

FY2021 Business Unit IR Meeting

What We Aim to Be and Our Growth Strategy

Living Related & Real Estate Business Unit

December 2, 2021

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To: 16:00

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01

Overall Unit Vision and SHIFT 2023 Growth Strategy

**Nobuki Ando, Managing Executive Officer and
General Manager, Living Related & Real Estate Business Unit**

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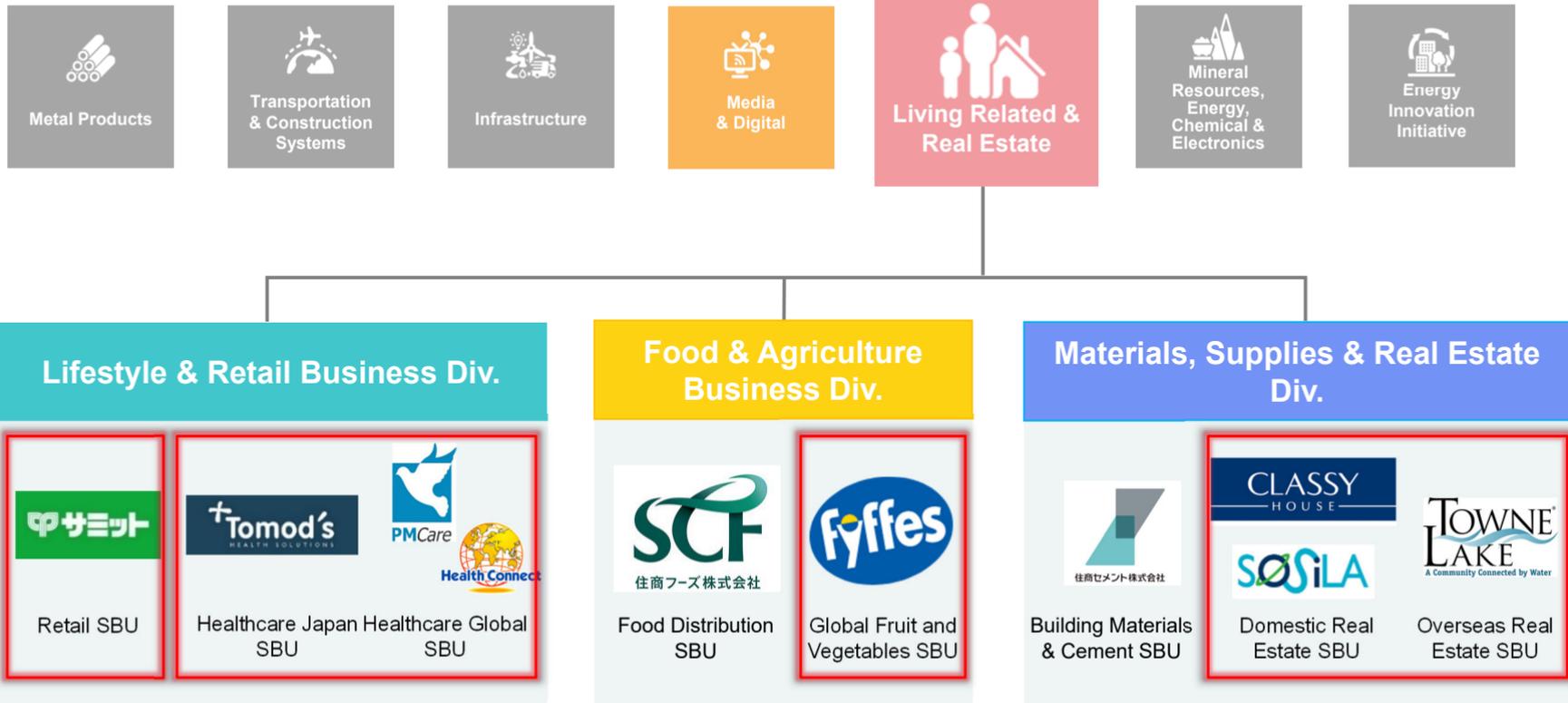
Business Unit Vision

Vision

“We meet global consumers demand with our products and services and create new distinctive values and lifestyles for more comfortable and exciting lifestyles.”



Business Unit Organization



Environment Surrounding Business Unit

Div.	SBU	Environment
Lifestyle & Retail Business	Retail	Diversification of purchasing styles and rise of e-commerce platforms
	Healthcare Japan	Increase in medical costs due to aging population and demand for treatment/prescription at home and online medical consultations
	Healthcare Global	Rise in healthcare needs centered on emerging countries
Food & Agriculture Business	Food Distribution	Rising raw material and supply chain costs and greater interest in SDGs (food loss, greenhouse gases, respect for human rights, etc.)
	Global Fruit and Vegetables	Increase in transportation and material costs and greater interest in SDGs
Materials, Supplies & Real Estate	Building Materials & Cement	Rising raw material costs and response toward reducing emission of greenhouse gases
	Domestic Real Estate	Changes in real estate needs arising from changes in working styles and lifestyles and attention on domestic real estate as stable assets and investments
	Overseas Real Estate	Changes in real estate needs arising from changes in working styles and lifestyles

SHIFT 2023 Business Unit Growth Strategy

1

Expansion of core businesses

- Accelerate collaboration between retail and food distribution businesses
- Establish system with view of steady growth in real estate business and promote further management of the balance sheet

2

Value creation in core businesses

- Steadily turn around global fruit and vegetables and other businesses

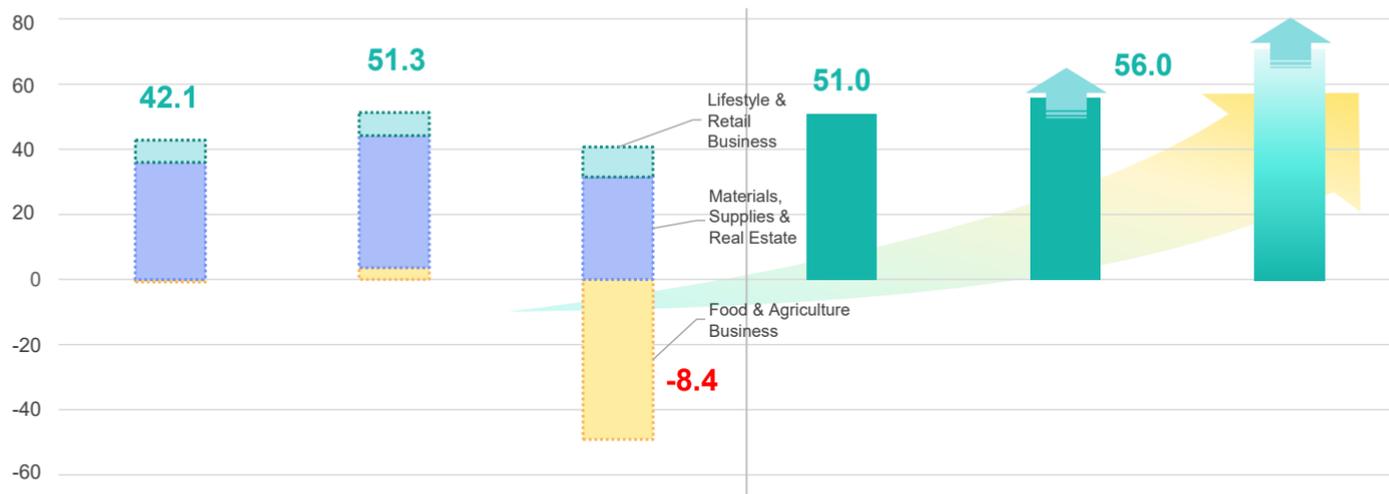
3

Take on challenges in growth fields responding to changes in social structure

- Promote growth strategy fields such as retail DX and healthcare businesses

SHIFT 2023 Business Unit Quantitative Plan

(Unit: billions of yen)



(Unit: billions of yen)

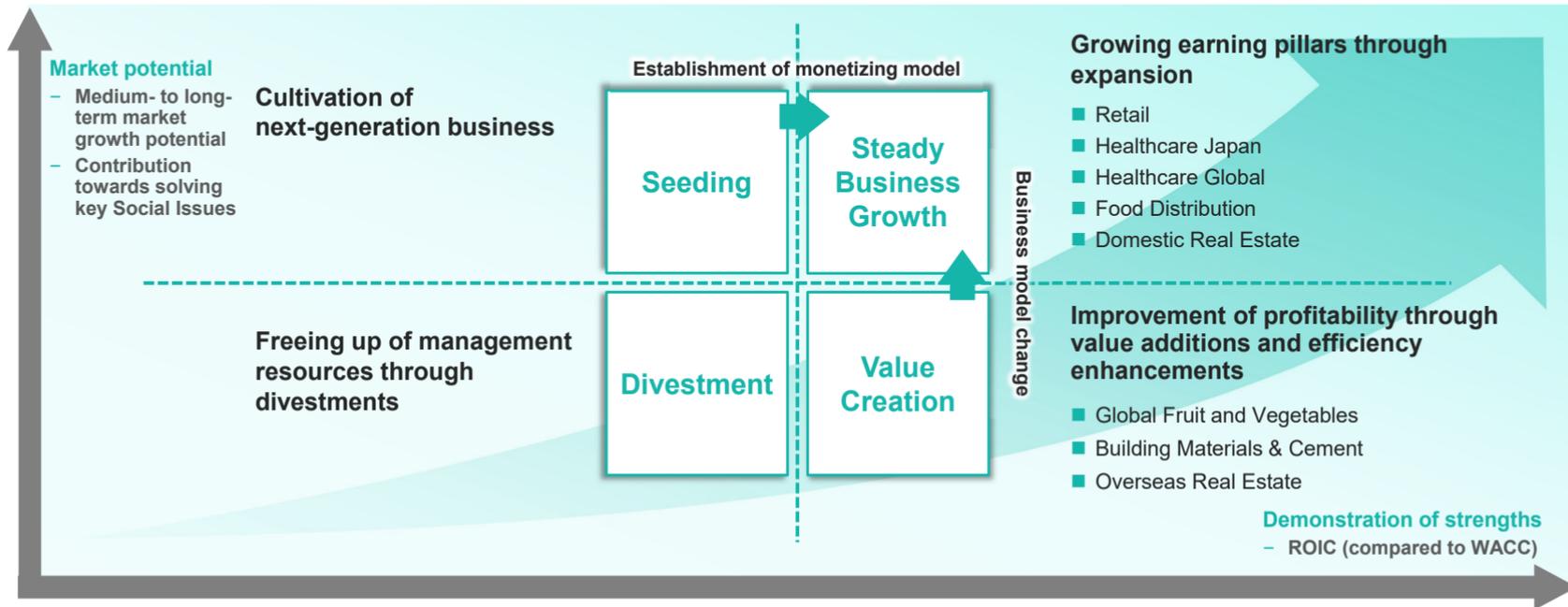
	FY2018 results	FY2019 results	FY2020 results	FY2021 forecast	FY2022 plan	FY2023 plan
Profit for the year	42.1	51.3	-8.4	51.0	56.0	—
excl. one-off profits/losses	41.6	48.7	37.0	—	—	—
One-off profits/losses	0.5	2.6	-45.4	—	—	—

Individual SBU Strategies

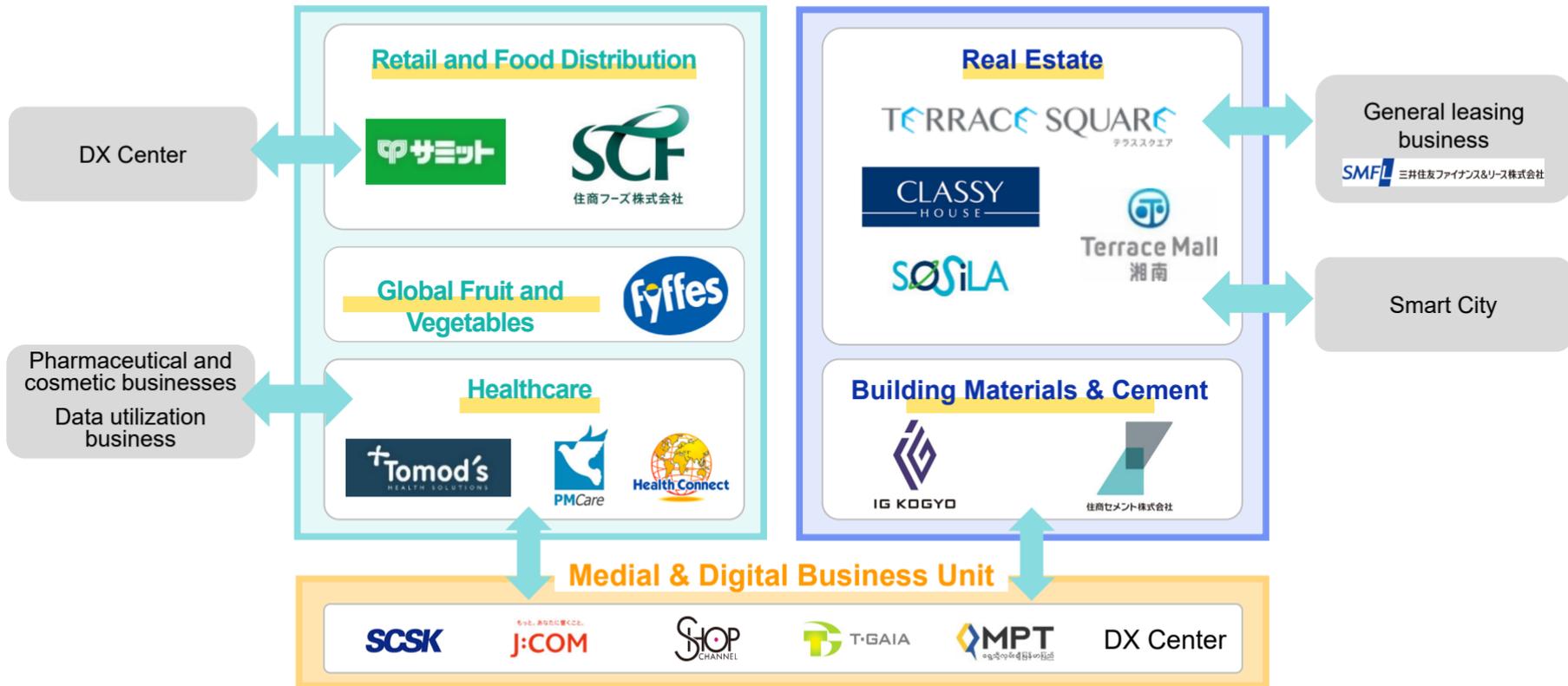
Div.	SBU	Main businesses	SBU strategy
Lifestyle & Retail Business	Retail	Summit	Further expand Summit's business foundation and utilize digital transformation (DX)
	Healthcare Japan	Tomod's	Expand business foundation of Tomod's, expand and evolve dispensing pharmacy business, and focus on comprehensive regional care market
	Healthcare Global	PMCare HealthConnect	Expand management base of managed care business, add digital healthcare function, and enhance peripheral businesses
Food & Agriculture Business	Food Distribution	SC Foods	Further strengthen fields that SC Foods is strong in, deepen consolidated management, and enhance collaboration with retail business
	Global Fruit and Vegetables	Fyffes	Steadily implement turnaround plan
Materials, Supplies & Real Estate	Building Materials & Cement	IG Kogyo S.C. Cement	Enhance collaboration with real estate business
	Domestic Real Estate	Office buildings, retail facilities, residences, logistics facilities and real estate funds	Further accumulate new prime assets in strategic areas and utilize external fund
	Overseas Real Estate	Office buildings, residences, logistics facilities and master-planned-community	Rebuild portfolio

Business Portfolio SHIFT

- ✓ Further grow pillars of steady business growth and seek business value creation through value additions and efficiency enhancements



Improving Value Addition through Collaboration between Core Businesses



Sustainability Initiatives



Overview of Individual SBU Presentations

01

Retail SBU

- Enhance Summit's business foundation
- Undertake retail DX
- DX concept cutting across the industry for retail and consumers

02

Healthcare Japan SBU and Healthcare Global SBU

(Domestic)

- Expand business foundation of Tomod's and expand and evolve dispensing pharmacy business
- Focus on comprehensive regional care market

(Overseas)

- Expand foundation of managed care business
- Add digital healthcare function and enhance peripheral businesses

03

Global Fruit and Vegetables SBU

- Shift business model by steadily implementing turnaround
- Enhance sustainability initiatives

04

Domestic Real Estate SBU and Overseas Real Estate SBU

(Domestic)

- Shift toward highly efficient assets
- Utilize external fund

(Overseas)

- U.S.: Office buildings, apartments, master-planned-community, and logistics facilities
- Asia: Condominiums and office buildings

02

Retail SBU

Hiroki Takeno, Executive Officer and General Manager, Lifestyle & Retail Business Div.

Part 1: Current Business Environment **P.14**

Part 2: SHIFT 2023 Growth Strategy **P.15-18**

Part 3: Toward Sustainable Growth **P.19**

Current Business Environment

1 Abundant market in Tokyo metropolitan area and Asia

- The world-leading area in terms of the number of households and expenditure on food
- Asian Market is expected to grow in the future

2 Changes in lifestyles

- Diversification of purchasing styles and expand of non-store e-commerce market including perishables.
- Need for promoting emotional value based on consumer demands

3 Expansion of business creation opportunities with DX

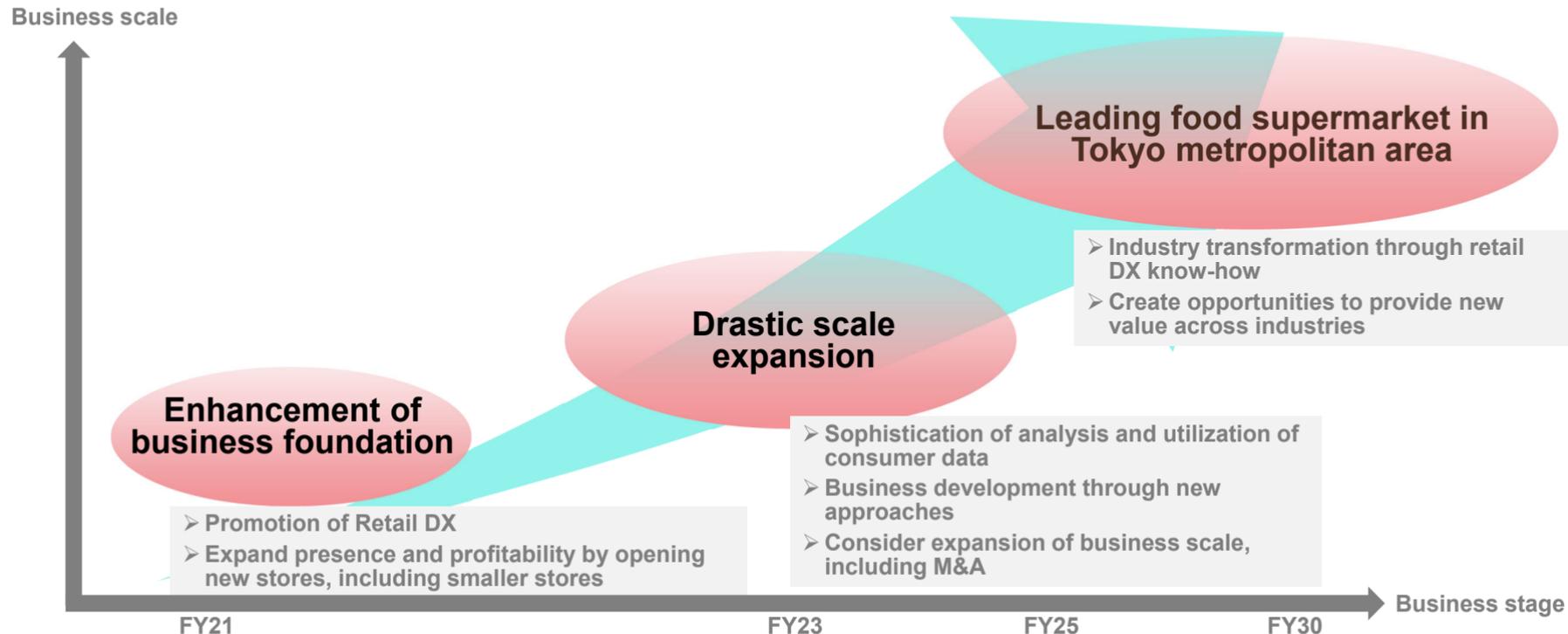
- Promotion of operational efficiency through retail DX and creation of new services with data utilization
- Sophistication of data marketing and rise of D2C businesses

SHIFT 2023 Goal

Expand earnings base of existing businesses and strive to create new businesses in Japan and Asia by providing high-quality products and services using advanced technologies

SHIFT 2023 Growth Strategy - Domestic Supermarket Business -

➤ In the domestic supermarket business, which is the core of Retail SBU, the following strategies will be promoted.

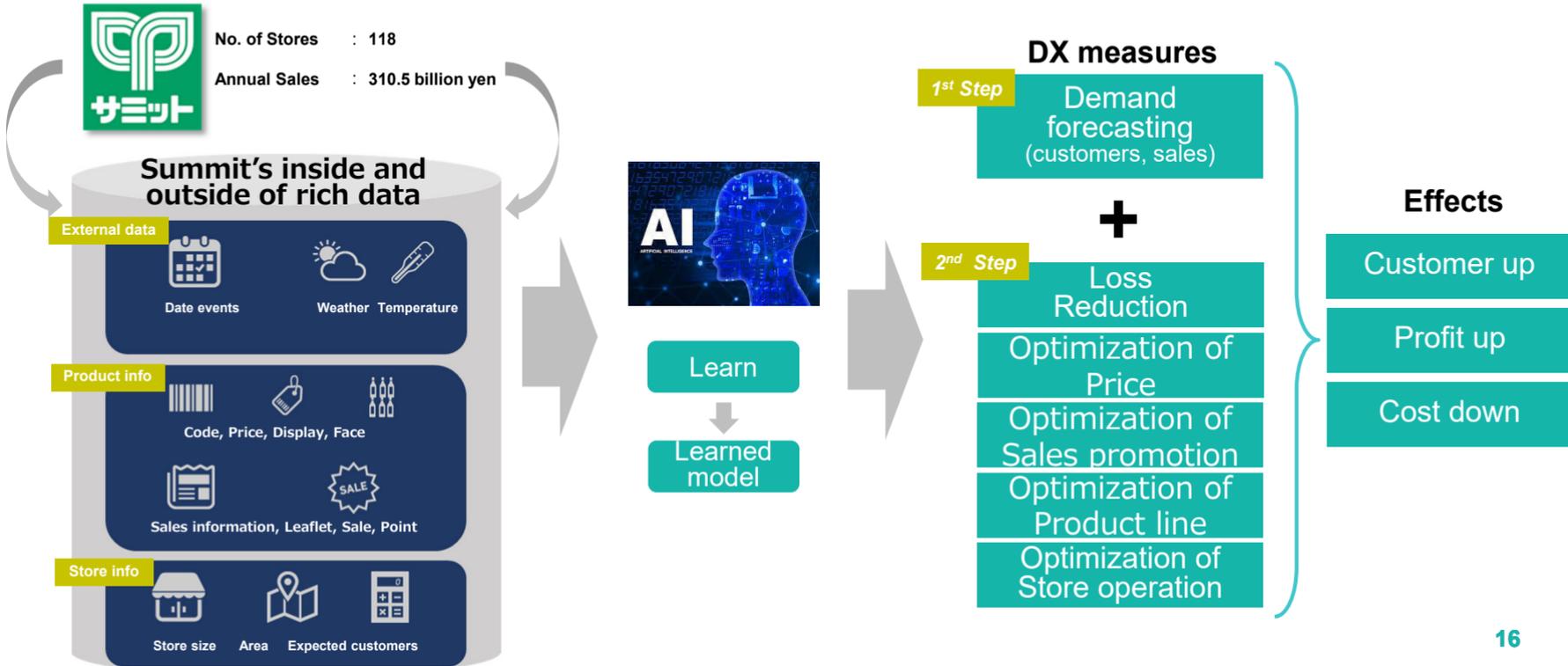


Retail DX(Pursuit of Operational Excellence)

Abundant data obtained from Summit's business foundation

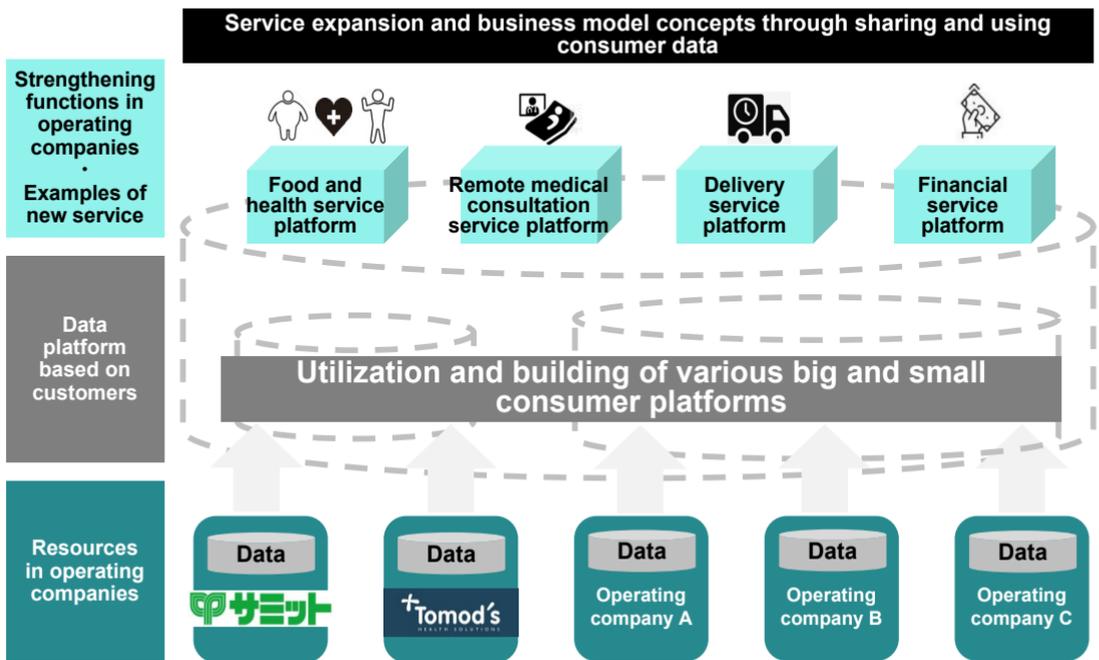
AI machine learning using data and output based on algorithm

DX measures and improvement effect from optimized data output



Retail DX (Consumer Data Collaboration & Function Enhancement Measures)

- Combine data from various companies to build a variety of big and small consumer data platforms
- Achieve companywide ripple effect by sharing and using consumer data, enhancing services, and deepening business model

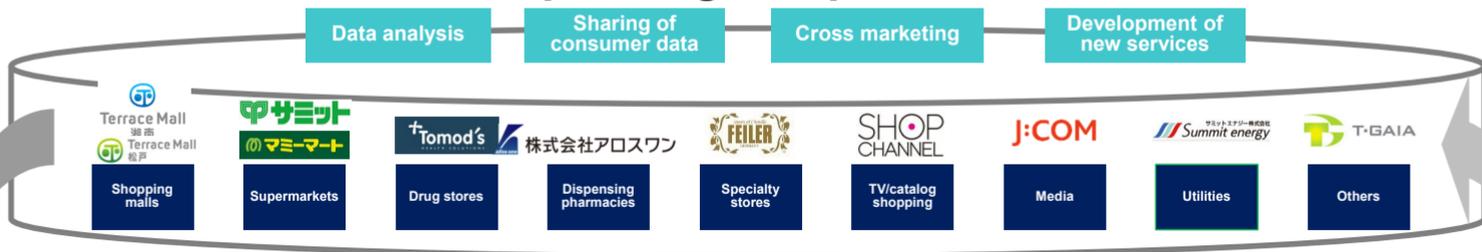


No. of stores as of October 31, 2021

Summit: 117 Tomod's: 224

DX Concept Cross-Industry for Retail and Consumers

Collaboration of consumer data utilization platforms by our operating companies



Collaboration

Collaboration

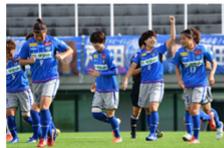
Development of new services, evolution of business models, and achievement of cross-industry DX

Deepen platforms and evolve business models through collaboration with external companies



Toward Sustainable Growth - Initiatives Related to SDGs -

- The Retail SBU will further promote the following SDGs-related initiatives based on GO GREEN challenge statement established by Summit as the theme of social issues to be tackled in light of SDGs.



Achieve net zero CO₂ emissions by 2050

- Promoting use of renewable energy, such as replacing refrigeration equipment and introducing some solar power generation equipment
- Reduction of environment burden by improving logistics efficiency



Coexist with local communities

- Supporting Sfida Setagaya FC, a team in the women's soccer Nadeshiko League Division 1
- Organizing Summit Farm Harvest Tours
- Functional demonstration as infrastructure supporting community life

Contribute to a healthy society of longevity based on food and health

- Introducing health communication corner "Kenkomi"
- Supporting healthy development of children through food



Encourage environmentally friendly procurement and use

- Reduction of food loss by purchasing entire harvests from farmers
- Selling environmentally friendly vegetables and herbs grown in stores
- Conducting tree planting activities at "Summit's forest" in Tabayama Village, Yamanashi Prefecture

Create environments where everyone can work with vigor

- Improving work-life balance
- Promoting diversity and inclusion
- Creating rewarding workplace inspiring motivation

03

Healthcare Japan SBU and Healthcare Global SBU

Hiroki Takeno, Executive Officer and General Manager, Lifestyle & Retail Business Div.

Part 1: The Healthcare Market Environment P. 21

Part 2: Healthcare Business Initiatives P. 22

Part 3: SBU Initiatives P. 23-27

The Healthcare Market Environment

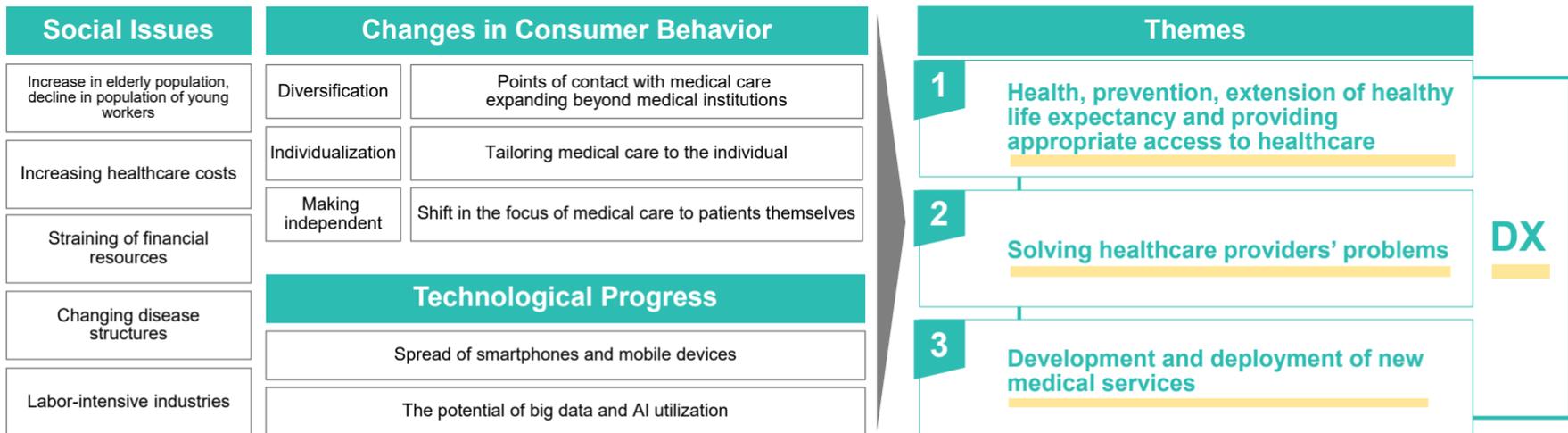
Establishing a sustainable healthcare system that helps improve people's Quality of Life

Improving individual Quality of Life

- Extending healthy life expectancy; pre-disease state and prevention
- Improving medical care, etc.

Establishing a sustainable healthcare system

- Optimizing healthcare costs
- Reconstructing the healthcare system (mechanism) of medical providers (medical institutions, dispensing pharmacies, healthcare professionals), etc.



Healthcare Business Initiatives in the Lifestyle & Retail Business Div.

Themes

1 Health, prevention, extension of healthy life expectancy and providing appropriate access to healthcare

2 Solving healthcare providers' problems

3 Development and deployment of new medical services

DX

Living Related & Real Estate Business Unit (Lifestyle & Retail Business Div.)

Healthcare Japan SBU

- ✓ Improving management efficiency through Tomod's and dispensing pharmacy chains
- ✓ Comprehensive regional care



Healthcare Global SBU

- ✓ Strengthening foundation of managed care business and developing new businesses
- (Clinics, digital health, distribution of pharmaceuticals, etc.)

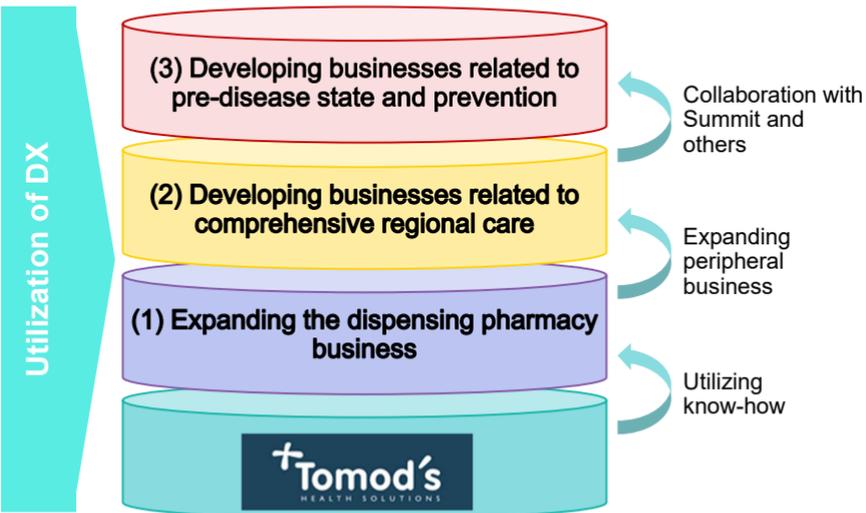


[Reference] Media & Digital Business Unit, Mineral Resources, Energy, Chemical & Electronics Business Unit

- | | | |
|--------------------------------------|---|---|
| ✓ Health data utilization businesses | ✓ Pharmaceuticals/pharmaceutical raw material trade | ✓ Therapeutic apps |
| ✓ Medical DX support businesses | ✓ U.S. pharmaceutical business | ✓ Cosmetics material sales/ Cosmetics ODM |
| ✓ Genome-related businesses | ✓ Support for drug discovery | |

Working toward a Tomod's-centered business that helps improve the QOL of consumers

<Healthcare Japan SBU Initiatives>



(3) Developing businesses related to pre-disease state and prevention



- ✓ “Kenkomi,” the health communication corner, launched by Sumit and Tomod's
*Health data x Health advice from experts ⇒ Changes in customer behavior



- Self-checks using health measurement devices
- Health advice from Tomod's nutritionists
- Suggestions about food ingredients and recipes; nutritional counseling

(2) Developing businesses related to comprehensive regional care



- ✓ Promote investment in solution providers (Investment in online medical consultation system providers, etc.)

(1) Expanding the dispensing pharmacy business

- ✓ Aggressive M&A of dispensing pharmacies (Approx. 90 pharmacies acquired in total)

Healthcare Global SBU Initiatives

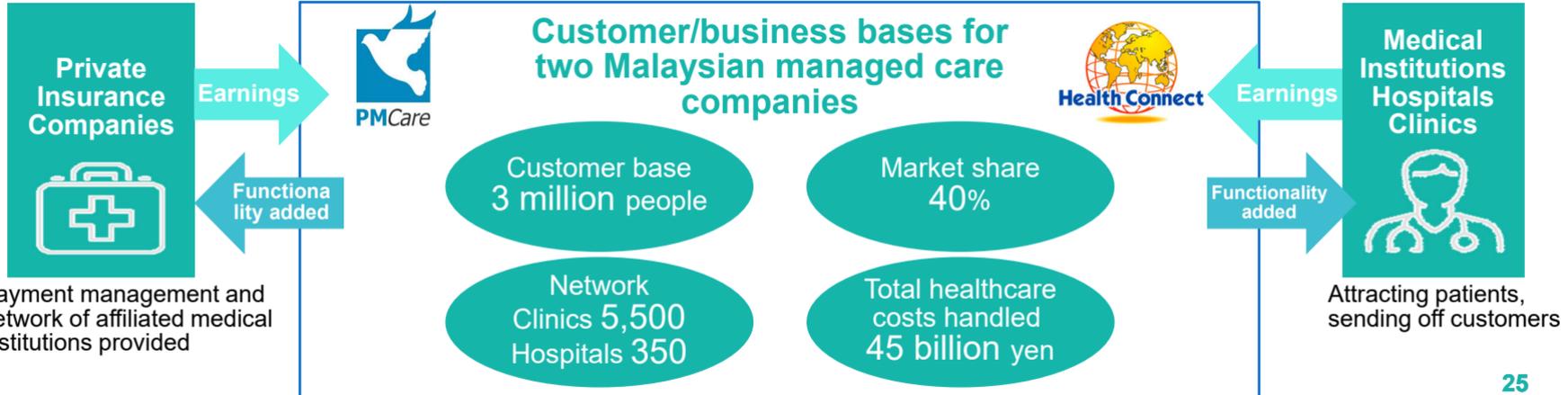
Aim to reduce healthcare costs and improve efficiency by strengthening the foundations of the managed care business and expanding into peripheral businesses

Distribution
of
pharmaceuticals

Clinic
chains

Digital
Healthcare

Expanding into peripheral businesses utilizing the managed care business base



Healthcare Global SBU Initiatives

Expanding the management base of the managed care business

Adding digital healthcare (DX) functions and strengthening peripheral businesses

Number of members: Approx. 3 million

Healthcare cost handled: Approx. 45 billion yen

Number of cooperating institutions: Approx. 6,000 medical institutions (Nationwide coverage: 70%)

Private insurance companies and corporations



Medical institutions
Hospitals/clinics

Medical payment management
Online medical consultations and medicine dispensing
Reduction in and analysis of healthcare costs
Business support for insurance companies

Attracting patients, sending off customers
Business support for medical institutions
Distribution of pharmaceuticals, etc.

Members and patients

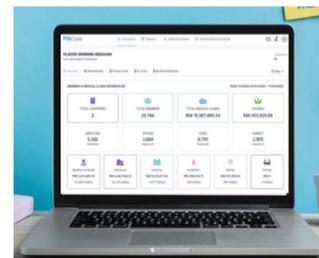


Prevention and health management
Health promotion program
Medical and health apps

[Medical and health apps]

[Online medical consultation and medicine dispensing]

[Healthcare cost analysis tools]



04

Global Fruit and Vegetables SBU

Kei Sato, Managing Executive Officer and General Manager, Food & Agriculture Business Div.

Part 1: The Business Environment

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Part 2: Future Strategy

P. 30-31

Part 3: Sustainability Initiatives

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Overview of Fyffes Business

- Fyffes is a fruit and vegetable producer and wholesaler with the largest sales share in the European banana market.
- Under a new management structure, the company will work to improve value enhancement under SHIFT 2023.

Company Profile

- Business description: Production and wholesal of fresh produce in Europe and the United States
- Established: 1888 (acquired by the Company in February 2017)
- Products: Bananas, Pineapples, Melons
- Net sales: 1,367 mil. EUR (Dec. 2020)

Change in Management System (FY2020)

- July 2020: New CEO
Helge Sparsoe was appointed to the new CEO.
- January 2021: Organizational restructuring
North American mushroom business transferred from Fyffes to a direct subsidiary of ours.

Market Share by Product



European market

Bananas No. 1 share

Pineapples No. 3 share

The Americas market

Bananas No. 4 share

Pineapples No. 4 share

Melons No. 1 share

(1) Financial Results and Progress of Medium-term Management Plan

- Aiming for a solid turnaround after an impairment loss in FY2020.
- All businesses has been performing well in FY2021(high probability of achieving the forecast).

Financial Results (Equity in earnings) (Billions of yen)

FY2017 Results*1	FY2018 Results	FY2019 Results	FY2020 Results*2	FY2021 Full-year Forecast (Nov)
0.1	-2.9	1.5	-47	0.8
One-off losses	(-2.0)		(-38)	

Impairment loss of approx. 38 billion yen

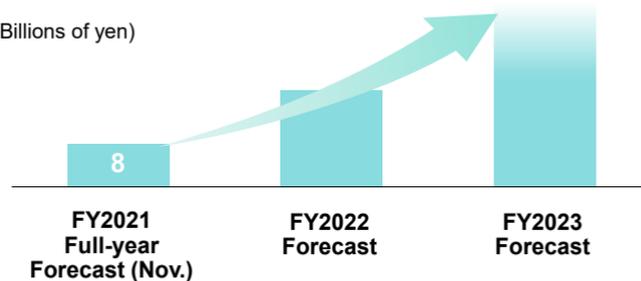
Business	Amount	Background Details
Bananas & Pineapples	23 bil. yen	Competitive market conditions of the banana distribution business in Europe
Melons	5 bil. yen	Decline in demand due to COVID-19
Mushrooms	10 bil. yen	Increase in production costs due to COVID-19

*1 Disclosures start from Q4 FY2017.

*2 Equity profits/losses are for the period from January 2020 to March 2021 (15 months) due to a change in the consolidation period. Does not include the mushroom business results from January 2020 onward.

Medium-Term Management Plan Progress

(Billions of yen)



[FY2021 Business Conditions]

Banana & Pineapple Business

- Market conditions favorable in the first half of the fiscal year, the period when demand is high.
- In the second half of the fiscal year, passing on cost increases including the ocean freight will be the key issue.

Melon Business

- The U.S. market recovered in Q1, and performance was strong.
- The new season will start from late Q3.

(2) Value Enhancement

- Strengthen business foundations through structural reforms and promote cost reductions.
- Change business model from a price appeal model to a value proposition model.

Formulate growth strategies and promote structural reforms

Improving the business management system

- Forming an executive team that includes the CEO

Optimizing the organization and personnel

- Organizational consolidation and reorganization

Global standardization

- Establishing an HR strategy
- Formulating a sustainability policy

Selection and concentration

- Withdrawal from unprofitable markets



Shifting business models

Sustainability Initiatives

- Fyffes published its first Sustainability Report in July 2021.
- Formulated a sustainability strategy in line with the UN SDGs and set main areas of focus.

Key Social Issues	Fyffes Area of Focus	Fyffes Quantitative/Action Targets	
Mitigation of Climate Change	Stewardship for the Planet	Reduction in greenhouse gas emissions	2025: 25% reduction in Scope 1 and 2 emissions per kg of fruit handled compared to FY2020.
Circular Economy		Reduction in water consumption	2025: Introduce water management plan at all company facilities.
		Packaging replacement	2025: Introduce compostable, recyclable, and reusable packaging for all products.
Healthy Food for Healthy Lives	Healthy Food for Healthy Lives	Food loss	2025: Collaborate with partners to provide five million meals to communities. Educate three million people about eating habits and food loss reduction. 2030: 80% reduction in food loss across all company operations. Develop one new product for each core product.
Respect for Human Rights	Enriching People's Lives	Raising awareness about human rights	2025: Provide training about freedom of association to 90% of employees. (Provide to all managers by 2021) 2030: Provide human rights training to all supply chain personnel. (Provide to own employees and managers by 2025)
		Gender equality	2025: Apply gender equality program to all employees at own facilities in Latin America. (2030: Also apply to 50% of suppliers) 2030: Eliminate gender pay gap in own operations.
		Work environment	2025: Zero accidents resulting in serious injuries or death on the job.
Developing Local Communities and Economies		Contributing to local communities	2030: Contribute to the social and economic resilience of communities near own farms by implementing projects in four key domains (nutrition, gender, climate change, and education).

05

Domestic and Overseas Real Estate SBUs

Director Hiroaki Murata, General Manager, Materials, Supplies & Real Estate Div.

Part 1: The Current Business Environment

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Part 2: Future Business Strategy

P. 37-41

Part 3: Introduction to Overseas Real Estate Business

P. 42-43

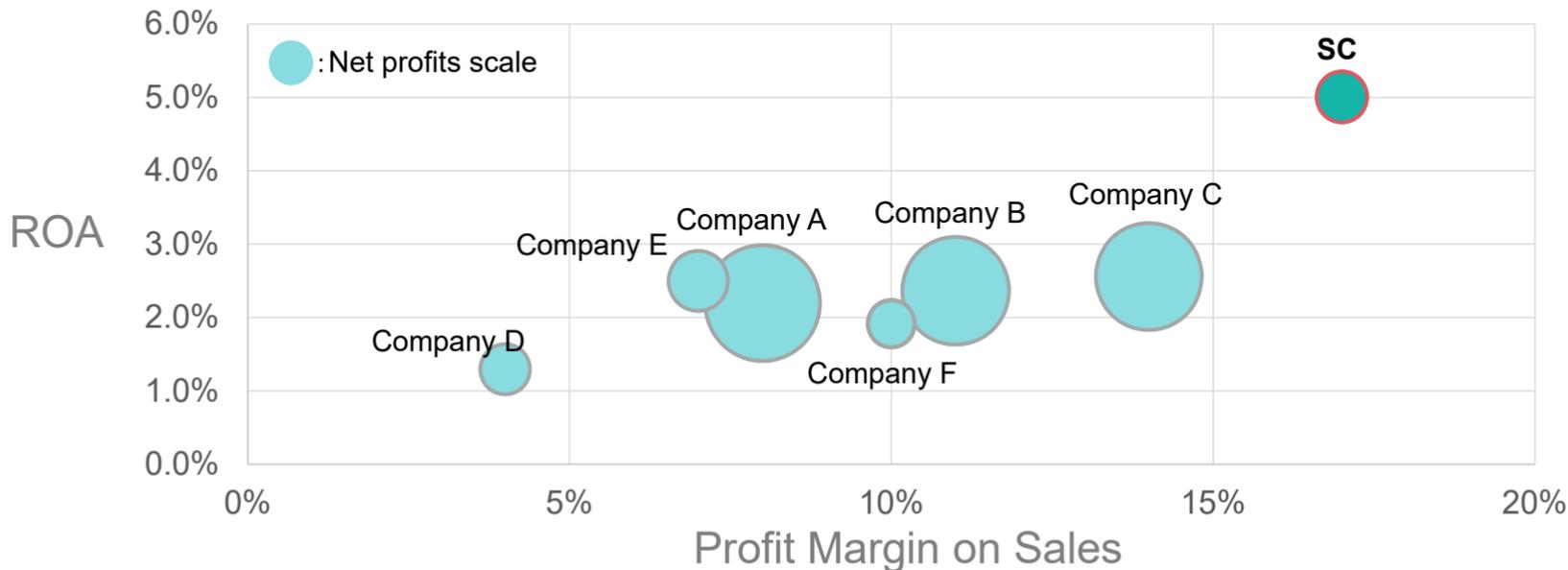
Business Environment Per Asset and Understanding of Current Situation

- The table below shows our understanding of the current business environments for each of our assets and our policies.
- In terms of total assets, we will maintain the status quo for offices and residential portfolio, carefully assess investment targets for Retail Facilities, and increase the asset for Logistics Facilities and Asset Management business.

Asset Type	Market and Current Situation	Action Plan	Plan for Increasing Assets
Offices	<ul style="list-style-type: none"> Review office strategy due to the spread of telework. Vacancy rates are rising and rents are falling in some places. 	<ul style="list-style-type: none"> Replace prime fixed assets. Promote short-term turnover in the mid-size office development and sales business (PREX). (A certain amount of buffering for vacancy predictions/rent declines is expected in the business plan) 	 Maintain current status
Retail Facilities	<ul style="list-style-type: none"> Decline in urban retail sales due to decline in inbound tourism The effect of the spread of e-commerce on brick-and-mortar store sales. A gradual recovery is expected starting next fiscal year. The actual demand-type NSC show resilience. 	<ul style="list-style-type: none"> Take a wait-and-see approach to facilities that depend on inbound tourism. Actively promote suburban BTS (build-to-order development). 	 Partial corrective measures
Residential Facilities	<ul style="list-style-type: none"> The housing market is strong in both the condominium sale and rental sectors. Customer demand is changing due to the spread of telework. There is a sense that the market for condominiums for sale in central Tokyo is overheating. 	<ul style="list-style-type: none"> The condominium business is expected to be buffered against a decline in unit sales prices. Build a diversified asset portfolio that includes student dormitories and nursing homes. 	 Maintain current status
Logistics Facilities	<ul style="list-style-type: none"> Both the Tokyo metropolitan area and the Kansai metropolitan area are performing well. Demand is expected to remain solid into the future. The competitive environment is growing fiercer due to the entry of other companies into the same industry. 	<ul style="list-style-type: none"> Given the solid demand, we will increase the logistic asset portfolio to expand our Logistics REIT. 	 Increase
AM Business	<ul style="list-style-type: none"> There is a sense that the distribution and residential sectors are overheating, but this has settled down and stabilized. There is uncertainty in office sector, so we are taking a wait-and-see approach for the time being. The retail business has returned to pre-COVID levels. The hotel business is expected to recover starting next fiscal year. 	<ul style="list-style-type: none"> The AM business is a fee-based business and remains relatively stable even during a recession. Work to increase AUM. 	 Expand (AUM)

Position of Our Real Estate Business (Net profit, ROA, Total assets, comparison with competitors)

- **High efficiency** (ROA, return on sales) compared to other real estate developer in Japan.
- **Profit scale is at the same level as that of the second-tier players in the industry.**

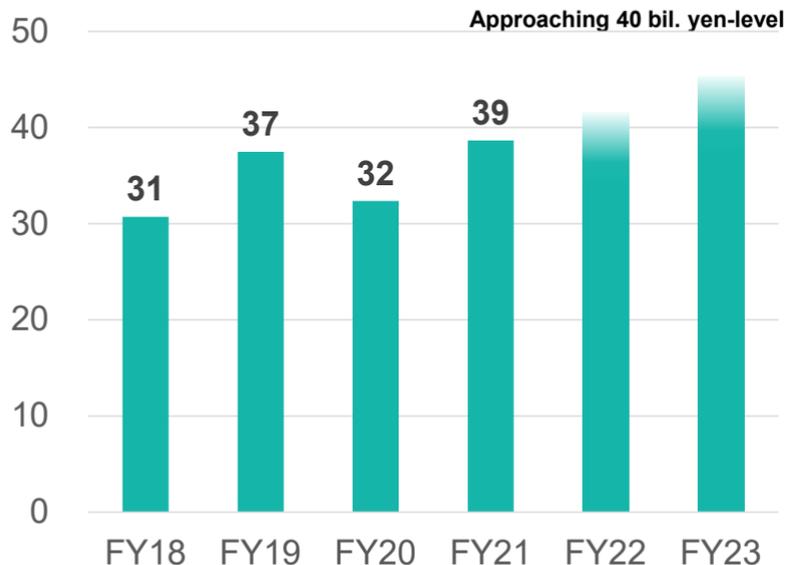


* Company results are based on the FY2018-2020 average based on publicized data.

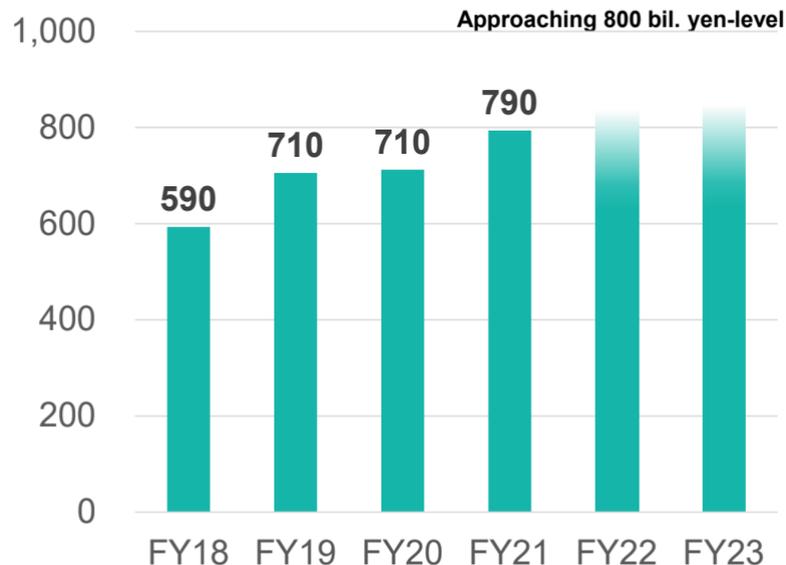
Profit/Asset Plan

- In the previous medium-term management plan, we achieved net profit of over 30 billion yen. In the **second half of the current medium-term management plan**, we expect to achieve profits of over **40 billion yen**.
- Assets, which amounted to about 700 billion yen at the end of the previous medium-term management plan, will rise to around **800 billion yen by the end of the current medium-term management plan**.

■ Net profit [Unit: billions of yen]



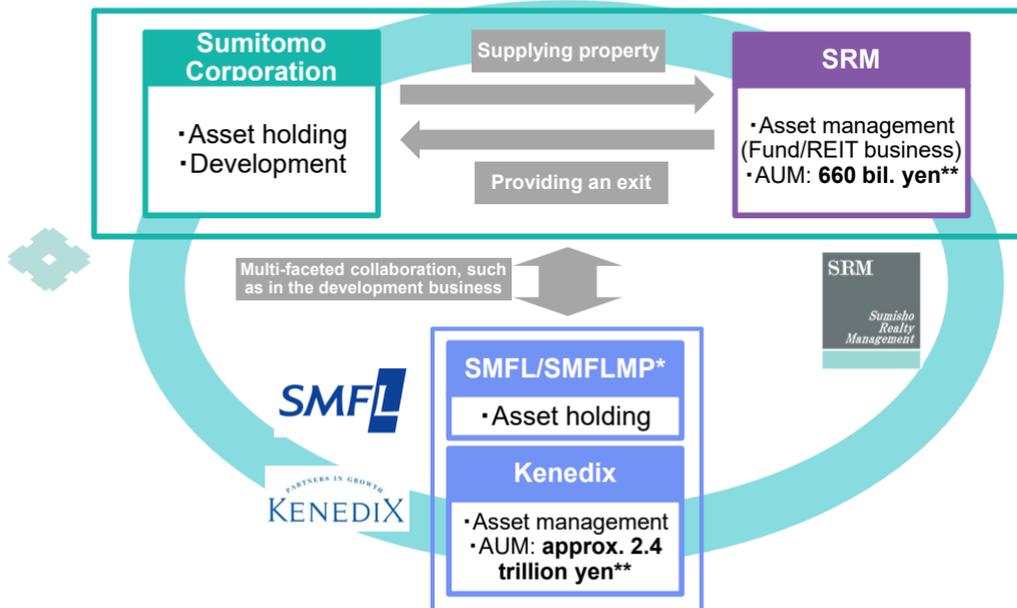
■ Total assets [Unit: billions of yen]



Shifting to Highly Efficient Assets and Utilizing External Funds

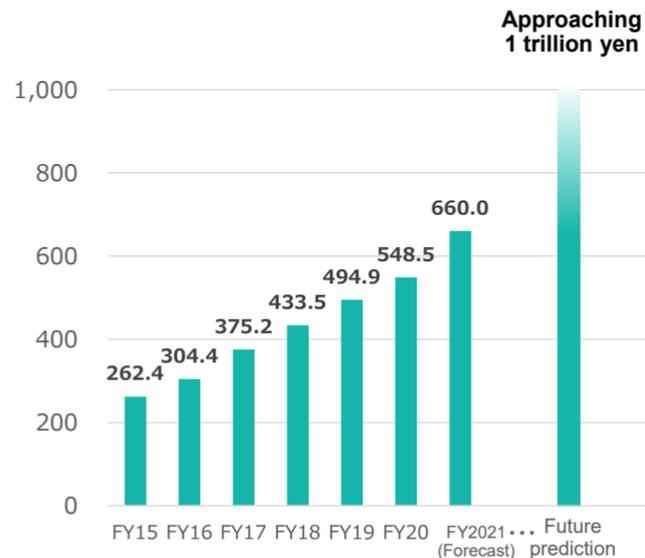
- In addition to increasing the number of prime assets containing high added value, we will shift our portfolio to more efficient assets.
- In addition to steadily increasing the assets under management (AUM) of Sumisho Realty Management (SRM), we will aim for an **AUM of about 1 trillion yen** and look toward inorganic growth as well.
- Promote B/S management through collaboration with Sumitomo Mitsui Finance and Leasing (SMFL) and the asset management business (Sumisho Realty Management).

■ Overview of System of Cooperation



■ SRM AUM (Assets Under Management)

[Unit: Billions of yen]



* SMFL MIRAI Partners Co., Ltd., a subsidiary of SMFL
 ** SRM's AUM is a forecast for the end of FY2021.
 Kenedix's AUM figure is as of the end of September 2021.

Area Strategy

Offices

- Increase the number of prime assets (mainly offices), with a focus on **Kanda/Takebashi (Tokyo)**, **Kyobashi (Tokyo)**, and **Yodoyabashi (Osaka)**.



[Legend]
 ●: PRX Series
 ●: Rental office space, etc.

Logistics Facilities

- In the Tokyo and Kansai metropolitan areas, we will increase assets in last mile* areas close to consumer areas and in the Tokyo metropolitan suburban areas where actual demand is firm.



* The last phase of delivery in which products are carried from logistics facilities to end users

Major Large-scale Projects (1)

■ **KANDA SQUARE (In operating)**



■ **Yodoyabashi West Area Redevelopment Project (Under development)**



■ **Olympic Athletes' Village Project (Under development)**



Major Large-scale Projects (2)

■ SOSiLA Yokohama Kohoku (In operation)



■ Nakano Station Shin-Kita Exit Project (Being planned)



ESG Initiatives

■ Promoting acquisition of various environmental certifications

We promote the acquisition of CASBEE, DBJ Green Building, LEED, BELS, and other environmental certifications for office buildings, logistics facilities, and real estate fund projects.



■ Improvements to disaster prevention functions in local communities

In the complexes and commercial facilities that we develop, we promote the development of functions* that enhance the disaster prevention capabilities of local communities.
(* Installation of disaster prevention bases, stockpile warehouses, emergency power generators, etc.)



■ Considering development of ZEH-M (Zero Energy House Condominiums)

We completed our registration as a “ZEH-M Developer” so that we can promote the development of ZEH*. We will aim to commercialize ZEH-M projects in the future.
(* ZEH: Abbreviation for ZERO ENERGY HOUSE)

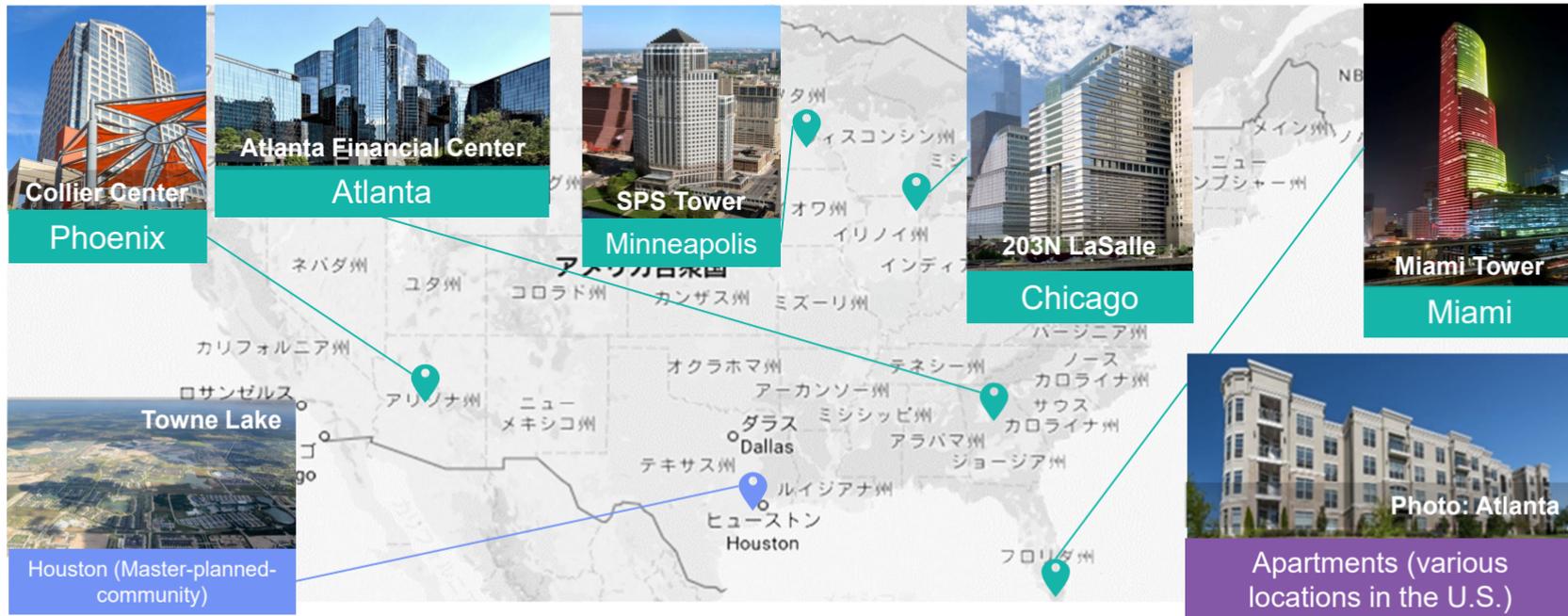


■ Introducing renewable energy to fixed assets we own

Continuously improve energy efficiency by installing the latest equipment in new buildings and upgrading existing buildings while promoting the introduction of renewable energy.

Overseas Real Estate Business (The U.S.)

- Expand with a focus on **The U.S. and Asia.**
- In the U.S., invest in offices, apartments, master-planned-community, and logistics facilities.



Overseas Real Estate Business (Asia)

- In Asia, we are focusing on **condominiums and offices**.

