

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 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.

Mission TREEING 2030

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



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 Department by 20% compared to March 31, 2019. <p>Promoting further integration of business operations and ESG</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*, 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. 	<ul style="list-style-type: none"> Achieved all numerical targets for the fiscal year ended December 2021, exceeding the plan in all target areas. <ul style="list-style-type: none"> Net sales: 1,385.9 billion yen (+125.9 billion yen vs. target) Recurring income: 134.5 billion yen*1 (+49.5 billion yen vs. target) Net income attributable to owners of parent: 87.2 billion yen (+39.2 billion yen vs. target) Steadily expanded business areas in single-family homes in the United States and Australia. Actions in the United States' real estate development business led to expansion of business scale and diversification. Worked to develop businesses with the potential to become pillars for the next generation through the expansion of wood biomass power generation facilities and the construction of new large-scale residential facilities for the elderly with living support services. Implemented capital increases through public offering and private placements to improve financial standing.

*1 Excluding the effect of actuarial differences

Current Medium-term Management Plan

	Mission TREEING 2030 Phase 1 Fiscal year ended December 2022 to fiscal year ending December 2024
Basic Policies	<p>Three years for creating a foundation aimed at future growth and contribution to decarbonization</p> <ul style="list-style-type: none"> Further growth of the Global Construction 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 <p>Efforts to address decarbonization challenges using wood resources</p> <ul style="list-style-type: none"> Develop new businesses domestically and internationally that pursue the value of forests as carbon sinks Promote initiatives that enhance the competitiveness of domestic wood Expand our medium- to large-scale wooden construction business <p>Promotion of a more resilient earnings base</p> <ul style="list-style-type: none"> Regain profitability of our housing business and our timber and building materials business and promote transformation that enables us to anticipate and respond to future market changes Improve asset efficiency <p>Acceleration of global expansion</p> <ul style="list-style-type: none"> Expand our housing and real estate business operations in the United States and Australia and create a profit base in Asia <p>Strengthen management base for sustainable growth</p> <ul style="list-style-type: none"> Promote digitalization Enhance the securing and nurturing of personnel and improve employee engagement Reinforce risk management <p>Further integration of business operations and ESG</p> <ul style="list-style-type: none"> Steadily implement initiatives to achieve RE100/SBTs (Science-Based Targets)
Targets by Business Division	<ul style="list-style-type: none"> 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 spec homes business, the non-residential business, the renovation business, etc. Global 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- to 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.
Review and Progress	<ul style="list-style-type: none"> Performance for the fiscal year ended December 31, 2023 greatly exceeded the initial forecast, as the Global Construction and Real Estate business drove overall earnings. Progress of the Medium-term Management Plan <ul style="list-style-type: none"> Although the market environment has changed significantly since the plan was formulated, i.e., the significant increase in mortgage rates in the U.S. housing market, the results for the fiscal year ending December 31, 2024 are expected to achieve the targets of the Medium-term Management Plan in terms of both net sales and recurring income. <ul style="list-style-type: none"> Net sales 2,065.0 billion yen (+295.0 billion yen compared to the target) Recurring income 173.0 billion yen (exactly as targeted) Net income attributable to shareholders of the parent company 105.5 billion yen (-10.5 billion yen compared to the target) <p>* Initial plan as of February 14, 2024.</p>

Medium-term Management Plan

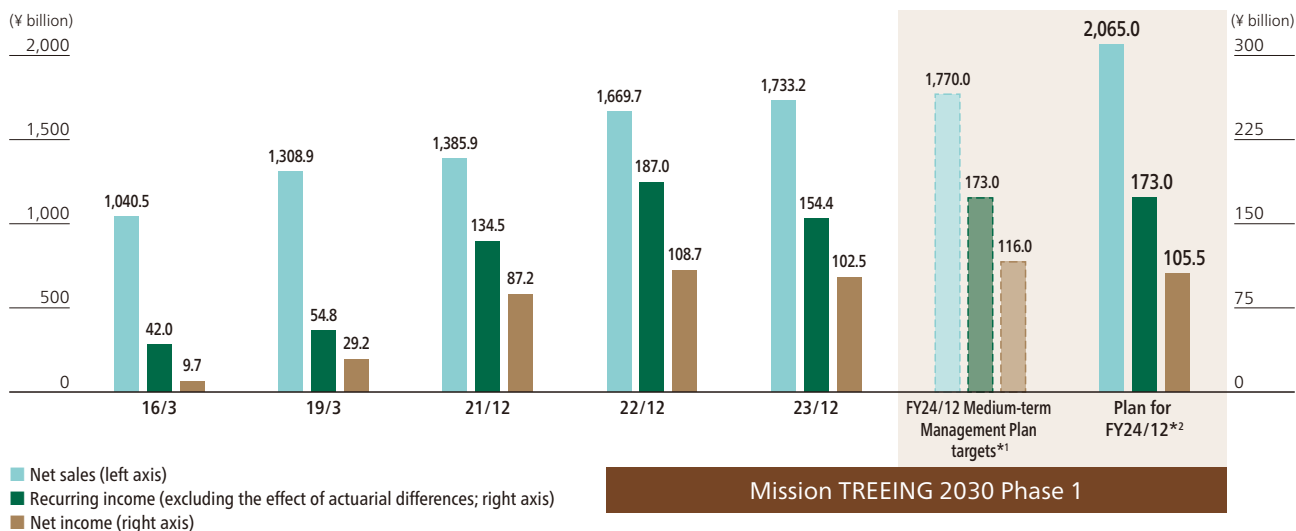
Progress of the Medium-term Management Plan and outlook for the final fiscal year

In the area of forests, in June 2023, we established and began operating the Eastwood Climate Smart Forestry Fund I, a forest fund in the United States with a total investment of 60.0 billion yen and a management period of 15 years. With the commencement of operations of this first fund, we have made progress in acquiring specific forest assets. In the area of wood, we are promoting initiatives for timber industrial complexes in Shibushi City, Kagoshima Prefecture and other locations in Japan, and in January 2024, we established a new Biorefinery Strategy Department with the aim of creating new businesses in areas that are expected to grow. In the area of construction, we have steadily accumulated a track record of projects using wood, such as medium- to large-scale wooden constructions in Japan and overseas, and we are continuing to promote the dissemination of One Click LCA, a software that efficiently visualizes embodied carbon (CO₂ emissions during

construction), along with the acquisition of the EPD environmental certification label. In November 2023, JPI Group, which develops multi-family housing in the U.S., became a consolidated subsidiary, providing a significant boost toward achieving an annual supply of 50,000 units by 2030. As a result, the Group had the sixth-largest housing starts in the U.S. in 2022 and is now expanding the area in which the U.S. real estate development business operates.

In the fiscal year ending December 31, 2024, the final year of the plan, we will continue to focus on expanding the Global Construction and Real Estate business, restoring profitability in domestic businesses, and investing in the Environment and Resources business, as well as strengthening governance, promoting digitalization, and bolstering personnel development to achieve our Long-term Vision Mission TREEING 2030 and further strengthen our management foundation.

Performance Targets



Segment Targets (¥ billion)

	Net sales					Recurring income				
	FY22/12 result	FY23/12 result	Year-on-year change	FY24/12 Medium-term Management Plan targets*1	Plan for FY24/12*2	FY22/12 result	FY23/12 result	Year-on-year change	FY24/12 Medium-term Management Plan targets*1	Plan for FY24/12*2
Timber and Building Materials	273.7	236.1	-13.7%	264.0	237.0	14.9	11.2	-24.8%	11.5	14.0
Housing	508.7	534.0	+5.0%	547.0	540.0	15.4	32.8	+112.3%	32.0	31.5
Global Construction and Real Estate	873.5	948.1	+8.5%	954.0	1274.0	161.8	112.5	-30.4%	129.0	132.5
Environment and Resources	21.9	24.8	+13.6%	26.5	27.0	1.4	0.6	-59.4%	4.0	1.5
Others	24.6	26.0	+6.0%	29.0	28.0	1.9	2.2	+13.2%	5.0	2.4
Adjustments	-32.7	-35.9	-	-50.5	-41.0	-0.4	0.2	-	-8.5	-8.9
Total	1,669.7	1,733.2	+3.8%	1,770.0	2,065.0	195.0	159.4	-18.2%	173.0	173.0
				(Reference) Excluding the effect of actuarial gains and losses		187.0	154.4	-17.4%	173.0	173.0

*1 Plan at the time of formulating the Medium-term Management Plan.

*2 Initial plan as of February 14, 2024.