The personal information of whistleblowers is kept confidential with strict legal protections, so they do not suffer any negative consequences by contacting the consultation hotline.

Should a compliance violation be identified, we take appropriate action and then work to prevent a similar situation from reoccurring by providing instructions on our website to employees and other measures. In addition, remedial measures are provided for victims.

Compliance Training

Employees are educated on implementation of compliance as Sumitomo Realty Group employees through various training programs including new employee training, compliance training for all employees and managerial position training.

Compliance Handbook

The Compliance Handbook, which describes appropriate behavior in terms of compliance in given situations, is distributed to all officers and employees to be thoroughly acquainted with legal compliance. It is used to check the status of compliance with the code of ethics and to identify compliance violations whenever necessary. Its contents are updated as required based on opinions from the work sites after confirming effectiveness.

Handling Compliance Violations

When compliance violations are discovered, the Company conducts prompt investigations and takes strict disciplinary actions as well as measures to prevent the reoccurrence of such violations. At the same time, all officers and employees are warned.



Governance

The Policy for Takeover Defense Measures Against Purchase Proposals That Undermine the Corporate Value of the Company (Policy on Large-Scale Purchase of Shares of the Company)

Basic Policy and Initiatives to Ensure It

(1) Steadily achieving objectives of the medium-term management plans and maintaining the revenue and profit growth trajectory

With top priority placed on achieving objectives of the medium-term management plans it draws up every three years, the Company has increased its corporate value as a result of having steadily carried out such initiatives. Over the past 25 years, the Company has executed eight management plans, and has achieved increases in ordinary profit in 22 fiscal years, excluding the three fiscal years of the global financial crisis and the COVID-19 pandemic.

In the first 10 fiscal years (three medium-term management plan periods), the Company focused on restoring its asset base, which had been damaged by the bursting of Japan's bubble economy, and reducing interest-bearing debt. In the latter 15 fiscal years (five medium-term management plan periods), the Company doubled leasing assets, strengthened management foundations by further solidifying the four segments of leasing, sales, construction and brokerage, and enhanced shareholders' equity, lifting the credit rating to the AA zone.

Over the next three medium-term management plan periods through fiscal 2030, the Company will maintain an approach that prioritizes the allocation of funds to further investment to increase leasing assets and take steps for sustainable profit growth, while also aiming to create a resilient management foundation and achieve sustainable growth, based on the high level of social contribution of the Company's businesses themselves, and increasing investment capability and the level of flexibility in capital strategy. At present, there are various issues in the management environment such as the COVID-19 pandemic, geopolitical risk and instability in resource procurement, but as the Company expects to achieve ordinary profit of 300 billion yen for fiscal 2030, it positions the new medium-term management plan announced in May 2022, the "Ninth Management Plan (fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025)," as the first step to achieving that target, and exert every effort to continue enhancing corporate value.

(2) Growth underpinned by central Tokyo office building leasing business and corporate value

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 Company has been expanding its business platform by promoting development of office buildings with a specific focus on central Tokyo over roughly half a century since the early 1970s, an era that ushered in completion of the Shinjuku Sumitomo Building, often referred to as "the Triangle Building." The Company has experienced unprecedented economic crises such as the bursting of Japan's bubble economy and the 2008 global financial crisis in wake of the Lehman Brothers collapse, and various changes in the business environment such as Japan's bubble economy and business conditions under Abenomics policies. Still, the Company has consistently persisted with respect to unwaveringly implementing its management policies such that: (i) the Company will not pursue temporary gains by selling assets; (ii) the Company will develop sites and construct buildings; and (iii) the Company will hold ownership of the buildings constructed on sites it has developed to generate stable leasing income over the long-term by owning and leasing such buildings. The Company has consequently grown to become a building owner with a diverse portfolio of more than 230 buildings located in central Tokyo, and cash flows from the leasing business exceeded 220 billion yen in the fiscal year ended

March 31, 2022 (operating income of the real estate leasing business + depreciation).

The office building leasing business calls for comprehensive strengths for carrying out business encompassing everything from acquisition of development sites to operations that include planning projects, marketing tenants, providing services for tenants and managing buildings. Given that acquiring development sites is the most important of these operations, the Company has been developing sites for buildings as if it were a manufacturer in terms of the approach it takes to redevelopment in terms of purchasing multiple small parcels of land to integrate them into a larger scale and coordinating rights and interests of landowners. In addition, the Company attaches importance to performing building management, tenant marketing, etc. directly, thus grasping the actual condition of clients and sites appropriately and always eagerly working on the improvement of project planning and making operations more efficient. As a result, we have realized high profitability, and have increased the value of the property possessed as well as of the corporation. As of March 31, 2022, unrealized gains from rental and other investment properties, as disclosed in Consolidated Financial Results for Fiscal 2021 (Year ended March 31, 2022), amounted to approximately 3.5 trillion yen having accumulated over the years.

(3) The necessity for the takeover defense measures

In the Ninth Management Plan, the Company has set forth the continuation and promotion of investment in leasing office assets in central Tokyo as its third target, and it aims to further expand its earnings base, increase its corporate value, and augment shareholder returns by successively completing concrete development plans, centered on redevelopment, with a gross floor area of over 700,000 tsubo (one tsubo is roughly 3.3 m²), which constitutes more than 40% of the 1,700,000 tsubo in gross floor area for leasing as of March 31, 2022, and putting these buildings 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 economic conditions, given that it has always been buoyed by cash flows from the leasing business 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 exceed 200 billion yen, 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 two or three medium-term management plan periods before the Company achieves full profitability given that the focus has been on large-scale redevelopment.

On the other hand, amid large-scale financial easing, appetite for investment in top-class domestic revenue-generating real estate has increased, and it cannot be denied that there is a risk that a large-scale acquisition will be forcefully conducted in a one-sided manner in relation to shares of the Company, which holds many top-class buildings in Tokyo. If the management policies of the Company, which aim to sustainably enhance corporate value through the steady accumulation of leasing assets that the Company has continued to build up over the past half a century, are rejected and a short-term management policy is adopted 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, cash flows from the leasing business that act as a stable revenue source will decrease as a result, 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 management policies. As such, until there is a general timeline for the generation of revenues from development plans covering over 700,000 tsubo, which is equivalent to over 40% of the current gross floor area in operation, and development plans that are not reflected in corporate value have decreased to a certain proportion, the Company needs to seek a mandate from its shareholders upon having ensured sufficient information and time for completing discussions in case an investor seeking to orchestrate a takeover emerges.

In addition, under the Financial Instruments and Exchange Act of Japan, there is a tender offer system in place as a process for ensuring transparency and fairness for share transactions that affect the control of companies, and it is thus ensured that shareholders will have information and time to make an assessment. The tender offer period is however short, at 30 business days, and thus cannot be said to provide sufficient time for consideration. In addition, the Company believes issues remain in relation to the legal system, such as the fact that high-handed purchases and other abusive purchases cannot necessarily be eliminated because partial tender offers are permitted, and the fact that the tender offer system will not be applied in the first place if the purchaser only purchases shares through market transactions.

Based on the above, the Company deems that in order to continue to sustainably enhance the corporate value of the Company in the future, the provision of procedures through the "Policy for Takeover Defense Measures Against Purchase Proposals That Undermine the Corporate Value of the Company (Policy on Large-Scale Purchase of Shares of the Company)" (hereinafter referred to as "The Policy"), continues to align 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. It was continued based on the resolution of shareholders' meeting of the 74th fiscal year dated June 2007, and was continued or renewed upon receiving approval from shareholders at the 77th, the 80th, the 83rd, the 86th and the 89th ordinary general meetings of shareholders. The term of the Policy will expire upon the conclusion of the 92nd ordinary general meeting of shareholders scheduled to be held in June 2025.

The Policy on Measures to a Large-Scale Purchase of Shares of the Company and the Board's Stance

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 provide to the shareholders necessary and sufficient information, opinions, alternative proposals, etc., and necessary and sufficient time to consider them.

The Policy sets out rules on Large-Scale Purchases ("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 provides the Board of Directors necessary and sufficient information regarding the Large-Scale Purchase in advance, and commence the Large-Scale Purchase after a certain period of evaluation by the Board of Directors has elapsed. The Board of Directors shall take measures 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 shall consult with a Special Committee consisting of outside directors, outside corporate auditors, persons with corporate management experience, 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 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.

*For detail, please refer to "Notice of convocation of the 89th ordinary general meeting of shareholders." (Available on the Company website: <https://english.sumitomo-rd.co.jp/rr/>)

Timely and Appropriate Information Disclosure and Communication with Shareholders and Investors

System for Information Disclosure

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, Corporate Planning 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 website for thorough information disclosure.

Constructive Dialogue with Shareholders

The Company strives to give an account 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 ESG Promotion Office responds 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 meetings of Executive Committee attended by directors and executive officers, of the details of the dialogues.

Key Non-financial Data

Environmental Indicator	Unit	FY2019	FY2020	FY2021
Total Greenhouse Gas (GHG) Emissions (Scope 1 + Scope 2 + Scope 3)				
Total GHG emissions	t-CO ₂	6,536,935	4,917,485	4,844,900
Scope 1 (Direct emissions)	t-CO ₂	42,445	41,447	43,205
Scope 2 (Indirect emissions from energy use)	t-CO ₂	125,352	122,376	119,984
Scope 3 (Other indirect emissions)	t-CO ₂	6,369,139	4,753,662	4,681,711
1. Purchased goods and services	t-CO ₂	1,145,396	807,278	1,129,914
2. Capital goods	t-CO ₂	755,070	461,984	289,359
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	t-CO ₂	27,138	28,045	27,642
4. Upstream transportation and distribution	t-CO ₂	0	0	0
5. Waste generated in operations	t-CO ₂	21,231	21,811	23,757
6. Business travel	t-CO ₂	1,782	1,776	1,695
7. Employee commuting	t-CO ₂	3,376	3,364	3,211
8. Upstream leased assets	t-CO ₂	22,656	19,977	18,826
9. Downstream transportation and distribution	t-CO ₂	70,518	70,518	106,767
10. Processing of sold products	t-CO ₂	0	0	0
11. Use of sold products	t-CO ₂	4,037,977	3,082,599	2,825,782
12. End-of-life treatment of sold products	t-CO ₂	45,988	36,230	32,968
13. Downstream leased assets	t-CO ₂	238,006	220,082	221,791
14. Franchises	t-CO ₂	0	0	0
15. Investments	t-CO ₂	0	0	0
Energy Consumption				
Energy consumption	GJ	3,215,822	3,229,045	3,201,463
Covered area	m ²	4,977,705	5,300,737	5,513,815
Energy consumption coefficient	GJ/m ²	0.646	0.609	0.581
Green Building Certification				
Number of certified properties	Properties	1	26	27
Gross floor area of certified properties	m ²	210,494	2,543,308	2,630,933
Gross floor area of leasing assets owned by the Company	m ²	4,633,047	4,772,670	4,856,078
Percentage of certified area to total gross floor area	%	5	53	54
Certification acquisition rate for large-scale new buildings	%	0	100	100

Environmental Indicator	Unit	FY2019	FY2020	FY2021
Water Withdrawal*				
Water withdrawal	Thousand L	2,735,440	1,983,409	1,841,173
Covered area	Thousand m ²	3,730,958	3,850,618	3,796,918
Water withdrawal coefficient	Thousand L/m ²	0.733	0.515	0.485
Wastewater*				
Wastewater	Thousand L	2,657,153	1,843,172	1,719,615
Covered area	Thousand m ²	3,730,958	3,850,618	3,796,918
Wastewater coefficient	Thousand L/m ²	0.712	0.479	0.453
Waste Discharge and Recycled Waste Volumes*				
Total waste volume	t	17,272	13,843	17,346
Total recycled waste volume	t	10,965	8,722	10,874

* The calculation of water withdrawal, wastewater, waste discharge and recycled waste boundary consists of office buildings owned and managed by Sumitomo Realty for which reporting is required under the Act on Rationalizing Energy Use, and for which data can be acquired.

Social Indicator	Unit	FY2019	FY2020	FY2021
Employee				
Total number of employees	Persons	13,676	13,530	13,040
Male	Persons	9,581	9,445	9,042
Female	Persons	4,095	4,085	3,998
Percentage of employees who received health checkup	%	100	100	100
Percentage of nonregular employees	%	24.3	24.0	25.4
Average length of service	Years	7.4	7.8	8.4
Diversity Indicator				
Number of employees who took maternity leave	Persons	161	151	161
Number of employees who took childcare leave	Persons	177	189	209
Number of employees working shorter hours	Persons	164	203	256
Employment rate of persons with disabilities	%	2.38	2.53	2.38
Percentage of female managers	%	4.4	4.5	4.7

Eleven-year Financial Summary

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Million yen											
For the Year											
Revenue from operations	688,662	736,652	780,273	806,835	854,964	925,151	948,402	1,012,198	1,013,512	917,472	939,430
Leasing	271,811	278,316	283,729	289,117	313,340	337,465	353,880	381,763	395,592	398,237	425,081
Sales	198,153	232,149	234,093	264,207	274,760	314,299	311,192	331,751	324,928	263,394	233,788
Construction	165,995	171,081	201,190	188,994	199,115	203,623	209,355	221,693	218,930	188,707	204,361
Brokerage	49,396	50,957	57,210	58,486	61,496	66,714	69,168	71,867	71,199	65,792	73,484
Cost of revenue from operations	490,436	529,913	558,986	579,964	614,190	664,183	664,015	711,050	691,832	629,564	636,987
SG&A expenses	50,760	55,394	60,815	60,976	66,532	72,796	78,749	81,758	87,348	68,663	68,560
% of revenue from operations	7.4%	7.5%	7.8%	7.6%	7.8%	7.9%	8.3%	8.1%	8.6%	7.5%	7.3%
Operating income	147,465	151,345	160,471	165,894	174,240	188,171	205,637	219,389	234,332	219,244	233,882
% of revenue from operations	21.4%	20.5%	20.6%	20.6%	20.4%	20.3%	21.7%	21.7%	23.1%	23.9%	24.9%
Ordinary profit*1	107,912	114,916	130,536	139,055	148,424	167,697	186,870	203,227	220,520	209,949	225,115
Profit attributable to owners of parent	53,236	59,825	69,697	80,566	87,797	103,488	119,731	130,102	140,997	141,389	150,452
Depreciation and amortization	36,049	37,761	35,311	33,519	34,574	39,445	41,627	46,312	48,974	57,812	60,645
At Year-end											
Total assets	3,859,698	4,105,500	4,220,428	4,523,804	4,675,914	4,980,039	5,167,198	5,130,118	5,317,623	5,673,666	5,806,040
Shareholders' equity*2	553,843	627,011	707,947	832,462	888,099	1,007,347	1,114,975	1,202,103	1,294,998	1,503,021	1,634,049
Net interest-bearing debt	2,407,640	2,424,932	2,652,929	2,875,660	2,971,668	3,101,162	3,210,303	3,170,595	3,245,548	3,372,953	3,408,601
Unrealized gains on investment and rental properties	976,000	1,001,547	1,132,644	1,290,144	1,697,562	1,996,441	2,328,140	2,703,263	3,176,151	3,432,632	3,494,974
Per Share Amounts (Yen)											
Profit attributable to owners of parent	112.28	126.18	147.02	169.97	185.23	218.34	252.62	274.51	297.50	298.33	317.45
Shareholders' equity	1,168.11	1,322.52	1,493.48	1,756.25	1,873.71	2,125.36	2,352.53	2,536.40	2,732.41	3,171.34	3,447.81
Cash dividend applicable to the year	20.00	20.00	20.00	21.00	22.00	24.00	27.00	30.00	35.00	40.00	45.00
Key Ratios											
Equity ratio (%)	14.3	15.3	16.8	18.4	19.0	20.2	21.6	23.4	24.4	26.5	28.1
ROE (%)	9.9	10.1	10.4	10.5	10.2	10.9	11.3	11.2	11.3	10.1	9.6
ROA (%)	4.3	3.9	4.0	3.9	3.9	4.0	4.2	4.5	4.7	4.2	4.3
Return on leasing business*3 (%)	5.3	4.8	4.7	4.7	4.8	5.3	5.5	5.6	6.0	5.5	5.5
Long-term debt ratio (%)	93	93	95	97	98	98	98	99	96	96	98
Fixed-interest rate debt ratio (%)	80	80	82	87	94	95	94	96	95	94	96
ND/E ratio*4 (Times)	4.3	3.9	3.7	3.5	3.3	3.1	2.9	2.6	2.5	2.2	2.1
Interest coverage ratio*5 (Times)	4.2	4.9	6.1	6.5	7.3	9.0	10.5	11.4	12.8	12.6	13.7

*1. 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 compensation for directors.

*2. Shareholders' equity = Net assets – Profit attributable to non-controlling interests

*3. Return on leasing business = Cash flows from leasing business / Net investments of leasing business

*4. ND/E ratio = Net interest-bearing debt / Shareholders' equity

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

Notes: 1. The Company changed its accounting policy (revenue recognition standards of Sumitomo Real Estate Sales) from the beginning of FY2019. The figures provided for FY2018 are those after retroactive application.

2. From the beginning of FY2020, 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 FY2019 have been adjusted retroactively.

Management's Discussion and Analysis

Overview

The financial results for the fiscal year under review were as follows: revenue from operations recorded ¥939.4 billion (¥21.9 billion increase year on year), operating income ¥233.8 billion (¥14.6 billion increase year on year), ordinary profit ¥225.1 billion (¥15.1 billion increase year on year), and profit attributable to owners of parent ¥150.4 billion (¥9.0 billion increase year on year). Revenue from operations, operating income, ordinary profit and profit all increased from the previous fiscal year. Ordinary profit returned to a record high as the decline in profit caused by COVID-19 pandemic only lasted for one year, while profit attributable to owners of parent achieved a record high for the ninth consecutive year.

Revenue from operations and operating income

In the fiscal year under review, the mainstay office building business recorded increases in both revenue and profit, and the decline in commercial facilities such as hotels and event halls shrank compared with the previous fiscal year, resulting in increased revenue and profit in the leasing business. In addition, there was a contribution to overall performance from increased revenue and profit in the construction business including Shinchiku Sokkurisan remodeling, as well as the brokerage business, owing to good performance from brokerage of existing homes.

In the sales business, focusing on condominium sales, revenue and profits decreased owing to a decline in the number of units delivered, but it achieved a high level of operating income and performed well.

For details of individual business segments, please refer to "Overview of Each Segment" on page 30.

Non-operating income/loss

Non-operating income recorded ¥14.2 billion (¥0.3 billion increase year on year), mainly due to an increase in dividend income.

Non-operating expenses decreased to ¥23.0 billion (¥0.1 billion decrease year on year), mainly due to decreases in interest expense. As a result, non-operating loss recorded ¥8.7 billion (an improvement of ¥0.5 billion year on year).

Extraordinary income/loss

In the fiscal year under review, owing to the absence of ¥11.8 billion in gains on the transfer of equity interest in the condominium development joint venture company in Dalian City, China, which the Company recorded in the previous fiscal year, extraordinary income recorded ¥2.5 billion (¥11.1 billion decrease year on year), while extraordinary loss recorded ¥8.9 billion (¥4.2 billion decrease year on year), mainly due to loss on disposal of property and equipment. As a result, extraordinary income/loss deteriorated by ¥6.8 billion from the previous fiscal year, recording a loss of ¥6.4 billion.

Cash flows

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

Cash flows from operating activities: ¥192.9 billion (¥32.9 billion decrease year on year)

Cash flows from investing activities: ¥(209.9) billion (¥126.6 billion increase year on year)

Cash flows from financing activities: ¥(21.9) billion (¥124.0 billion decrease year on year)

Cash and cash equivalents decreased to ¥150.3 billion (¥36.9 billion decrease year on year).

<Cash flows from operating activities>

Ordinary profit for the fiscal year under review recorded ¥225.1 billion. With a ¥48.3 billion increase in inventories, net cash provided by operating activities amounted to ¥192.9 billion.

<Cash flows from investing activities>

As the result of investments in property and equipment totaling ¥179.5 billion mainly for the purpose of augmenting the leasing business, net cash used in investing activities amounted to ¥209.9 billion.

<Cash flows from financing activities>

Issuance of bonds and long-term loans payable amounted to ¥304.5 billion (including non-recourse debt) to further promote long-term stabilization of fund raising, while redemption of bonds and repayments of long-term loans payable at maturity totaled ¥227.7 billion (including non-recourse debt). With redemption of ¥80.0 billion in commercial paper, net cash used in financing activities amounted to ¥21.9 billion.

Financial resources for capital and liquidity of funds

Assets

Total assets as of the end of the fiscal year under review amounted to ¥5,806.0 billion (¥132.3 billion increase year on year). Property and equipment increased to ¥4,114.3 billion (¥102.1 billion increase year on year) due to investment in buildings for leasing.

Liabilities

Total liabilities amounted to ¥4,171.9 billion (¥1.3 billion increase year on year). Consolidated interest-bearing debt was ¥3,559.9 billion, remaining at the same level as the end of the previous fiscal year (¥1.3 billion decrease year on year). ND/E ratio improved from 2.2 times at the previous fiscal year to 2.1 times.

Net assets

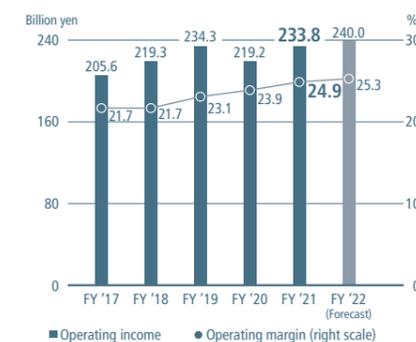
Total net assets amounted to ¥1,634.0 billion (¥131.0 billion increase year on year). Profit attributable to owners of parent stood at ¥150.4 billion, and retained earnings increased. As a result, the equity ratio improved from 26.5% at the end of the previous fiscal year to 28.1%, and ROE was 9.6% (10.1% at the end of the previous fiscal year).

As of the end of the fiscal year under review, long-term debt accounted for 98% of consolidated interest-bearing debt, and fixed-interest rate debt for 96% (those numbers were 96% and 94%, respectively, at the end of the previous fiscal year).

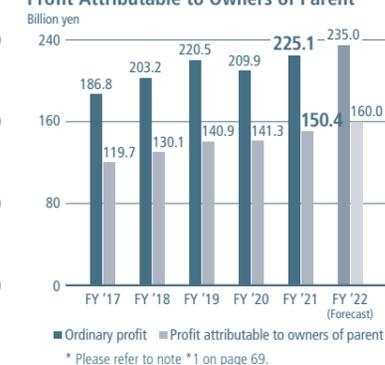
Revenue from Operations



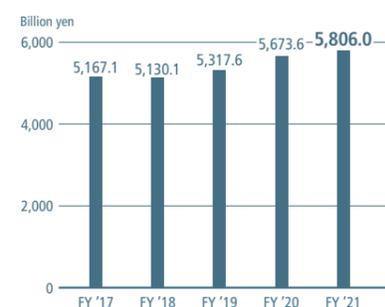
Operating Income and Operating Margin



Ordinary Profit* and Profit Attributable to Owners of Parent



Total Assets



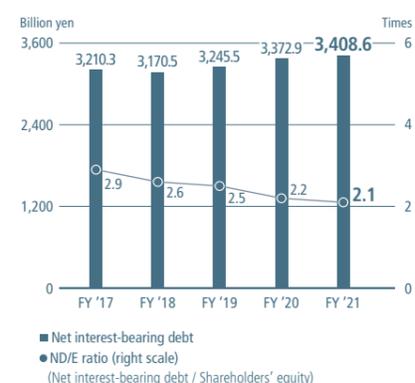
Shareholders' Equity and Equity Ratio



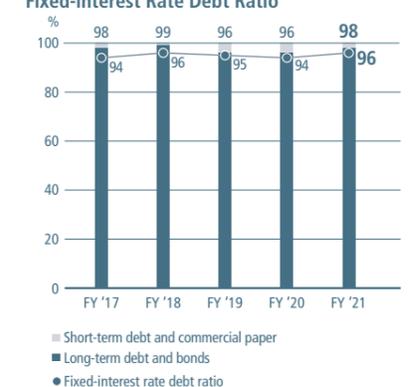
ROE and ROA



Net Interest-bearing Debt and ND/E Ratio



Long-term Debt Ratio and Fixed-interest Rate Debt Ratio



Cash Flows from Leasing Business and Return on Leasing Business



Corporate Data / Investor Information (As of March 31, 2022)

Corporate Data

Corporate Name Sumitomo Realty & Development Co., Ltd.
 Head Office Shinjuku NS Building, 4-1,
 Nishi-shinjuku 2-chome
 Shinjuku-ku, Tokyo 163-0820, Japan
 Date of Establishment December 1, 1949
 Paid-in Capital ¥122,805 million
 Number of Employees 13,040 (Consolidated)
 Corporate Website <https://www.sumitomo-rd.co.jp/english/>

Investor Information

Number of Common Stock
 Authorized: 1,900,000,000 shares
 Issued: 476,085,978 shares
 Number of Shareholders: 12,666
 (of which 11,662 holding share unit)



Trust Accounts	28.79%
Financial Institutions	9.11%
Other Companies	39.37%
Foreign Companies	19.49%
Individuals and Others	3.24%

Major Consolidated Subsidiaries

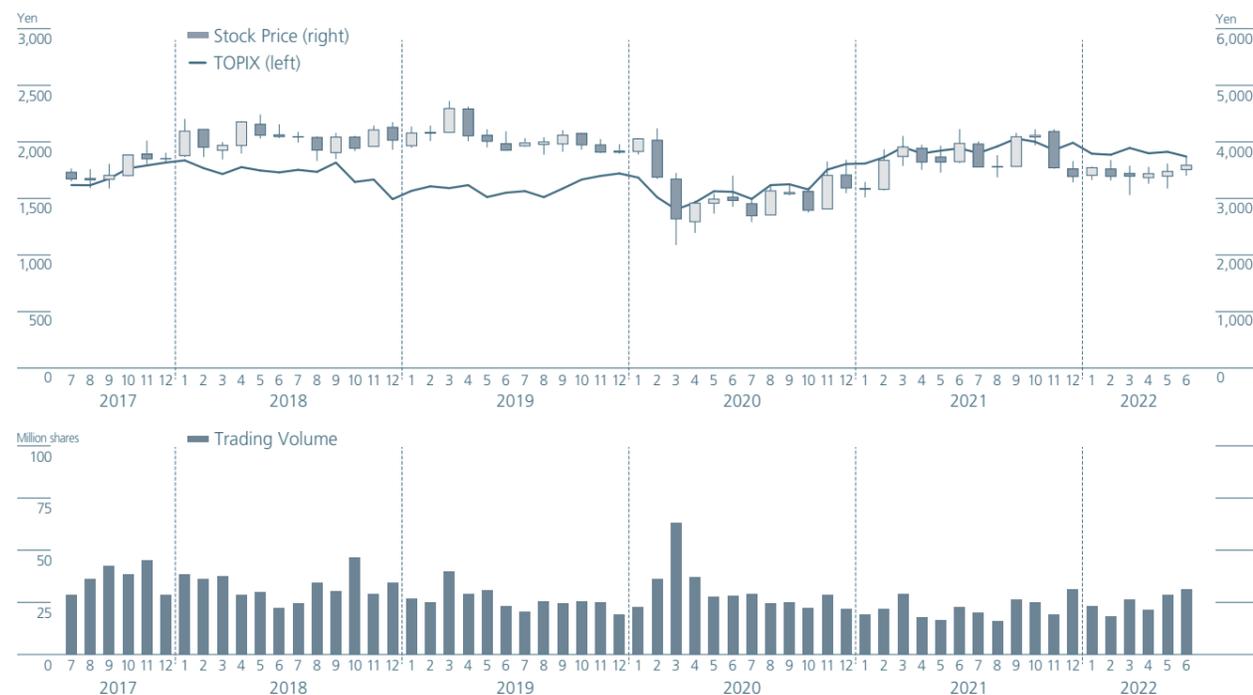
Sumitomo Real Estate Sales Co., Ltd.
 Sumitomo Fudosan Tatemono Service Co., Ltd.
 Sumitomo Fudosan Syscon Co., Ltd.
 Sumitomo Fudosan Villa Fontaine Co., Ltd.
 Sumitomo Fudosan Bellesalle Co., Ltd.
 Sumitomo Fudosan Retail Management Co., Ltd.
 Sumitomo Fudosan Esforta Co., Ltd.

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust account)	76,750	16.19
Custody Bank of Japan, Ltd. (Trust account)	24,883	5.25
Sumitomo Mitsui Banking Corporation	11,990	2.53
Custody Bank of Japan, Ltd. (Trust account 4)	11,073	2.34
Taisei Corporation	9,550	2.02
Daikin Industries, Ltd.	8,367	1.77
Obayashi Corporation	8,090	1.71
Shimizu Corporation	7,500	1.58
Maeda Corporation	7,244	1.53
Takenaka Corporation	7,100	1.50

Notes: 1. Numbers of shares have been rounded down to the nearest thousand shares.
 2. Percentage of shares held has been calculated by excluding treasury stock.

Stock Price and Trading Volume on Tokyo Stock Exchange



History

- 1949** • Izumi Real Estate Co., Ltd. established to succeed real estate business of the Sumitomo Honsha Ltd. 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.
 - Opened Osaka Branch.
- 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 Shinjuku Sumitomo Building in Shinjuku Ward, Tokyo (in March); moved Company headquarters there from Tokyo Sumitomo Building in Marunouchi, Tokyo (in June).
- 1975** • Established Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary.
- 1978** • Established Biwako Resort Club Co., Ltd. (currently Sumitomo Fudosan Villa Fontaine Co., Ltd.), a consolidated subsidiary.
- 1980** • Established Sumitomo Fudosan Syscon Co., Ltd., a consolidated subsidiary.
 - Completed construction of Shinjuku NS Building in Shinjuku Ward, Tokyo (in September); moved Company headquarters there from Shinjuku Sumitomo Building (in October).
 - Started sales of Hiroo Garden Hills in Shibuya Ward, Tokyo (a joint project).
- 1984** • Established Sumitomo Fudosan Finance Co., Ltd., (Absorbed in March, 2022).
- 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.
- 1998** • Sumitomo Real Estate Sales Co., Ltd., a consolidated subsidiary, listed on the Tokyo Stock Exchange.
 - Commenced real estate joint investment trust fund. Launched Sumitomo Realty & Development Fund (SURF) series.
- 1999**
 - The Samquest bond issuance, which was the first public offering of commercial real estate securitization in Japan.
- 2001** • The number of STEP brokerage offices managed by Sumitomo Real Estate Sales Co., Ltd. exceeded 200.
- 2002** • Completed construction of Izumi Garden Tower in Minato Ward, Tokyo.
- 2003** • Launched J-URBAN urban-style housing series.
 - Started sales of World City Towers in Minato Ward, Tokyo.
- 2004** • Completed construction of Shiodome Sumitomo Building in Minato Ward, Tokyo.
- 2008**
 - Established Sumitomo Fudosan Bellesalle Co., Ltd., a consolidated subsidiary.
 - Started sales of City Towers Toyosu The Twin in Koto Ward, Tokyo.
- 2010** • Completed construction of Shinjuku Central Park City in Shinjuku Ward, Tokyo.
- 2011**
 - Opened "Grand Mansion Gallery" in Tokyo metropolitan areas (Akihabara, Shinjuku, Shibuya, Ikebukuro, Tamachi).
 - Completed construction of Sumitomo Fudosan Shinjuku Grand Tower in Shinjuku Ward, Tokyo.
- 2014** • Number of condominium units brought to market over full year was the highest in Japan for the first time (the sixth consecutive year from 2014 to 2019).
- 2015**
 - Completed construction of Tokyo Nihombashi Tower in Chuo Ward, Tokyo.
 - Achieved cumulative total of 100,000 units contracted in Shinchiku Sokkurisan remodeling business.
- 2016** • Completed construction of Sumitomo Fudosan Roppongi Grand Tower in Minato Ward, Tokyo.
- 2017** • Sumitomo Real Estate Sales Co., Ltd. delisted as it became a wholly owned subsidiary.
 - Completed renovation of Shinjuku Sumitomo Building / Completed "Sankaku Hiroba," an all-weather atrium in Shinjuku Ward, Tokyo.
- 2020**
 - Fully opened Ariake Garden, a large-scale complex in Koto Ward, Tokyo.
- 2021**
 - 25th anniversary of Shinchiku Sokkurisan remodeling business - Achieved cumulative total of 150,000 units contracted.
 - Launched "STEP Auctions," new real estate brokerage service of Sumitomo Real Estate Sales Co., Ltd.

 **Sumitomo Realty & Development Co., Ltd.**

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