

Medium-Term Management Plan

In the fiscal year ended March 31, 2016, the Sumitomo Forestry Group's net sales surpassed 1 trillion yen for the first time. Since then, our Group has continued to expand the scale of the business in Japan and overseas, with overall performance driven by M&A and business growth in the Global Housing, Construction and Real Estate Business. Under the Medium-Term Management Plan "Mission TREEING 2030 Phase 1," our Company is building a foundation for future growth and contributing to decarbonization.

Long-Term Vision

Mission TREEING 2030

~Making our planet safer and more secure for future generations~

Target for recurring income in 2030: 250.0 billion yen

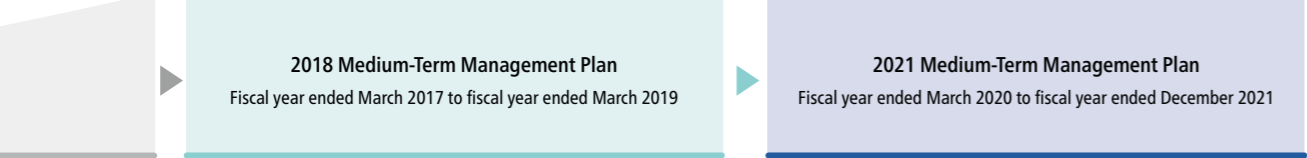
Current Medium-Term Management Plan

Mission TREEING 2030 Phase 1

Fiscal year ended December 2022 to fiscal year ending December 2024

Review of Previous Medium-Term Management Plans

	2018 Medium-Term Management Plan Fiscal year ended March 2017 to fiscal year ended March 2019	2021 Medium-Term Management Plan Fiscal year ended March 2020 to fiscal year ended December 2021
Basic Policies	<p>Promoting change for a new stage Also implementing reform of corporate climate to further solidify business foundation</p> <p>Pursuing a strategy that anticipates societal changes</p> <ul style="list-style-type: none"> Expansion of the overseas business Utilization of (domestic) timber Expansion of the elderly care business Expansion of the resources/energy business <p>Diversifying revenue sources in the global market</p> <ul style="list-style-type: none"> In the housing/real estate business, establish a structure for a total of 8,000 houses, 5,000 in the United States and 3,000 in Australia, including via new region entry and M&A. Development of a sustainable afforestation business that takes biodiversity conservation and local communities into account while keeping an eye on global timber demand. <p>Transforming the value of wood</p> <ul style="list-style-type: none"> Creation of new wood value 	<p>Promoting creation and growth of new businesses based on future-oriented business strategies</p> <p>Promoting future-oriented business strategies for further growth</p> <ul style="list-style-type: none"> Acceleration of the development and creation of businesses serving as pillars of Group profits by rolling out strategies that anticipate the times and customer needs. <p>Strengthening the management base for sustainable growth</p> <p>Improvement of the financial standing</p> <ul style="list-style-type: none"> Tie previous investments to results. Generate free cash flows over three-year period (cumulative). <p>Improvement of organizational capabilities</p> <ul style="list-style-type: none"> Engage in thorough risk management by strengthening governance. Promote diversity management and also focus on work style reform and human resources development. <p>Accelerating R&D and technological innovation utilizing timber</p> <p>Achievement of W30 Plan (30m wooden high-rise buildings)</p> <ul style="list-style-type: none"> Aim for achievement by end of FY21/12. <p>Business labor saving and efficiency</p> <ul style="list-style-type: none"> Utilization of ICT, including BIM and robotics. <p>Acceleration of technological innovation</p> <ul style="list-style-type: none"> Increase in number of personnel in IT Solutions Division by 20% compared to March 31, 2019. <p>Promoting further integration of business operations and ESG initiatives</p> <ul style="list-style-type: none"> Promotion of integration with business, including further consideration for the environment and strengthening of governance, along with enhancement of disclosures from a medium- to long-term perspective.
	Review	<ul style="list-style-type: none"> Recurring income for the fiscal year ended March 31, 2018 was 55.6 billion yen*1, achieving the target for the fiscal year ended March 31, 2019 ahead of schedule. Although recurring income for the fiscal year ending March 2019 was slightly below the initial plan, performance is on track to build a business structure facilitating consistent recurring income of 55 billion yen. <ul style="list-style-type: none"> Net sales: 1,308.9 billion yen (+138.9 billion yen vs. target) Recurring income: 54.8 billion yen*1 (-0.2 billion yen vs. target) Growth in renewable energy businesses, such as wood biomass power generation. Created the W350 Plan, a research and technology development concept for the construction of a wooden high-rise building 350 meters above ground. M&A and subsequent business growth in the Overseas Housing and Real Estate Business drove overall performance.



*1 Excluding the effect of actuarial differences

Three years for creating a foundation aimed at future growth and contribution to decarbonization

- Further growth of the Overseas Housing and Real Estate business, now a major earnings pillar, and recovery of earning power in Japan
- Three years to invest in the Environment and Resources business, at the core of decarbonization, and solidify our foothold, heading toward our long-term vision

Basic Policies	<p>Efforts to address decarbonization challenges using timber resources</p> <ul style="list-style-type: none"> Expand new businesses in Japan and abroad marketing the value of forests as a CO₂ sink Promote measures to boost competitiveness of domestic timber Expand medium- and large-scale wooden architecture business 	<p>Strengthening of the management base for sustainable growth</p> <ul style="list-style-type: none"> Promote digitalization Secure human capital and enhance HR development, and increase employee engagement Reinforce risk management
	<p>Promotion of a more resilient earnings base</p> <ul style="list-style-type: none"> Restore earning power of the Housing and Construction business and the Timber and Building Materials business as well as promote reforms based on future market changes Boost asset efficiency 	<p>Further integration of business operations and ESG</p> <ul style="list-style-type: none"> Steadily implement measures aimed at the achievement of RE100/SBT (Science Based Targets)
	<p>Acceleration of global expansion</p> <ul style="list-style-type: none"> Expand the housing and real estate business operations in the United States and Australia and create a profit base in Asia 	

Targets by Business Division	Key Initiatives
Timber and Building Materials	<ul style="list-style-type: none"> Rebuild overseas manufacturing business Investment in new businesses that can become future business pillars (domestic timber manufacturing including timber industrial complex, decarbonization business, promotion of DX, etc.)
Housing	<ul style="list-style-type: none"> Increase market share and streamline construction in custom-built housing business Expand the for-sale residential business, the non-residential business, the renovation business, etc.
Global Housing, Construction and Real Estate	<ul style="list-style-type: none"> Continue to grow the housing and real estate development business in the United States, Australia, and Asia Commercialize medium- and large-scale wooden construction business in non-residential segments in all markets including Europe
Environment and Resources	<ul style="list-style-type: none"> Expand forest management area in Japan and overseas
Lifestyle Services	<ul style="list-style-type: none"> Continue stable operation of nursing care business, etc.

* Effective January 2023, segment names were changed as follows: the Housing and Construction Business was changed to the Housing Business, and the Overseas Housing and Real Estate Business was changed to the Global Housing, Construction and Real Estate Business. In addition, the Construction Business has been transferred to the Global Housing, Construction and Real Estate Business.

Medium-Term Management Plan
Mission TREEING 2030 Phase 1
Fiscal year ended December 2022 to fiscal year ending December 2024

Medium-Term Management Plan

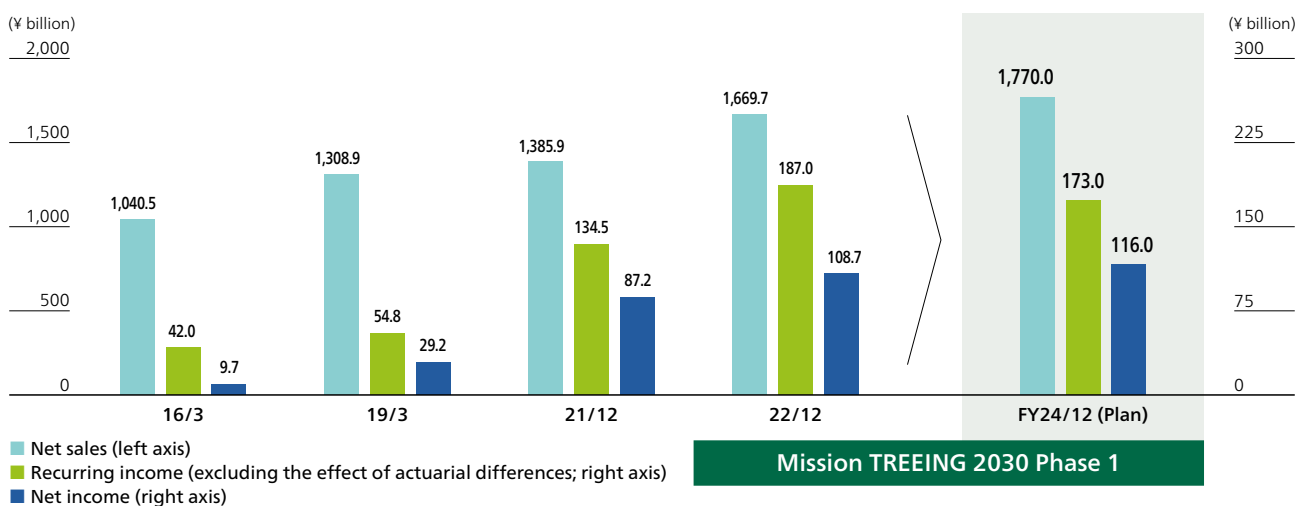
Progress of "Mission TREEING 2030 Phase 1"

Under the current Medium-Term Management Plan, the Sumitomo Forestry Group is working on various measures to build a foundation for the future. These measures are founded in five basic policies, which were developed with a focus on decarbonization, a more resilient earnings base, the acceleration of global expansion, a stronger management base, and the further integration of business operations and ESG. In the area of forests, the Group established Eastwood Forests, LLC in 2022, a forest asset management company in the United States to generate high-quality carbon credits. In the area of timber and building materials, land was acquired for the first project in Shibushi City, Kagoshima Prefecture, for the establishment of a timber industrial complex, and the Group is currently studying several other candidate sites across

Japan for the second and third projects. In the area of construction, Sumitomo Forestry launched a business to support carbon neutral design in the construction industry, and medium- to large-scale wooden construction is progressing steadily in the United States, Australia, and Europe. The Overseas area experienced an expansion into Florida in January 2023, which is a leading market in the United States, as well as the establishment of a wall panel and truss manufacturing plant to promote the FITP business, which aims to reduce costs, shorten construction periods, and reduce waste.

As for performance, for the fiscal year ended December 2022, net sales increased 20.5% from the previous year to 1,669.7 billion yen, and recurring income rose 41.6% to 195.0 billion yen.

Performance Targets



Segment Targets

	Net sales			Recurring income		
	FY22/12 result	Year-on-year change	FY24/12 (Plan)	FY22/12 result	Year-on-year change	FY24/12 (Plan)
Timber and Building Materials	273.7	+26.2%	264.0	14.9	+49.0%	11.5
Housing	533.5	+4.4%	547.0	15.9	-19.1%	32.0
Global Housing, Construction and Real Estate	848.7	+31.7%	954.0	161.3	+54.6%	129.0
Environment and Resources	21.9	-1.9%	26.5	1.4	-64.6%	4.0
Others	24.6	+2.5%	29.0	1.9	-35.7%	5.0
Adjustments	-32.7	-	-50.5	-0.4	-	-8.5
Total	1,669.7	+20.5%	1,770.0	195.0	+41.6%	173.0
				187.0	+39.1%	173.0

* Net sales and recurring income for the fiscal year ended December 2022 are based on the previous segment classification.

(Reference) Excluding the effect of actuarial gains and losses