

# Sumitomo Realty & Development



We have been consistently addressing our governance concerns with Sumitomo Realty & Development. It is great to see that the management team is finally opening up to governance improvements and not renewing the poison pill is a major milestone

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### Engagement rationale

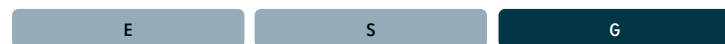
Sumitomo Realty & Development (Sumitomo) is a leading real estate company in Japan, mainly active in the office and condo business in Japan and has a market capitalisation of approximately €13 billion. Sumitomo is known for its high-quality office developments in the Tokyo CBD.

### Background

When we initiated our engagement in 2016, Sumitomo lagged on many corporate governance aspects including having a poison pill, a lack of independent board members, a high average age of the board members and a lack of succession planning.

### Theme for engagement

Governance



### Development

Positive

### Milestone



### Engagement objectives

With our engagement, we focused on the following corporate governance aspects:

- Poison pill**  
Sumitomo could activate the poison pill to block any possible takeover of the company.
- Board independence**  
Sumitomo has 12 board members; 10 insiders and 2 affiliated outsiders.
- Board succession planning**  
When we initiated the engagement, the chairman and 2 affiliated board members were 86, 79 and 75 years old respectively and a clear succession plan was lagging.
- Annual re-election**  
Board directors fail to seek annual re-election

### Engagement results

Since 2016 we have reached out to Sumitomo every year to seek for an update on a possible roadmap for future corporate governance improvements. Sumitomo never saw the need to make any improvements. The company was unable to give any commitment to future improvements or to provide a future roadmap and hence decided to put the company on our avoidance list ever since and hence never invested in it.

However, during its full year results announcement in May 2024, the company decided not to renew its poison pill at the next update in June 2025 and started meeting with domestic and foreign investors again after several years of abstinence. We judge this as a major improvement in the governance and management access. Accordingly, we decided to remove Sumitomo from the avoidance list.

### Next steps

We closed this long-standing engagement successfully. But we will continue to engage with Sumitomo on all the other governance improvements we see.

### Company

Sumitomo Realty & Development

### Country

Japan

### Sector

Real Estate

### Market cap

13bn EUR

### Materiality

Improving the corporate governance structure of the company and make it more shareholder friendly.

### ESG Research

MSCI ESG Rating: A  
Sustainalytics: 21,5 (medium risk)

### Engagement initiated

Q2 2016

### Latest update

Q2 2024

### Kempen Fund

None



GARDEN Tower (Completion: Oct 2002)



Sumitomo Fudosan Roppongi Grand Tower (Completion: Oct 2016)



Shinjuku Sumitomo Building (Completion: Mar 1977, Renovated: Jun 2020)