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To whom it may concern:

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At the End of the First Year of the 10th Medium-term Management Plan:
Key Challenges Ahead and Our Response

In FY2025, the first year of the 10th Medium-term Management Plan, we achieved a record-high profit for the 13th consecutive year, marking a steady start. At the same time, however, the business environment is becoming increasingly uncertain due to changes such as rising interest rates, soaring construction costs, and extended construction periods, compounded by geopolitical risks arising from international conflicts whose outlook remains uncertain.

As we enter the second year of the Medium-term Management Plan under these circumstances, we will outline the key challenges to achieving our targets and the measures we are taking to address them.

Key Challenges

1. Office Rent Increases to Outpace Rising Interest Rates
2. Measures to Address Soaring Construction Costs and Extended Construction Periods
3. Outlook for the Business Environment for Condominium Sales and Our Countermeasures
4. Updates on the Progress of Our Mumbai, India Business
5. Balancing Growth Investments and Returns to Shareholders and Employees, as well as Progress in Strengthening Corporate Governance

1. Office Rent Increases to Outpace Rising Interest Rates

We have long prepared for the risk of rising interest rates by lengthening borrowing terms and fixing interest rates. However, as the rise in interest rates has become more pronounced since last year, a key challenge will be whether we can secure rent increases for our office buildings at levels sufficient to absorb the impact.

Rent growth in the Tokyo office market driven by tightening supply-demand conditions

At present, vacancy rates in the Tokyo office market have declined significantly, and companies with strong demand for additional space are competing for the limited remaining vacant space.

As a result, market rents continue to rise. The average rent on new leases for the Company's office buildings in the most recent six-month period (the second half of FY2025) increased by approximately 10% year on year. In addition, for rent revisions in FY2025, nearly all tenants accepted rent increases, with increases exceeding 20% at the high end and averaging in the 7% range.

A major shift from the deflationary era to the inflationary era, entering a phase of sustained rent growth

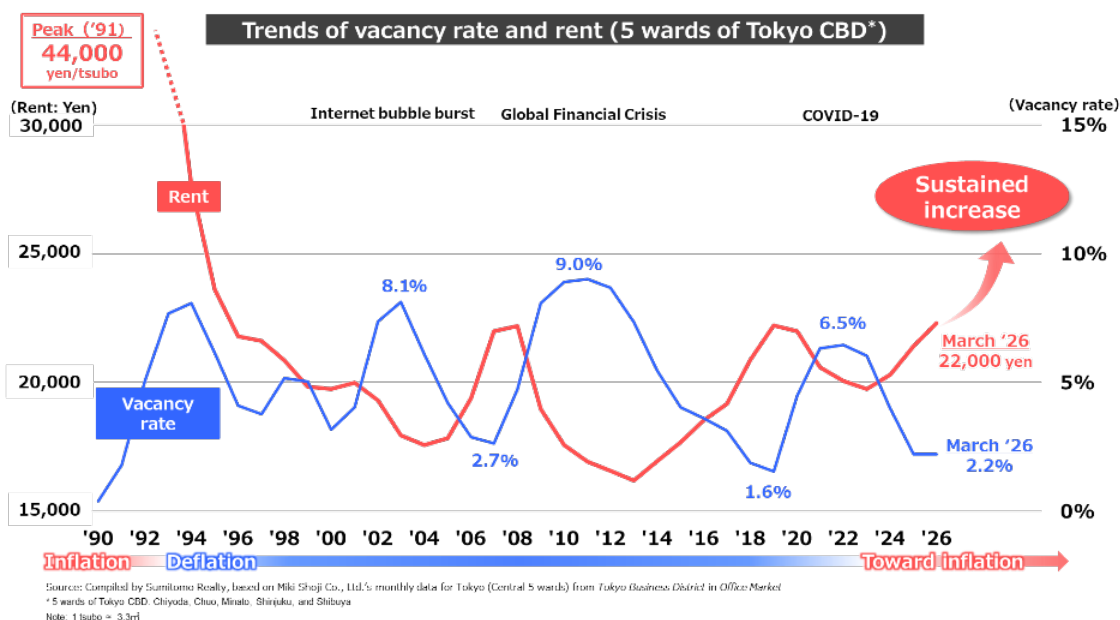
The Tokyo office market has entered a full-fledged phase of rent growth, driven by a sharp decline in vacancy rates and a major shift from Japan's "lost three decades" of economic stagnation and deflation to an inflationary era. Looking back, the average office rent in Tokyo's five central wards peaked at 44,000 yen per tsubo* per month in 1991, but even today, 35 years later, it remains only around 22,000 yen per tsubo per month. We believe that the recent rise in rents is only the beginning and that rents will continue to increase on a sustained basis going forward. (* one tsubo is roughly 3.3m²)

As the No. 1 office owner in terms of gross floor area in central Tokyo, we are best positioned to benefit from rising rents. We therefore believe that we can absorb the impact of higher interest rates and achieve further earnings growth.

Comparison with peak rents (1991) in 5 wards of Tokyo CBD*

	(Yen/tsubo)					
	Tokyo CBD	Chiyoda Ward	Chuo Ward	Minato Ward	Shinjuku Ward	Shibuya Ward
1991	44,000	49,000	46,000	44,000	40,000	36,000
			▼			
2026	22,000	24,000	20,000	22,000	20,000	25,000

Source: Miki Shoji Co., Ltd.'s monthly data for Tokyo (Central 5 wards) from Tokyo Business District in Office Market
 *5 wards of Tokyo CBD: Chiyoda, Chuo, Minato, Shinjuku, and Shibuya
 Note: 1 tsubo = 3.3m²



2. Measures to Address Soaring Construction Costs and Extended Construction Periods

Amid rising labor and material costs and extended construction periods, there have been cases at other companies in which, for large-scale projects such as redevelopment, project plans had to be significantly revised and, in some cases, projects were even abandoned. By contrast, we leverage our long-standing partnership with general contractors and subcontractors to keep construction costs at reasonable levels and shorten construction periods efficiently.

Long-standing partnerships with general contractors and subcontractors

When selecting construction contractors, it is common practice to request quotations from multiple contractors shortly before construction begins. By contrast, we share the project objectives and schedules with general contractors and subcontractors from the land acquisition stage, and hold repeated discussions on the project plan, including construction costs. This approach enables us to avoid design specifications beyond project requirements, one-sided design decisions made without sufficient regard to cost, and construction schedules imposed unilaterally, thereby minimizing cost increases and substantially reducing the risk of projects becoming derailed.

No change to our development policy for 600,000 tsubo in central Tokyo

Although construction costs are rising, as noted earlier, rent levels have also been on a sustained upward trend, and we will therefore continue to pursue the development of 600,000 tsubo in central Tokyo.

3. Outlook for the Business Environment for Condominium Sales and Our Countermeasures

In the Tokyo metropolitan area, the annual supply of new condominium unit has declined sharply from a peak of 100,000 to around 22,000 in recent years. This trend reflects rising land prices due to the increasing difficulty of acquiring sites for condominium development, as well as the rise in construction costs noted earlier. In addition, concerns over construction delays and further price increases due to material shortages stemming from heightened tensions in the Middle East have made a stable supply of condominiums across the industry increasingly uncertain.

Three years' worth of completed inventory: a valuable asset

We have an inventory of more than 6,000 completed units*—equivalent to roughly three years' worth of supply—enabling us to maintain a stable supply for the next several years. For more than 20 years, since the days when selling out units prior to completion was the industry norm, we have maintained disciplined pricing, refraining from indiscriminate price cuts even after completion. Based on our belief that completed inventory is not unsold stock but rather a “valuable asset,” we have secured profitability by taking the time to sell each unit while allowing customers to inspect the actual completed buildings. This “valuable asset” has become increasingly important in supporting stable future supply and profitability, particularly at a time when heightened tensions in the Middle East are raising concerns about construction delays.

As for the units scheduled for delivery in FY2026, most had already been contracted as of the beginning of the fiscal year, and our sales efforts are now focused primarily on units scheduled for delivery in FY2027.

* Includes contracted units scheduled for delivery from FY2026 onward.

Strengthening the residential lot sales business

Anticipating a future decline in the supply of newly built condominiums, we launched City Garden, a new brand offering residential lots together with custom homes, in February 2026. We plan to supply more than 300 lots annually, primarily in areas surrounding central Tokyo.

4. Updates on the Progress of Our Mumbai, India Business

We will invest a total of approximately 1 trillion yen, including investments already made, over the next 10 years or so, with the aim of positioning Mumbai, India, as our major business hub alongside Tokyo.

(1) BKC Project 1

- Construction is progressing smoothly toward completion this fall. In addition, approximately 70% of the tenant space has already been pre-leased or pre-committed, and the project is expected to generate a yield of over 10%.
- As a foothold for Japanese companies entering India, we have established flexible workspace available from a single seat, and have already received expressions of interest from more than 70 prospective tenants. In addition to office leasing, we also support Japanese companies expanding into India through services ranging from arrangements for housing and vehicles to consultation on day-to-day living matters. Through these efforts, we will strive to contribute to the growth of Japanese companies in Mumbai and, in turn, to the development of the Indian economy.

(2) BKC Project 2

- Construction has already commenced, and completion is scheduled for 2029.

(3) BKC Projects 3 and 4

- Leveraging the development experience gained from Projects 1 and 2, we will work to shorten the time required for design, permitting, and construction, and aim to commence construction at an early date.

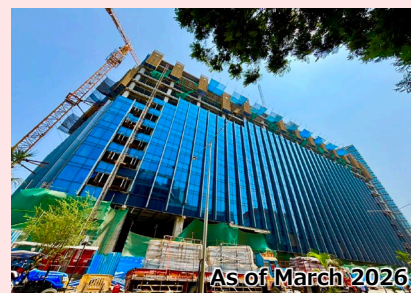
(4) Worli (A project of exceptional scale in Mumbai)

- We are steadily making preparations for construction to commence, including project planning and consultations with the relevant authorities. In addition, due in part to changes in external conditions such as road widening, the gross floor area is now expected to increase from approximately 310,000 tsubo to approximately 355,000 tsubo.

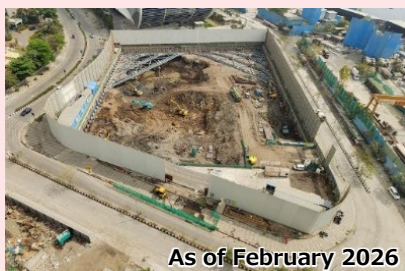
Development sites
for BKC Projects 1 to 4



Project 1



Project 2

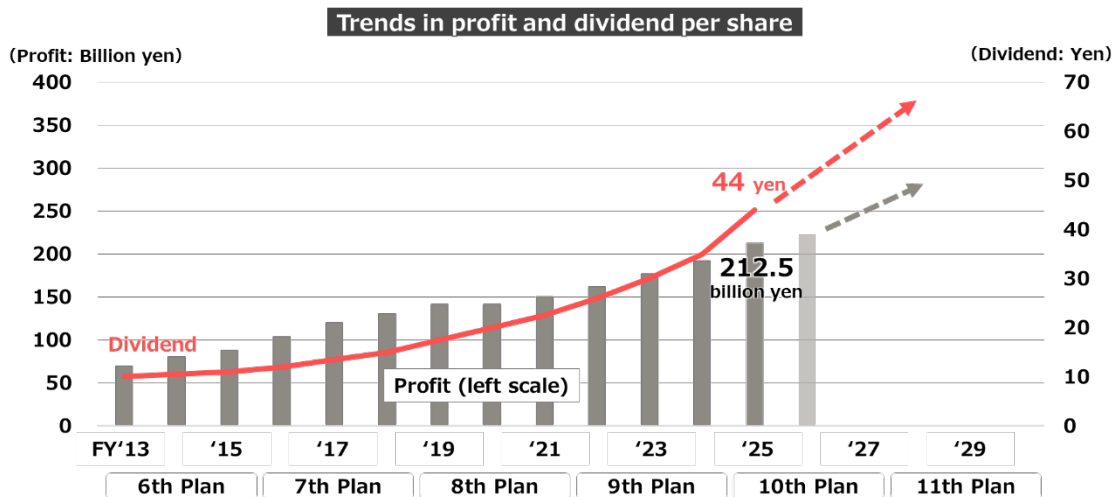


5. Balancing Growth Investments and Returns to Shareholders and Employees, as well as Progress in Strengthening Corporate Governance

The foundation of our management is the “Management Strategy for Sustainable Growth.” Under our policy of “No investment, no growth,” we will continue to actively pursue growth investments, including 600,000 tsubo in central Tokyo and 500,000 tsubo in Mumbai, India.

Continuing our policy of progressive dividend increases of 8 yen or more until the dividend payout ratio reaches 35%

As a result of the steady expansion of our annual cash flow, we have entered a stage where we can both expand growth investments and enhance shareholder returns without increasing debt. We will continue our policy of progressive dividend increases of 8 yen or more until the dividend payout ratio reaches 35%.



FY2025 dividend increased by 9 yen (from 35 yen to 44 yen) due to stronger-than-expected earnings

As profit for FY2025 exceeded our plan, we will increase the previously planned annual dividend increase from 8 yen to 9 yen by adding 1 yen to the FY2025 year-end dividend, raising it from 35 yen to 44 yen per share. From next fiscal year onward, we will maintain our commitment to a progressive annual dividend increase of 8 yen and strive to achieve further earnings growth to accelerate the pace of dividend increases.

Dividend increase

	FY2021	FY2022	FY2023	FY2024	FY2025 (Forecast)	FY2025 (Result)
Profit	150.5 Billion yen	161.9 Billion yen	177.2 Billion yen	191.7 Billion yen	210.0 Billion yen	212.5 Billion yen
Dividend per share*	22.5 yen (45 yen)	26 yen (52 yen)	30 yen (60 yen)	35 yen (70 yen)	43 yen (86 yen)	44 yen (88 yen)
Increase*	2.5 yen (5 yen)	3.5 yen (7 yen)	4 yen (8 yen)	5 yen (10 yen)	8 yen (16 yen)	9 yen (18 yen)

* Figures in () indicate amounts on pre-stock split basis.

As one Group, taking on the challenge of enhancing corporate value through proactive returns to employees

The stock compensation plan to reward long service and dedication, newly established for employees of Sumitomo Fudosan Housing Co., Ltd. in December 2024, has since been expanded across the Group and now covers 10,000 of the Group’s 14,000 employees. In addition, in March 2026, in order to return the benefits of the share repurchase, we made a special grant of points that can be used to acquire the Company’s shares to employees eligible for this plan and to members of the employee stock ownership association. By broadly sharing the benefits of stock price appreciation with our employees, we will work as one Group to further enhance corporate value.

Progress in preparations for the transition to a Company with an Audit and Supervisory Committee in 2027

To date, we have steadily advanced reforms to our management system in order to separate management supervision and execution, including reducing the number of internal directors, increasing the number of outside directors, and introducing and expanding the executive officer system. At this year's General Meeting of Shareholders, we plan to submit a proposal for the transition to a Company with an Audit and Supervisory Committee scheduled for June 2027. Following the transition, outside directors are expected to constitute a majority of the Board.

		Internal	Outside	(The ratio of outside directors)	
Jun. 2015	Appointed outside directors in response to the requirement	10	2	(17%)	
Apr. 2020	Introduced an executive officer system	8	2	(20%)	
Jun. 2023	Increased the number of outside directors to three	6	3	(33%)	
Jun. 2025	Reduced the prescribed number of directors from 12 to 9 Shortened the term of office for directors from 2 years to 1 year	5	3	(38%)	
Nov. 2025	Established a nominating committee* (voluntary) *One internal director and two outside directors	Same as above	Same as above	(Same as above)	
<i>New</i>	Feb. 2026	Increased the number of outside directors to four** **Proposal to be submitted for approval at the next AGM in late June 2026	5	4	(44%)
<i>(Planned)</i>	Jun. 2026	Submit a proposal for the transition to a Company with an Audit and Supervisory Committee scheduled for 2027	Same as above	Same as above	(Same as above)
<i>(Planned)</i>	Jun. 2027	Transition to a Company with an Audit and Supervisory Committee A majority outside directors on the Board	—	—	(Majority)

Clear path to the sale of strategic shareholdings, with proceeds to be used for our Sustainable Growth

Following a year of intensive negotiations with the issuers, at the end of FY2025, we placed shares of 56 issuers, with an acquisition cost of 82.2 billion yen (equivalent to an approximate market value of 288.2 billion yen), into a trust for orderly disposition. As a result, the ratio of the book value of strategic shareholdings to shareholders' equity went down to 7.8% as of the end of March 2026. This allowed us to achieve our target of reducing the ratio to 10% or less by the end of March 2028 two years ahead of schedule. Toward our target of share sales totaling 400 billion yen on a market value basis, we now have a clear path to achieving approximately 340 billion yen, including roughly 50 billion yen sold in FY2025. The proceeds from the share sales will be allocated to growth investments, including in our India business, while the gains on the sales will be used to strengthen our resilience against further increases in interest rates, thereby contributing to our sustainable growth.

[Announcement Regarding Introduction of a Scheme for Sale of Listed Securities through a Trust](#) (announced on December 15, 2025)

[Announcement Regarding Entering into a Trust Agreement for the Sale of Listed Securities](#) (announced on February 6, 2026)

Adjusted ROE exceeds 10%; we aim to maintain or improve it through further profit growth

Our current adjusted ROE* is 10.6%. We will aim to maintain and improve ROE by continuing to steadily increase office leasing revenue, our stable source of earnings, without relying on one-off gains from asset sales, thereby delivering steady and strong profit growth.

* Adjusted ROE: ROE calculated using equity excluding unrealized gains on securities holdings, which can fluctuate significantly with stock market movements, as the denominator.

