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To whom it may concern:

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“Two Consistent Principles” and “Four New Policies for Adaptive Growth”

Since last year, we have announced our fundamental management principles on several occasions, including the 10th Medium-term Management Plan released on March 28, 2025. ^{*1} We would like to once again express our gratitude for the constructive discussions we have had so far with domestic and international investors and stakeholders. In order to summarize the discussions, we have organized our management policy—which drives our Management Strategy for Sustainable Growth ^{*2}—into “Two Consistent Principles” and “Four New Policies for Adaptive Growth,” and would like to present them accordingly in this announcement.

- ^{*1} May 09, 2024 [Proactive Revision of “Management Strategy for Sustainable Growth”](#)
Nov 08, 2024 [Steadily Advancing the “Management Strategy for Sustainable Growth”](#)
Mar 28, 2025 [The 10th Medium-term Management Plan](#)
May 13, 2025 [Steady Progress of the “Management Strategy for Sustainable Growth,” Strengthening of Shareholder Returns, and Promotion of Management System Reform](#)
Aug 07, 2025 [The Policy on Utilizing Fixed Assets and Leveraging Strategic Shareholdings](#)

^{*2} Management Strategy for Sustainable Growth

The foundation of our management is the “Management Strategy for Sustainable Growth.” This strategy aims to enable both continuous pay increases and shareholder returns as a fruit of establishing a strong business platform resistant to market risks, consistently investing for growth, and achieving sustainable growth rather than relying on one-off gains.

“Two Consistent Principles”

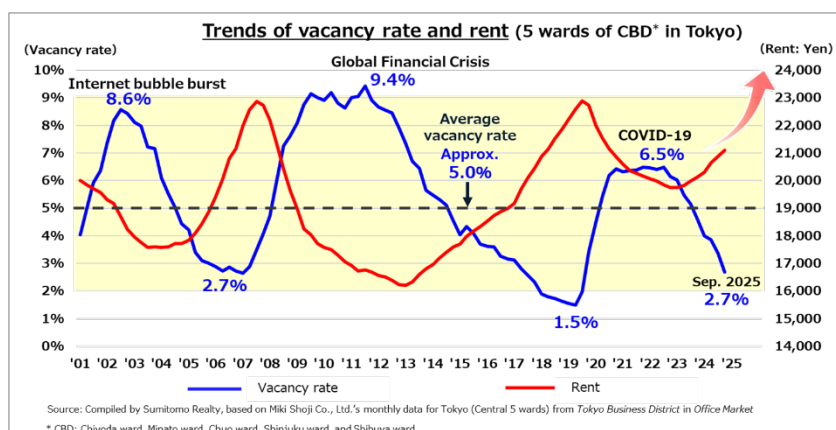
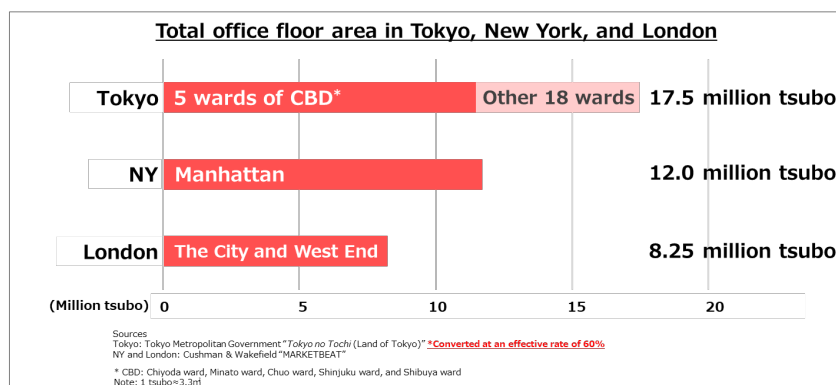
1. Retaining Prime Assets Such as Office Buildings in Central Tokyo and Rental Apartments “La Tour”

Our operating properties yield a high return of 7.5%. The abundant cash flow generated annually by retaining these Prime Assets serves as the source of our sustainable profit growth.

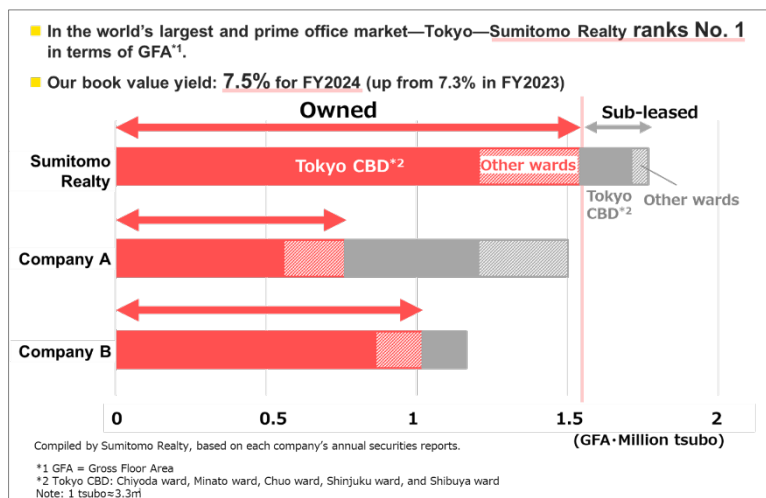
Generally, acquiring completed and operating properties in central Tokyo only yields a return of 2.5 to 3.5%. Nevertheless, we have achieved higher returns by leveraging our development capabilities as a developer. Our unrealized gains are the result of valuing these high-yield assets at market prices, which is fundamentally different from unrealized gains on idle assets.

Even if we were to realize the unrealized gains of our Prime Assets by selling them, it would be virtually impossible to acquire new Prime Assets with the after-tax proceeds that could generate cash flow equivalent to the assets sold. Thus, sales of Prime Assets would lead to a reduction in our annual cash flow in exchange for one-time gains, ultimately undermining our sustainable growth. This is comparable to a railway company selling its tracks or a manufacturer selling its factory that produces cutting-edge products—essentially, it means shrinking our mainstay business.

- Advantages of the Tokyo Office Market—Tokyo boasts the world’s largest market size, with a total office floor area of 17.5 million tsubo in 23 wards (one tsubo is roughly 3.3 m²), surpassing both New York and London. In addition, with an average vacancy rate of around 5% over the past 20 years and a recent vacancy rate of 2.7%, it is the world’s largest and prime office building market, offering exceptional stability.



- Sumitomo Realty is the No.1 office building owner in Tokyo. As the supply-demand balance in the office building market has tightened, we have entered an era of rent increase, which leads to improved ROE. We believe we have entered a stage where the validity of our strategy to retain Prime Assets is being demonstrated.



- We will invest 2 trillion yen in the redevelopment of central Tokyo over the next 10 years. Since the project sites have already been secured, each of the redevelopment projects listed below is now in its final stages. The investment will be financed by the operating cash flow generated annually.

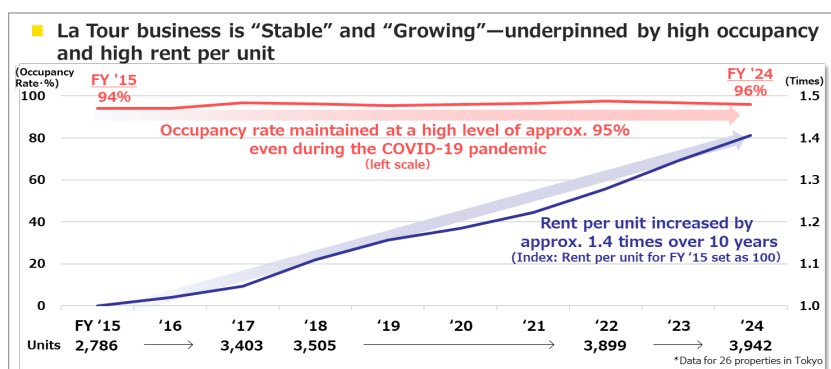
New Development Projects

Project name	Location	GFA*1 (Tsubo)	Completion (Expected)
Sumitomo Fudosan Shibakoen Project	Minato Ward	12,000	End of Jan 2026
Higasi-Ikebukuro 1-chome Project	Toshima Ward	47,000 *2	FY2028
Yaesu 2-chome Central Project	Chuo Ward	117,000 *2	FY2029
Yaesu 2-chome South Project	Chuo Ward	42,000 *2	During or after 11th Plan (Under development)
Fujimi 2-chome Project	Chiyoda Ward	14,000 *2	Same as above
Kudan Minami 1-chome Project	Chiyoda Ward	25,000 *2	Same as above
Akihabara Station East Project	Chiyoda Ward	16,000 *2	Same as above
Koraku 2-chome South Project	Bunkyo Ward	84,000 *2	Same as above
Tsukiji 1-chome Project	Chuo Ward	56,000 *2	Same as above
Roppongi 5-chome West Project	Minato Ward	327,000 *2	Same as above

*1 GFA = Gross Floor Area

*2 Total gross floor area including areas owned by third parties outside our group.
Note: 1 tsubo≈3.3m

- The La Tour series of luxury rental apartments in central Tokyo are remarkably competitive Prime Assets, characterized by high occupancy rates and high rent per unit.



2. Investing 1 Trillion Yen in Mumbai, India, Focusing on the Development of Prime Assets Comparable to Those in Tokyo

	In Operation		Under development (Including amounts already-invested)	
Tokyo	1.55 million tsubo*	3.6 trillion yen	0.6 million tsubo	2.5 trillion yen
Mumbai	—	—	0.45 million tsubo	1.0 trillion yen

*Owned floor area in the 23 wards of Tokyo
 Note: 1 tsubo=3.3㎡

For the Project 1 in BKC, scheduled for completion and commencement of operations in the fall of 2026, approximately 50% of the leasable space has already been pre-committed to tenants and we expect to achieve an investment yield exceeding 10%. We are also seeing strong tenant demand for subsequent projects, which demonstrates the robust economic growth in Mumbai, India.

Real GDP growth rate (Actual for FY2024)

Japan	0.7%	India	6.5%
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Project 1 in BKC



Project 2 in BKC

< BKC District > Rent: Approx. 40,000 yen per tsubo* per month



BKC Area Map



Development sites for Projects 1 to 4

* 1 tsubo≈3.3 m²

- Advantages of Mumbai—Mumbai is India’s leading business city, home to the India headquarters of global financial institutions as well as the headquarters of major Indian conglomerates. Furthermore, since public transportation infrastructure is being developed with a focus on the current city center, Mumbai, like Tokyo, has an urban structure in which the city center does not shift to other districts. Therefore, we believe that office buildings in the city center will remain firmly competitive well into the future.

(Mumbai–Delhi Urban Structure Comparison)



- Advantages as Sole Investor with Hands-on Involvement—We conduct land acquisition negotiations, obtain permits and approvals, and engage in discussions with local stakeholders ourselves. This approach places a greater burden on our employees, but it allows us to gain a direct understanding of India’s complex systems and unique risks. In this direct approach, we can find our own ways to address these challenges and we believe that this not only helps us minimize risks but also maximize returns. This mindset is inherited from our company’s DNA, which has been forged by successfully carrying out one large-scale redevelopment after another in central Tokyo through direct negotiations with numerous landowners.

“Four New Policies for Adaptive Growth”

1. Establishing Condominium Sales and Investment Property Sales as the Two Main Pillars of Our Development and Sales Business

The condominium sales business is our major pillar, and we expect to maintain the current high level of profitability through the first half of the next (11th) Medium-term Management Plan. However, due to soaring land prices and construction costs, the areas where projects are feasible are becoming limited, making it difficult to expand supply in the future.

Therefore, we have decided to foster the investment property sales business as a second pillar alongside the condominium sales business. The basic cycle of the development and sales business involves acquiring land, constructing buildings, securing tenants, and then selling the properties. However, in launching this new business, we will also make effective use of certain fixed (non-prime) assets that are expected to yield higher profits if developed and sold rather than held for leasing over the long term

- To promote the above business structure transformation, we established the “Asset Strategy Planning Office” and the “Real Estate Development and Sales Division” as of October 1, 2025. The “Real Estate Development and Sales Division” was formed through the integration and reorganization of the former “Condominium Sales Business Division” and “Residential Property Development Division.”
- The “Asset Strategy Planning Office” will plan the strategic utilization of our assets, including redevelopment through site expansion by acquiring adjacent land, the conversion of office buildings to condominiums and other purposes, sales after renovation, and sales in their current condition.
- Sales of investment properties will partially begin in the next fiscal year ending March 2027. However, since there are many properties that will require design, permits, and construction due to changes in use and other factors, full-scale contributions are expected from the next (11th) Medium-term Management Plan onward.

2. Shifting the Focus of the Domestic Housing Business from New Houses to Existing Houses

In order to strengthen our efforts in the promising market for existing houses, we established Sumitomo Fudosan Housing Co., Ltd. on April 1, 2025, and on the same day, changed the name of Sumitomo Real Estate Sales Co., Ltd. to Sumitomo Fudosan Step Co., Ltd.

(1) Sumitomo Fudosan Housing Co., Ltd.

The Key to Growth Lies in Expanding the Adoption of High-Insulation Remodeling

- Remodeling can improve not only earthquake resistance but also thermal insulation to levels comparable to newly-built houses. With support from the Ministry of the Environment, we have established the cross-industry organization “Energy-saving Renovations Task Force,” with Sumitomo Realty serving as the lead organization. Existing houses in Japan are still often *hot in summer and cold in winter*. We aim to raise awareness and promote the adoption of high-insulation remodeling, which protects the lives and health of residents and greatly contributes to CO₂ reduction.

- On the other hand, the shortage of construction workers is becoming more serious, and although there is large demand, a lack of construction capacity could become a factor hindering growth. We are currently implementing structural reforms aimed at co-prosperity by standardizing various aspects of both new construction and renovation businesses—such as office networks, residential equipment, materials, design, logistics, construction systems, and procedures—so that a wide range of business partners, including master carpenters and equipment suppliers, can take on a broader variety of work.



At the Launch Ceremony of “Energy-saving Renovations Task Force” held on July 30

(2) Sumitomo Fudosan Step Co., Ltd.

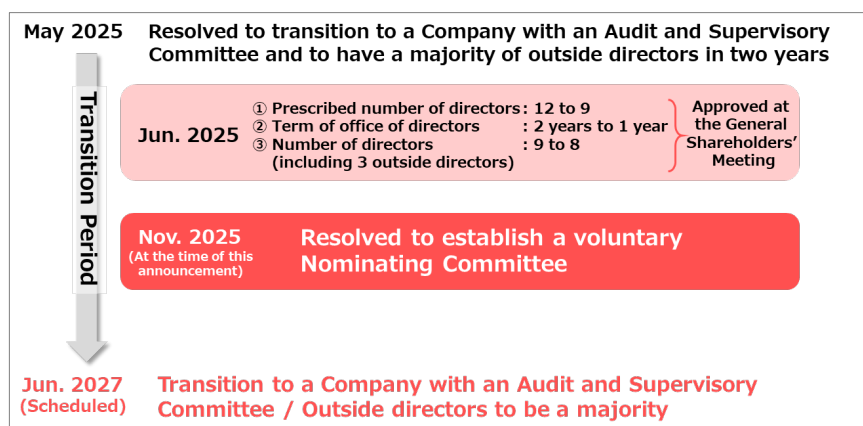
Aiming to Be a Company That Helps Our Customers Step Up Their Lives Through Fair and Transparent Real Estate Transactions

- Benefiting from rising contract prices, the real estate brokerage industry is thriving, and Sumitomo Fudosan Step is also on track to achieve record-high profits.
- However, behind this prosperity, the advancement of digital transformation (DX) in society poses the risk that the added value of so-called “matching businesses” in Japan—which connect sellers and buyers—will decline. Going forward, we believe the significance of brokerage firms will depend on their ability to provide “transaction transparency,” “transaction safety,” and “high-level expertise.”
- At Sumitomo Fudosan Step, “STEP Auctions,” a transparent system for finding buyers for properties, has been introduced and thorough visualization of business operations is being promoted further through digital transformation (DX). These efforts aim to create a robust framework that leaves no room for doubt and ensures that customer interests are safeguarded from harmful practices, such as real estate agents restricting property information sharing for their own benefit.
- In addition, by consolidating the brokerage office network and increasing the number of staff per office, efforts are being made to eliminate inconsistencies in the training of young employees that previously relied on on-the-job training, thereby strengthening the development of specialized personnel. Furthermore, the company is transitioning from an integrated workflow system dependent on individual capabilities to a structure in which teams provide specialized expertise. In line with this, it is also undertaking reforms of the personnel and compensation systems—pursuing structural reforms without any sacred taboos.

3. Reform of Corporate Governance System

(1) Governance Framework

- In May 2025, we have decided to transition to a Company with an Audit and Supervisory Committee and to have a majority of outside directors in June 2027.
- Today, as part of preparations for this transition, we resolved to establish a voluntary Nominating Committee.



(2) Sales of Strategic Shareholdings

- We will narrow down our strategic shareholdings to those with greater significance and will sell 400 billion yen worth of investment securities, including strategic shareholdings, over the next 10 years. To this end, we are expediting necessary discussions with relevant counterparties at a rapid pace.
- The capital gains will be used to offset the burden of rising interest expenses on our borrowings, which are estimated at approximately 4 billion yen or more per year going forward, so that growth in operating income will directly translate into growth in net profit, thereby supporting our sustainable profit growth.
- The proceeds from the sales will be primarily leveraged for growth investments such as investments in our business in India, the investment property sales, human capital, and digital transformation (DX), as well as for share repurchases.

4. Enhancement of Shareholder Returns

Until the previous (9th) Medium-term Management Plan, we prioritized growth investments, which led to an increase in debt, and therefore took a conservative approach to shareholder returns. We have entered a stage where we can both expand growth investments and enhance shareholder returns in the current (10th) Medium-term Management Plan, as the past investments have come to fruition and we are now able to fund growth investments with core business income generated annually.

- We commit to a progressive dividend of 16 yen or more, commensurate with EPS growth, aiming for a dividend payout ratio of 35%. (The amount of the progressive dividend has been rounded up and increased due to the stock split effective as of January 1, 2026.)
- Share repurchases will be conducted in an agile manner, taking into account the status of growth investment expenditures.

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