

FY12/2023

— Second Quarter Financial Results and Full Year Forecast—



August 9, 2023

Notes

- “Net income attributable to owners of parent” is expressed as “net income.”
- From FY12/2023, segments have been rearranged and names have been changed as follows:
 - Construction Business →
Transferred from Housing and Construction segment to Overseas Housing and Real Estate segment
 - Housing and Construction segment → Changed to Housing Segment
 - Overseas Housing and Real Estate segment →
Changed to Global Housing, Construction and Real Estate segment
- The reclassification’s impact on business performance is minor. The financial results for FY12/2023 2Q were compared to the previous year’s results using the new segment classifications, and the outlook for FY12/2023 were compared to the previous year’s results based on the previous segment classifications.

FY12/2023 Second Quarter Results



FY12/2023 Second Quarter Results

1. Statements of Income

- While continued yen depreciation has contributed to an increase in sales, income has declined due to a decrease in sales units in the US housing business, a decline in profit margin, and a decrease in the number of properties sold in the US real estate development business.

(billion yen)

(Consolidated)	FY12/22 2Q	FY12/23 2Q	Change	Pct.
Net Sales	782.8	816.5	+ 33.7	+4.3%
Gross Profit	187.5	185.2	-2.4	-1.3%
SG&A Expenses	114.6	119.9	+ 5.3	+4.7%
Operating Income	73.0	65.2	-7.7	-10.6%
Recurring Income	93.6	67.4	-26.2	-28.0%
Net Income	49.6	44.8	-4.7	-9.6%

* "Net income attributable to shareholders of parent" is expressed as "Net income."

● Conversion rate (average during term)

	FY12/22 2Q	FY12/23 2Q
USD/JPY	123.08	134.90
AUD/JPY	88.55	91.14

FY12/2023 Second Quarter Results

2. Segment Sales and Recurring Income

- Timber and Building Materials : A drop in selling prices and volume due to falling timber prices, resulting in a decline in both sales and income.
- Housing : Increase in unit selling prices due to price revisions and cost reductions due to falling timber prices, leading to increases in both sales and income.
- Global Housing, Construction and Real Estate : While sales increased due to continued yen depreciation and other factors, income fell as a result of rising material and costs, decline in units sold in the US single family homes business, and decline in properties sold in the US real estate development business.
- Environment and Resources : Lower selling prices in the overseas forestry business and soaring fuel prices in the biomass power generation business, resulting in a decline in income.

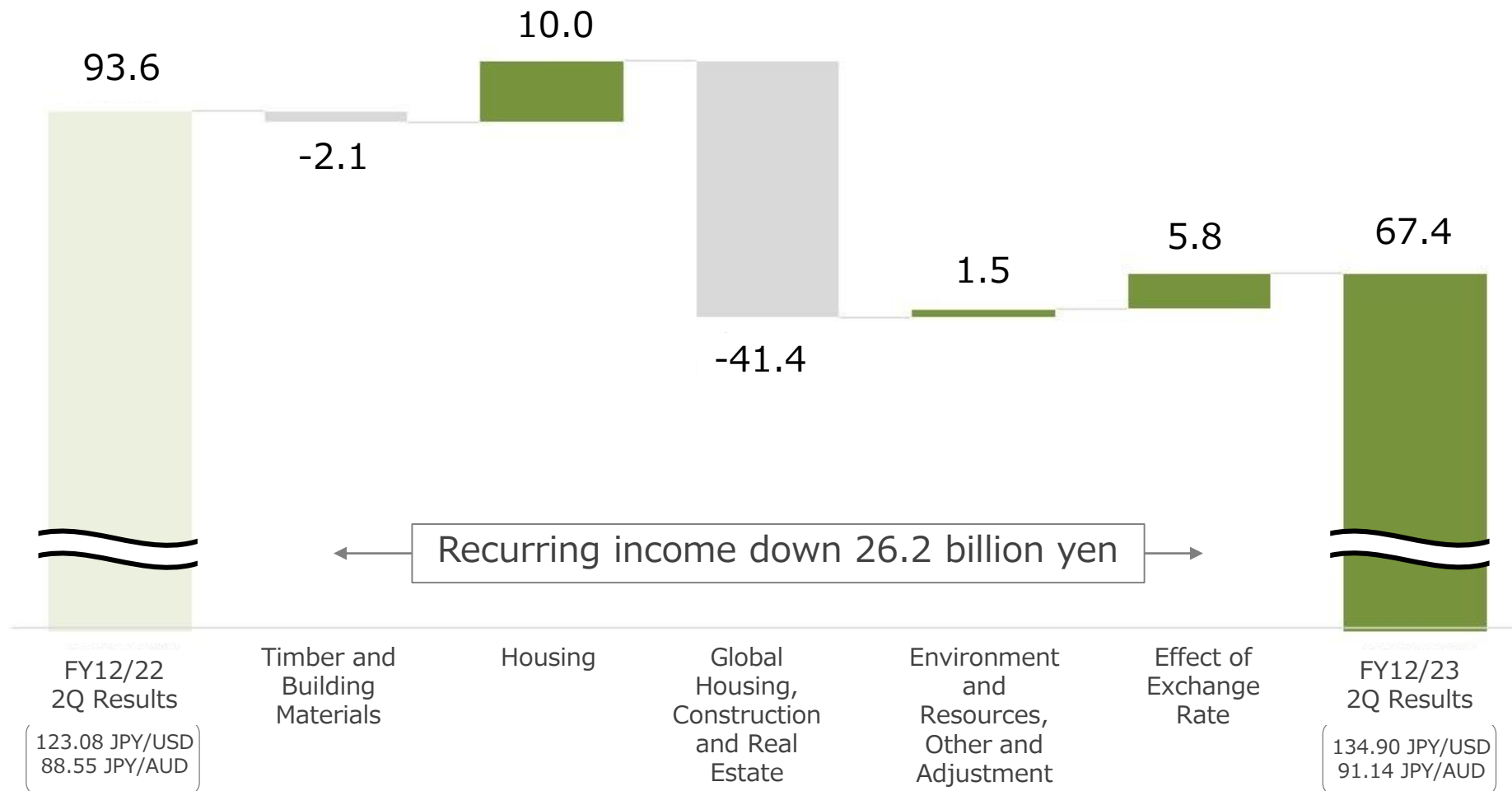
(billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY12/22 2Q	FY12/ 23 2Q	Change	Pct.	FY12/22 2Q	FY12/ 23 2Q	Change	Pct.
Timber and Building Materials	136.5	115.7	-20.7	-15.2%	7.4	5.5	-1.9	-25.2%
Housing	243.6	263.0	+19.4	+8.0%	5.5	15.5	+10.0	+180.7%
Global Housing, Construction and Real Estate	396.7	430.2	+33.5	+8.4%	81.5	45.8	-35.8	-43.9%
Environment and Resources	10.4	11.6	+1.3	+12.2%	1.1	0.3	-0.8	-71.3%
Other	11.8	12.7	+0.9	+7.9%	1.3	1.0	-0.2	-19.9%
Adjustment	-16.1	-16.8	-0.7	-	-3.2	-0.8	+2.5	-
Total	782.8	816.5	+33.7	+4.3%	93.6	67.4	-26.2	-28.0%

FY12/2023 Second Quarter Results

3. Change in Recurring Income (vs. Previous Fiscal Year)

- Overall recurring income decreased by 26.2 billion yen year-on-year, primarily due to the profit decline in the Global Housing, Construction and Real Estate segment.
- Yen depreciation had an impact of +5.8 billion yen.



*The impact of fluctuations in foreign exchange rates is primarily related to the Global Housing, Construction and Real Estate segment.

FY12/2023 Second Quarter Results

4. Domestic Housing Business Orders Received and Sales

- Although unit selling price increased due to price revisions, the number of units declined, so orders received decreased on a monetary basis.
- Net sales and gross profit increased year-on-year due to the effect of price revisions and falling material costs.

(billion yen)

		Orders received				Sales			
		FY12/22 2Q	FY12/23 2Q	Change	Pct.	FY12/22 2Q	FY12/23 2Q	Change	Pct.
Contract business	Custom-built detached houses *1	193.2	181.3	-11.9	-6.2%	173.3	185.4	+12.1	+7.0%
	(Units)	(4,500)	(3,962)	(-538)	(-12.0%)	(3,893)	(3,933)	(+40)	(+1.0%)
	(Unit price(mil. yen)) *2	(38.9)	(41.3)	(+2.3)	(+5.9%)	(40.4)	(42.9)	(+2.5)	(+6.1%)
	Apartments	7.3	8.1	+0.8	+11.1%	6.9	7.3	+0.4	+6.4%
Other	Detached spec home					8.9	10.4	+1.5	+17.5%
	Other *3					1.6	1.4	-0.2	-12.6%
Net Sales Total						190.6	204.5	+13.9	+7.3%
Profit Ratio						18.9%	22.8%	+4.0pt	
Gross Profit						36.0	46.7	+10.8	+30.0%

*1. Custom-built detached houses sales amount includes land for custom-built housing and interior products, etc.

*2. Unit price for orders received was calculated from orders received at the time of contract signing for units ordered in the current period.
Orders received for additional construction were not included.

*3. Other sales amount includes home renovation business, commission sales from insurance agency business, etc.

FY12/2023 Second Quarter Results

5. Renovation Business Orders Received and Sales

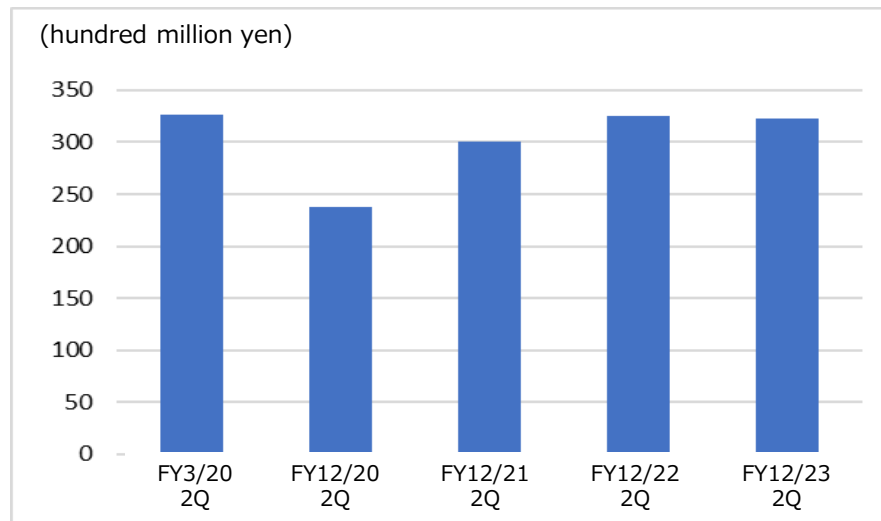
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(billion yen)

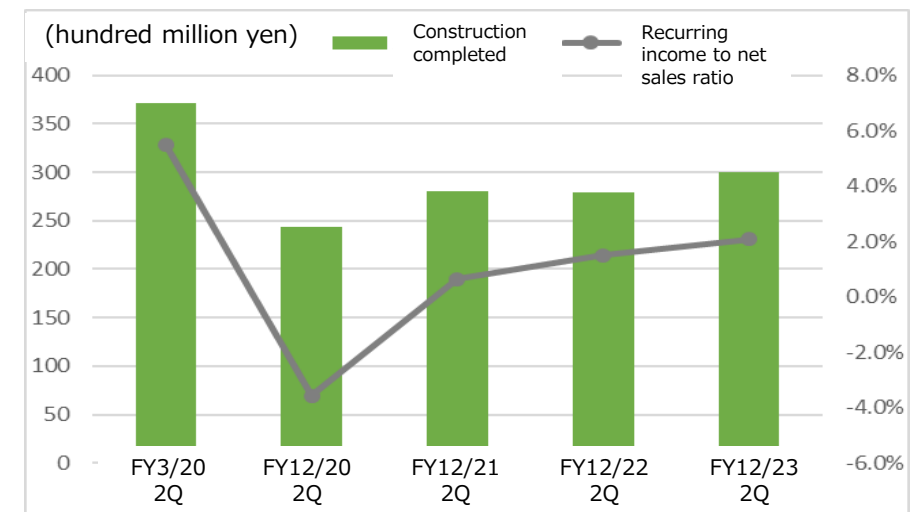
	FY12/222Q	FY12/232Q	Change	Pct.
Orders received	32.5	32.2	-0.2	-0.7%
Backlog of Orders	25.4	25.2	-0.2	-0.7%
Received at Term End Construction Completed	27.9	29.9	+2.0	+7.3%
Profit ratio	1.5%	2.1%	+0.6 pt	
Recurring income	0.4	0.7	+0.2	+49.4%

- The value of orders received fell marginally year-on-year due to sluggish growth in orders from general customers. Construction completed increased due to an increase in the number of construction projects.
- Profit margin improved due to effective cost-cutting measures, such as increasing profit margin at the stage of receiving orders and standardizing operations.

◆ Trends in Orders Received



◆ Trends in Construction Completed



FY12/2023 Second Quarter Results

6. Global Housing, Construction and Real Estate Segment Sales and Recurring Income

- U.S.: Increase in sales due to continuing yen depreciation. Profit declined due to a decline in the sale of real estate development properties, a decline in sales units in the single-family home business, rising material costs, and other factors.
- Australia: Increase in the number of units sold and profit margin due to improvements in the trend of long construction periods.

(billion yen)

		Net Sales				Recurring Income			
		FY12/22 2Q	FY12/ 23 2Q	Change	Pct.	FY12/22 2Q	FY12/ 23 2Q	Change	Pct.
U.S.	US housing companies	313.7	314.2	+0.5	+0.2%	65.9	46.0	-19.9	-30.2%
	US real estate companies	21.5	23.7	+2.2	+10.3%	16.6	-2.2	-18.9	-
Australia	Australia housing companies	40.9	62.5	+21.6	+52.8%	0.3	1.3	+1.0	+402.3%
Other, housing and real estate		0.4	0.4	-0.0	-0.3%	0.9	0.3	-0.6	-64.1%
Other, consolidated adjustments, etc.		20.2	29.4	+9.2	+45.6%	-2.2	0.4	+2.5	-
Total		396.7	430.2	+33.5	+8.4%	81.5	45.8	-35.8	-43.9%

● Conversion rate (average during term)

	FY12/22 2Q	FY12/ 23 2Q
USD/JPY	123.08	134.90
AUD/JPY	88.55	91.14

FY12/2023 Second Quarter Results

7. Global Single Family Homes Business and Construction Business

- U.S.: Orders have continued to recover from 1Q. On the other hand, the number of units sold and unit selling price (on local currency basis) fell due to the impact of few contracts and more contract cancellations in the previous year. Order backlog is increasing steadily from 2,899 units at the start of the current fiscal year against the backdrop of strong order performance.
- Australia: The number of units ordered fell year-on-year due to a stronger “wait-and-see” attitude among customers and an increase in mortgage rates. Unit selling price increased year-on-year on the back of continued price pass-through of the increases in material and labor costs.

<U.S.>

(units, billion yen)

	FY12/22 2Q	FY12/ 23 2Q	Change	Pct.
Number of units ordered	4,520	5,882	+1,362	+30.1%
Number of units sold	5,113	4,739	-374	-7.3%
Sales (billion yen)	313.7	314.2	+0.5	+0.2%
(million USD)	2,549	2,329	-220	-8.6%
Unit selling price (million yen)	61.4	66.3	+4.9	+8.1%
(thousand USD)	498	491	-7	-1.4%

(units, lots)

Order backlog	6,475	4,198	-2,277	-35.2%
Lots owned	42,238	45,038	+2,800	+6.6%
(completed inventory)	450	1,060	+610	+135.6%
Option lots	35,083	25,998	-9,085	-25.9%

<Australia>

(units, billion yen)

	FY12/22 2Q	FY12/ 23 2Q	Change	Pct.
Number of units ordered	1,457	1,295	-162	-11.1%
Number of units sold	1,290	1,599	+309	+23.9%
Sales (billion yen)	40.9	62.5	+21.6	+52.8%
(million AUD)	462	685	+224	+48.5%
Unit selling price (million yen)	31.7	39.1	+7.4	+23.3%
(thousand AUD)	358	429	+71	+19.8%

<Construction business>

(billion yen)

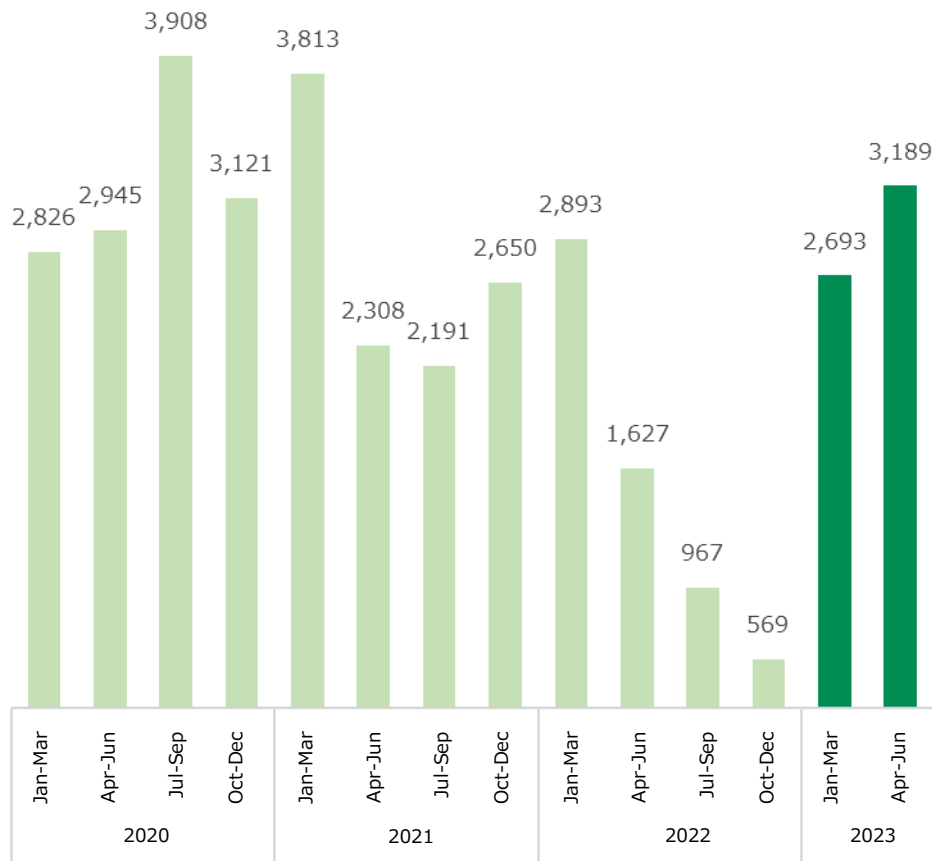
	FY12/22 2Q	FY12/ 23 2Q	Change	Pct.
Orders received	2.8	2.7	-0.1	-4.9%
Sales	2.0	3.0	+0.9	+46.3%

FY12/2023 Second Quarter Results

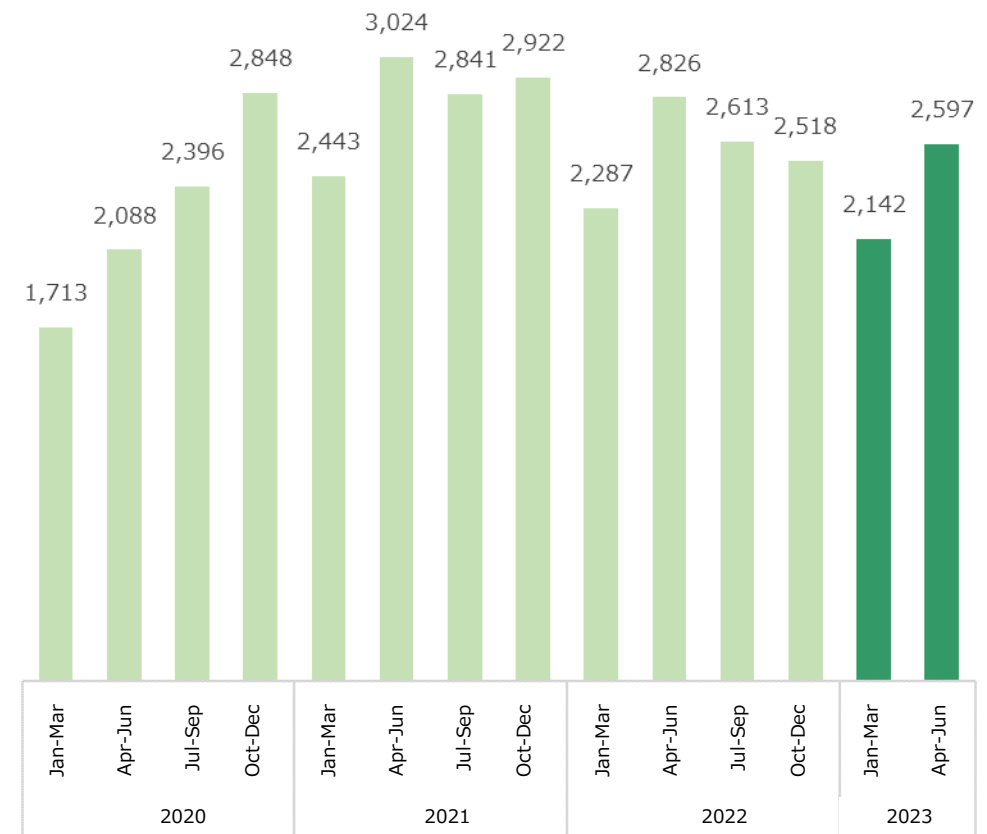
8. US Single Family Homes Business – Trends in Orders Received and Number of Units Sold

- The number of units ordered is on a recovery trend, and figures for April to June nearly doubled year-on-year.
- The number of units sold decreased year-on-year as a result of the rapid decline in the number of orders received last fiscal year.

Trends in number of units ordered for US single family homes (units)



Trends in number of units sold for US single family homes (units)

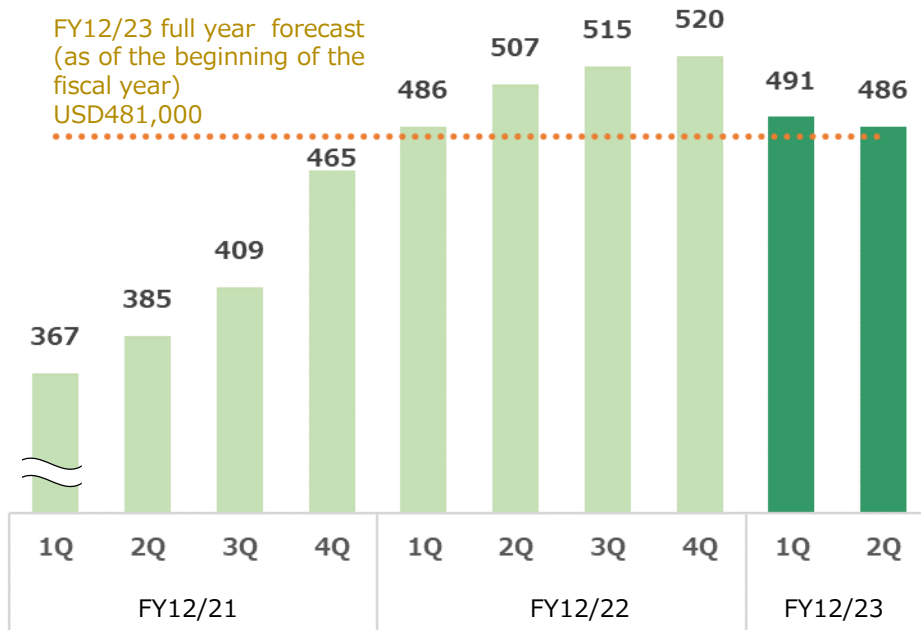


FY12/2023 Second Quarter Results

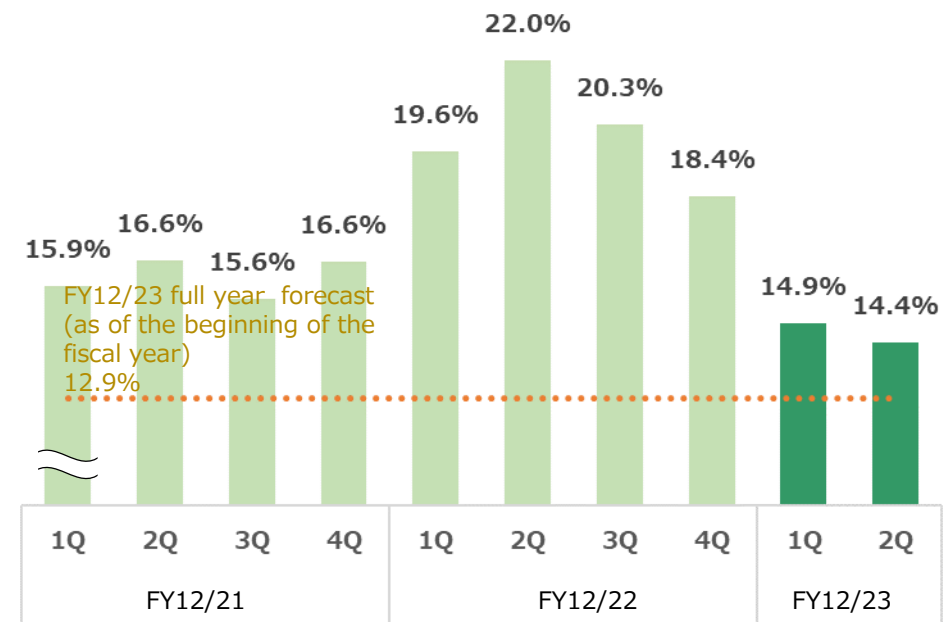
9. US Single Family Homes Business – Trends in Unit Selling Price and Recurring Income to Net Sales Ratio

- Both unit selling price and recurring income to net sales ratio remained at levels above the initial forecast at the beginning of the fiscal year.

Trends in Unit Selling Price for US Single Family Homes ※ (thousand USD)



Trends in Recurring Income to Net Sales Ratio for US Single Family Homes



*The method of calculating unit selling price by quarter has changed from the second quarter of the current fiscal, including for past years. We have changed from the previous method of calculation based on unit selling price on a yen basis, to a method of calculation based on net sales on a USD basis.

FY12/2023 Second Quarter Results

10. Investments

- Compared to the approximately 300 billion yen investments and loans plan in the three-year Medium-Term Management Plan, the cumulative results from the beginning of FY12/22 to FY12/23 2Q were 98.7 billion yen. Main activities include the development of commercial real estate in the U.S., acquisition of Southern Impression Homes, and investment in wooden office projects overseas.
- We established the Forestry Fund in July 2023, and are now actively promoting decarbonization-related investments, such as the decision to develop wooden/RC mixed-structure multi-family housing in the suburbs of Seattle.

Breakdown			FY12/22 Full year results	FY12/23 First half results	Total	Three-Year Medium-Term Plan	(billion yen) Progress
Major decarbonization -related investments	Timber industrial complex investments		0.4	0.0	0.4	20	2%
	Overseas wooden non-residential construction investments		3.6	3.8	7.5	30	25%
	Forestry Fund-related investments		0.2	0.1	0.4	12	3%
Investments and loans other than the above, by segment	Timber and Building Materials	Manufacturing business investments, etc.	3.9	1.3	5.2	35	15%
	Global Housing, Construction, and Real Estate	Overseas real estate, land development, etc.	42.9	25.0	67.8	130	52%
	Housing	Model homes, offices, etc.	6.4	2.5	8.9	25	36%
	Environment and Resources	Renewable energy/forestry/afforestation investments, etc.	3.1	0.8	3.9	30	13%
	Other	System investments (DX promotion, etc.), etc.	2.1	2.5	4.6	15	31%
Total			62.6	36.0	98.7	297	33%

FY12/2023 Second Quarter Results

11. Balance Sheet

- As yen depreciation continued, the yen conversion amounts in the balance sheets of overseas subsidiaries as well as accumulated other comprehensive income (foreign currency conversion adjustment account) increased.

(billion yen)

	End of December 2022	End of FY12/23 2Q	Change		End of December 2022	End of FY12/23 2Q	Change
Cash, deposits, securities	131.9	176.7	+ 44.8	Payables	239.8	238.1	- 1.6
Receivables	212.4	206.6	- 5.8	Short-term debt	46.0	62.3	+ 16.3
Finished goods	38.0	33.5	- 4.5	Contract liabilities	80.1	87.7	+ 7.6
Real estate for sale	106.4	103.8	- 2.6	Cash received on construction contracts in progress	0.0	0.0	+ 0.0
Real estate for sale in process	434.0	503.3	+ 69.2	Other current liabilities	128.3	141.6	+ 13.3
Construction projects in progress	16.1	17.1	+ 1.0	Long-term debt/bonds issued	277.9	282.0	+ 4.0
Other receivables	56.9	61.4	+ 4.5	Liability for retirement benefits	11.8	11.8	- 0.0
Other current assets	76.9	81.3	+ 4.4	Other long-term liabilities	71.2	75.8	+ 4.6
Total current assets	1,072.8	1,183.7	+ 111.0	Liabilities	855.0	899.3	+ 44.3
Tangible fixed assets	198.8	211.0	+ 12.2	Shareholders' equity	526.3	567.8	+ 41.5
Intangible fixed assets	22.9	28.2	+ 5.4	Accumulated other comprehensive income	101.2	160.2	+ 59.0
Investments and other assets	243.2	268.5	+ 25.4	Non-controlling interests	55.0	64.1	+ 9.1
Total non-current assets	464.8	507.7	+ 42.9	Net assets	682.6	792.1	+ 109.6
Total assets	1,537.6	1,691.4	+ 153.8	Total liabilities/net assets	1,537.6	1,691.4	+ 153.8

FY12/2023 Full Year Forecast



FY12/2023 Full Year Forecast

1. Statements of Income

- In view of the results achieved until 2Q, the forecast announced on April 27 was revised upwards.
- Conversion rate has been set at the same level as for 2Q results.

					(billion yen)
(Consolidated)	FY12/22	FY12/23 Forecast	Change	Pct.	Change from previous forecast
Net Sales	1,669.7	1,726.0	+56.3	+3.4%	+128.0
Gross Profit	393.0	394.5	+1.5	+0.4%	+39.0
SG&A Expenses	234.7	264.0	+29.3	+12.5%	+10.0
Operating Income	158.3	130.5	-27.8	-17.5%	+29.0
Recurring Income	195.0	150.0	-45.0	-23.1%	+30.0
Net Income	108.7	92.0	-16.7	-15.3%	+15.0

*Without actuarial differences

SG&A Expenses	242.7	264.0	+21.3	+8.8%
Recurring Income	187.0	150.0	-37.0	-19.8%

*Figures for the previous forecast are figures from the forecast announced with the 1Q financial results (April 27).

● Conversion rate

	FY12/22	FY12/23 (previous forecast)	FY12/23 (this forecast)
USD/JPY	131.52	130.00	135.00
AUD/JPY	91.11	90.00	91.00

FY12/2023 Full Year Forecast

2. Segment Sales and Recurring Income

- Timber and Building Materials :Timber prices fell more than anticipated due to reduced demand by builders, etc., and both sales and income are expected to decline.
- Housing :As both unit selling price and material costs improved from the estimates at the beginning of the fiscal year, the forecasts of net sales and recurring income were revised upwards.
- Global Housing, Construction and Real Estate :Forecasts of net sales and recurring income were revised upwards in view of the recovery of the business environment for the U.S. single family homes business.
- Environment and Resources :The forecast of recurring income was revised downward due to the sluggish growth of unit selling price in the overseas forestry business, the rise in fuel prices in the biomass power generation business, and other factors.

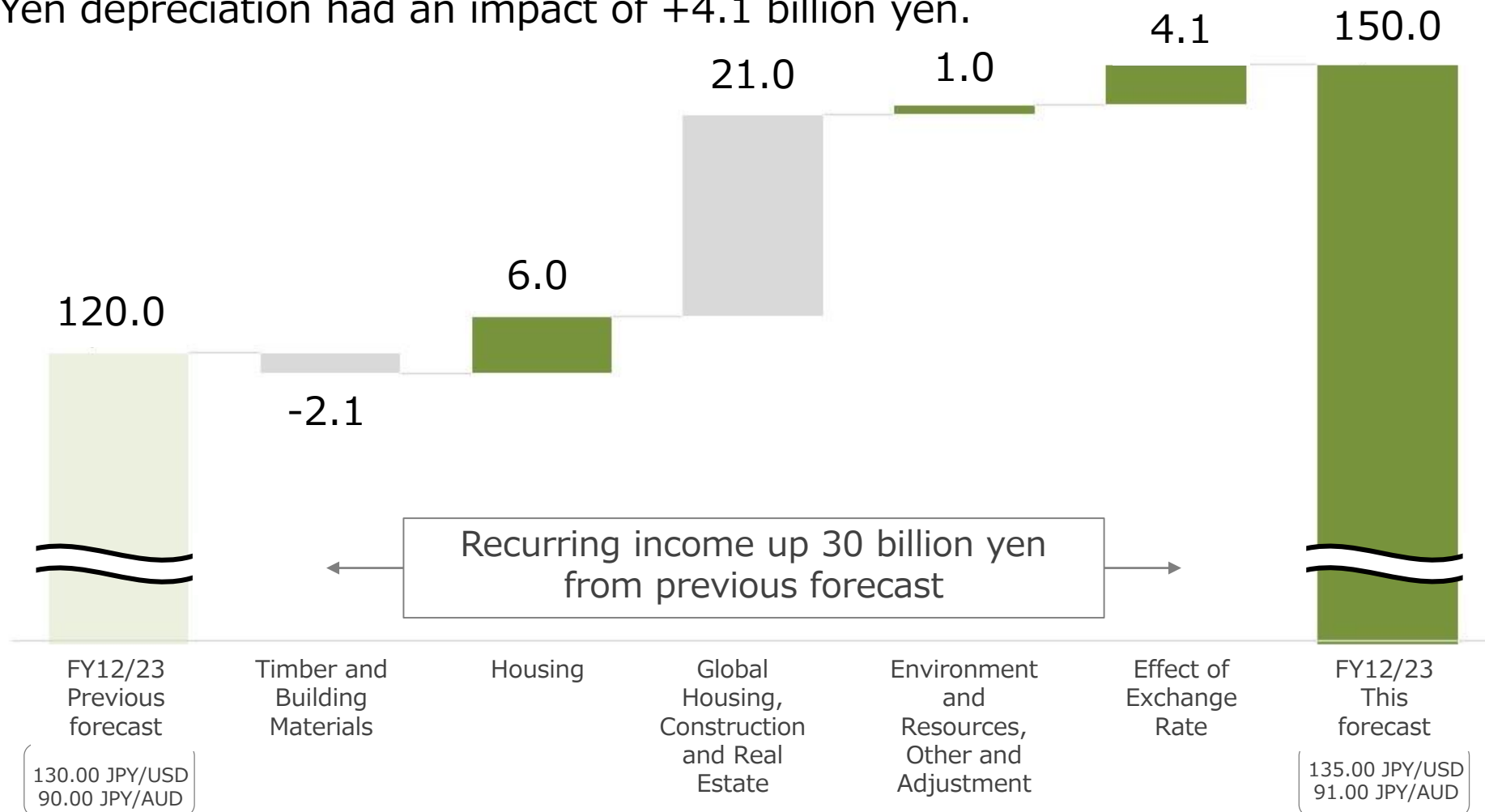
(billion yen)

(Consolidated)	Net Sales					Recurring Income				
	FY12/22	FY12/23	Change	Pct.	Change from previous forecast	FY12/22	FY12/23	Change	Pct.	Change from previous forecast
Timber and Building Materials	273.7	254.0	-19.7	-7.2%	-24.0	14.9	13.0	-1.9	-12.6%	-2.0
Housing	533.5	531.0	-2.5	-0.5%	+12.0	15.9	29.5	+13.6	+85.5%	+6.0
Global Housing, Construction and Real Estate	848.7	942.0	+93.3	+11.0%	+137.0	161.3	110.0	-51.3	-31.8%	+25.0
Environment and Resources	21.9	26.0	+4.1	+18.9%	+0.0	1.4	1.5	+0.1	+7.8%	-0.8
Other	24.6	27.5	+2.9	+12.0%	-0.5	1.9	2.5	+0.6	+29.0%	+0.1
Adjustment	-32.7	-54.5	-21.8	—	+3.5	-0.4	-6.5	-6.1	—	+1.7
Total	1,669.7	1,726.0	+56.3	+3.4%	+128.0	195.0	150.0	-45.0	-23.1%	+30.0

FY12/2023 Full Year Forecast

3. Full Year Forecast of Recurring Income (Change from Previous Forecast)

- The forecast for recurring income is +30 billion yen from the previous forecast, primarily due to an increase in profit in the Global Housing, Construction and Real Estate Business.
- Yen depreciation had an impact of +4.1 billion yen.



*The impact of fluctuations in foreign exchange rates is primarily related to the Global Housing, Construction and Real Estate segment.

FY12/2023 Full Year Forecast

4. Domestic Housing Business Orders Received and Sales

- The forecast for orders received (number of units of custom-built detached housing) was revised downward in view of the business environment, with the continued year-on-year decline in the number of housing starts for owner-occupied houses. Forecasts for sales and profit margin were revised upwards, reflecting the recent levels of unit selling price and material costs.

(billion yen)

		Orders received					Sales				
		FY12/22	FY12/23 Forecast	Change	Pct.	Change from previous forecast	FY12/22	FY12/23 Forecast	Change	Pct.	Change from previous forecast
Contract business	Custom-built detached houses *1	352.6	364.0	+11.4	+3.2%	+0.0	357.9	367.0	+9.1	+2.6%	+8.0
	(Units)	(8,031)	(8,000)	(-31)	(-0.4%)	(-350)	(8,300)	(8,200)	(-100)	(-1.2%)	(-100)
	(Unit price (mil. yen)) *2	(39.5)	(41.3)	(+1.8)	(+4.7%)	(+1.8)	(41.5)	(43.9)	(+2.4)	(+5.8%)	(+0.7)
	Apartments	16.3	16.0	-0.3	-2.0%	-2.0	14.6	17.3	+2.7	+18.8%	+0.9
	Other contracts	4.5	-	-	-	-	4.2	-	-	-	-
Other	Detached spec home						18.9	20.1	+1.2	+6.5%	+1.0
	Other *3						3.4	2.6	-0.8	-24.0%	+0.1
Net Sales Total							398.9	407.0	+8.1	+2.0%	+10.0
Profit Ratio							19.1%	22.6%	+3.5pt		+0.8pt
Gross Profit							76.2	92.0	+15.8	+20.8%	+5.5

*1. Custom-built detached houses sales amount includes land for custom-built housing and interior products, etc.

*2. Unit price for orders received was calculated from orders received at the time of contract signing for units ordered in the current period. Orders received for additional construction were not included.

*3. Other sales amount includes home renovation business, commission sales from insurance agency business, etc.

FY12/2023 Full Year Forecast

5. Renovation Business Orders Received and Sales

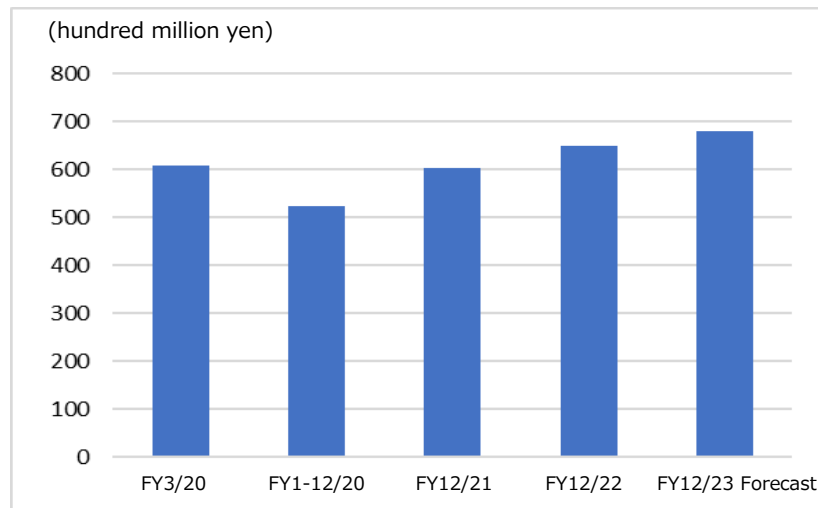
<Sumitomo Forestry Home Tech>

(billion yen)

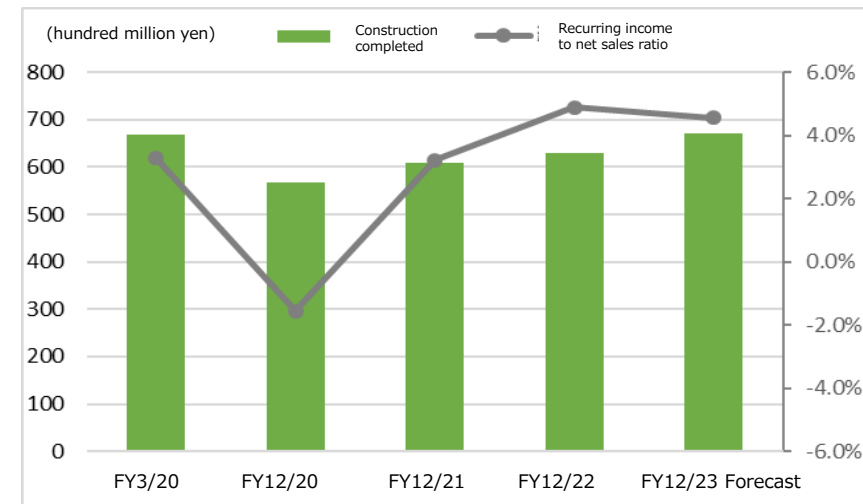
	FY12/22	FY12/23 Forecast	Change	Pct.
Orders received	65.0	68.0	+3.0	+4.7%
Backlog of Orders Received at Term End	22.9	24.8	+1.9	+8.3%
Construction Completed	62.9	67.0	+4.1	+6.6%
Profit ratio	4.9%	4.6%	-0.3 pt	
Recurring income ratio	3.2	3.2	-0.0	-1.0%

- Forecasts for the value of orders and construction completed were revised downward from 70 billion yen to 68 billion yen, and from 68 billion yen to 67 billion yen respectively, due to sluggish growth in orders from general customers.
- We plan to continue with cost-cutting measures with a focus on SG&A expenses, and to maintain the forecast of recurring income at the level of the previous forecast.

◆ Trends in Orders Received



◆ Trends in Construction Completed



*For FY12/20, the recurring income to net sales ratio was calculated for the nine months from April to December 2020, and completed construction was calculated for the 12 months from January to December 2020.

FY12/2023 Full Year Forecast

6. Global Housing, Construction and Real Estate Segment Sales and Recurring Income

- U.S.: Forecasts for the real estate development business, such as the number of Crescent properties sold, was revised downwards. Recurring income to net sales ratio forecast for the single-family homes business was revised upwards from 12.9% in the 1Q financial results announcement, to 14.7%, in response to improvements in the purchasing mindset of customers above and beyond expectations at the beginning of the period.
- Australia: Due to continuous price hikes and reduction in SG&A expenses, the forecast of recurring income to net sales ratio was revised upwards from 2.5% in the 1Q financial results announcement, to 2.9%.

(billion yen)

		Net Sales					Recurring Income				
		FY12/22 2Q	FY12/23 2Q	Change	Pct.	Change from previous forecast	FY12/22 2Q	FY12/23 2Q	Change	Pct.	Change from previous forecast
U.S.	US housing companies	683.9	688.0	+4.1	+0.6%	+125.0	137.5	101.0	-36.5	-26.6%	+28.5
	US real estate companies	48.5	48.8	+0.3	+0.7%	+5.8	23.5	5.5	-18.0	-76.6%	-3.0
Australia	Australia housing companies	97.2	139.0	+41.8	+42.9%	+1.0	1.2	4.0	+2.8	+247.7%	+0.5
Other, housing and real estate		0.9	0.9	+0.0	+3.6%	+0.1	2.0	0.5	-1.5	-72.9%	+0.8
Other, consolidated adjustments, etc.		18.2	65.3	+47.1	+257.9%	+5.1	-2.9	-1.0	+1.8	-	-1.8
Total		848.7	942.0	+93.3	+11.0%	+137.0	161.3	110.0	-51.3	-31.8%	+25.0

● Conversion rate

	FY12/22	FY12/23 (previous forecast)	FY12/23 (this forecast)
USD/JPY	131.52	130.00	135.00
AUD/JPY	91.11	90.00	91.00

FY12/2023 Full Year Forecast

7. Global Single Family Homes Business and Construction Business

- U.S.: In view of the strong 2Q results, the forecasts for number of units sold and unit selling price were revised upwards.
- Australia: While unit selling price is expected to increase due to continuous price hikes, the number of units sold is forecast to decline and sales amount on the local currency basis is forecast to fall slightly.

<U.S.>

(units, billion yen)

	FY12/22	FY12/23 Forecast	Change	Pct.	Change from previous forecast
Number of units sold	10,244	10,500	+ 256	+2.5%	+ 1,500
Sales (billion yen)	683.9	688.0	+ 4.1	+0.6%	+ 125.0
(million USD)	5,200	5,096	-104	-2.0%	+ 766
Unit selling price (million yen)	66.8	65.5	-1.2	-1.9%	+ 3.0
(thousand USD)	508	485	-22	-4.4%	+ 4

<Construction Business>

(units, billion yen)

	FY12/22	FY12/23 Forecast	Change	Pct.	Change from previous forecast
Orders received	4.5	6.6	+ 2.1	+46.8%	+ 1.1
Sales	4.2	5.3	+ 1.1	+25.4%	+ 0.0

<Australia>

(units, billion yen)

	FY12/22	FY12/23 Forecast	Change	Pct.	Change from previous forecast
Number of units sold	2,787	3,420	+ 633	+22.7%	-80
Sales (billion yen)	97.2	139.0	+ 41.8	+42.9%	+ 1.0
(million AUD)	1,067	1,527	+ 460	+43.1%	-6
Unit selling price (million yen)	34.9	40.6	+ 5.8	+16.5%	+ 1.2
(thousand AUD)	383	447	+ 64	+16.6%	+ 9

Efforts to Realize Management that is Mindful of Equity Cost and Share Prices



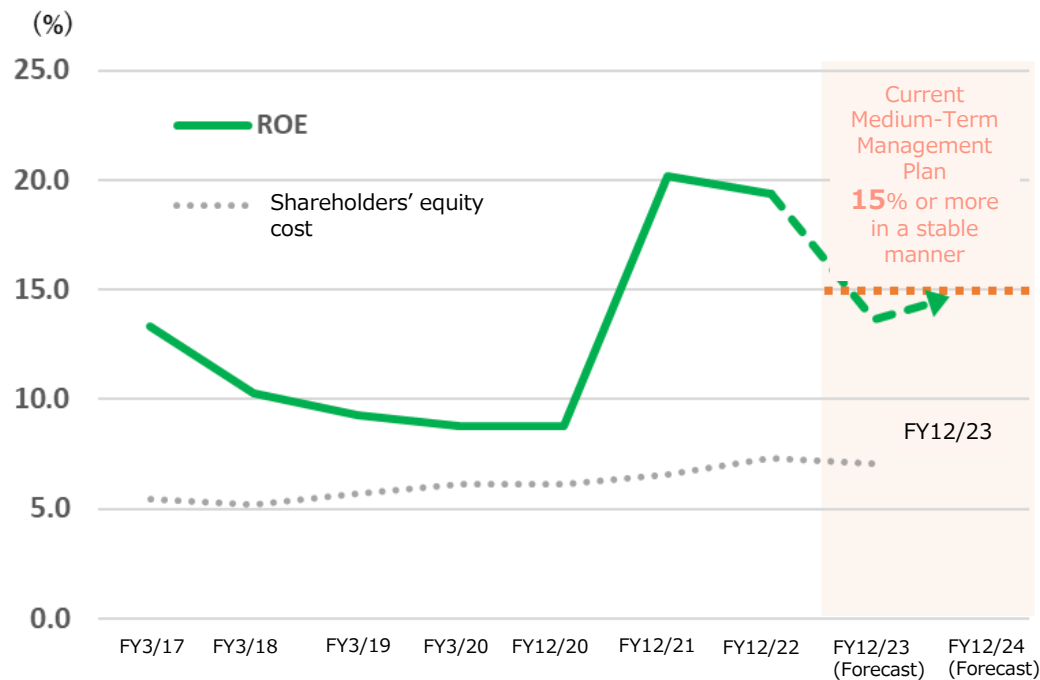
Efforts to Realize Management that is Mindful of Equity Cost and Share Prices 24

Verification of current status	<ul style="list-style-type: none"> Recognition that Sumitomo Forestry's shareholders' equity cost is about 7%. ROE was 19.4% in FY12/22 and forecast to be 13.7% for FY12/23, trending at a rate that is significantly higher than shareholders' equity cost. PER has recently been improving to about 9.0x. However, in FY12/22 when the outlook for the US housing market was uncertain, it was 4.3x, moving at a lower rate than other companies in the same industry. PBR is currently about 1.0x. To achieve further improvements in corporate value, we recognize that it is even more important to steadily implement and establish the medium- to long-term growth strategy.
Policy	<ul style="list-style-type: none"> Continue to aim toward achieving the targets set out in the Medium-Term Management Plan, which is positioned as the three-year period for realizing the Long-Term Vision and creating its foundation. Financial targets set out in the Medium-Term Management Plan – ROE: 15% or higher in a stable manner, Consolidated recurring income: 173 billion yen, Capital adequacy ratio: 40% or higher, Net DE ratio: 0.7 or less, Investment plan: 300 billion yen (three-year total).
Initiatives	<ul style="list-style-type: none"> Implementation of growth strategy for the US housing development business while remaining mindful of controlling inventory risks and improving turnover rate. Realization of initiatives that contribute toward the realization of a decarbonized society, such as the creation of the Forestry Fund. Investment in growth areas while maintaining financial soundness, and providing shareholder returns based on the stable dividend policy. Further pursuit of capital efficiency, including reducing assets held and reducing cross-shareholdings, etc. Introduction of executive remuneration system that is linked to market capitalization and sustainability indicators (introduced in February 2022) Further enhancement of opportunities for dialogue with the market, such as by enhancing disclosure related to growth businesses

ROE Exceeding Capital Costs

- ROE exceeds shareholders' equity cost, and equity spread is positive.
- Also selected for the JPX Prime 150 Index *Selected based on return on capital (equity spread criteria)

■ ROE and shareholders' equity cost



Shareholders' equity cost (%) FY12/23

Risk-free rate
Safe assets, risk-free interest rates
*Set based on 10-year government bond yield

Beta (β) sensitivity
+ Risks specific to Sumitomo Forestry

Risk premium
× Excess rate of return anticipated from equity investment
*Set based on stock market returns in the past

Shareholders' equity cost
= **7.00%**
Calculated from CAPM

■ Toward achieving ROE 15% in a stable manner

Improve profitability

Improve profitability by improving value-added ratio in the US housing business, proposing raising the added value in the domestic housing business as well, etc.

Improve capital efficiency

Improve capital efficiency by controlling inventory in each business and acquiring carefully selected land through the US housing business.

Growth investment

While maintaining financial soundness, promote investment in growth areas that contribute to increasing corporate value sustainably, beginning with the field of decarbonization.

Recent PBR of about 1.0x

- PER has remained low from FY12/20 till FY12/22 despite EPS growth, due to the uncertain outlook of the US housing market and other factors. However, it has been improving recently against the backdrop of the payout of stable dividends, enhancing disclosure related to growth businesses, and the recovery of the US single family homes business. PBR is also trending at about 1.0x.

■ Trends in PER



■ Trends in PBR



■ Examples of initiatives to improve PER/PBR

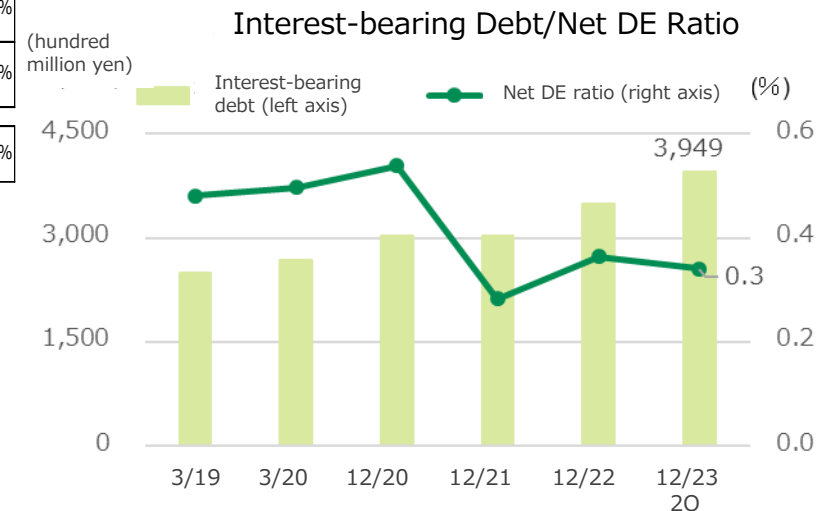
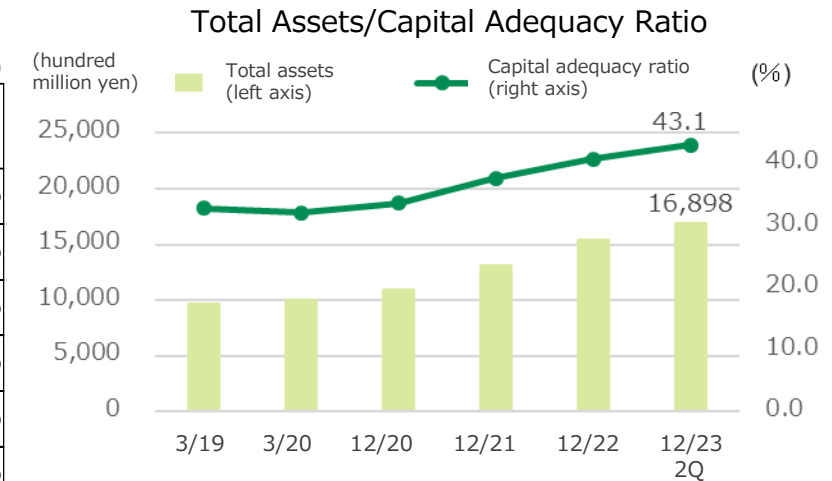
- Maintain annual dividend per share for FY12/23 at 125 yen, the same level as in the previous year, although profits are forecast to decline year-on-year.
- Hold briefing sessions on the Global Housing, Construction and Real Estate segment (June 2022, June 2023), and increase the number of items in the disclosure of financial results with a focus on this Business (revision of Factbook in February 2022).

Promote Investment in Growth Areas While Maintaining Financial Soundness 27

- The three-year investment plan set out in the Medium-Term Management Plan is a cumulative amount of about 300 billion yen. We will also continue to promote the acquisition of real estate for sale separately from the investment plan, promote businesses set out in the Long-Term Vision, and invest actively for expansion.

Breakdown			FY12/22 Full year results	FY12/23 First half results	Total
Major decarbonization -related investments	Timber industrial complex investments		0.4	0.0	0.4
	Overseas wooden non-residential construction investments		3.6	3.8	7.5
	Forestry Fund-related investments		0.2	0.1	0.4
Investments and loans other than the above, by segment	Timber and Building Materials	Manufacturing business investments, etc.	3.9	1.3	5.2
	Global Housing, Construction, and Real Estate	Overseas real estate, land development, etc.	42.9	25.0	67.8
	Housing	Model homes, offices, etc.	6.4	2.5	8.9
	Environment and Resources	Renewable energy/forestry/afforestation investments, etc.	3.1	0.8	3.9
	Other	System investments (DX promotion, etc.), etc.	2.1	2.5	4.6
Total			62.6	36.0	98.7

(billion yen)	
Three-Year Medium-Term Plan	Progress
20	2%
30	25%
12	3%
35	15%
130	52%
25	36%
30	13%
15	31%
297	33%



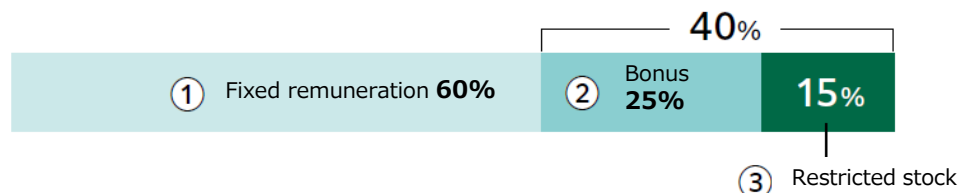
*Reposted from p.13

Executive Remuneration System Linked to Enhancing Corporate Value 28

- In conjunction with the formulation of the Long-Term Vision and Medium-Term Management Plan, the executive remuneration system was reviewed (for FY12/22 and beyond) at the Board of Directors' meeting convened on February 14, 2022. System design is based on the following policy.
 - To create a system that is closely linked to improving not only short-term financial results, but also medium- to long-term financial results and corporate value.
 - To create a system that is linked to newly created and provided value, alongside the promotion of management that is integrated with ESG.
 - To create a system that is mindful of linkage with Sumitomo Forestry's shareholder values.
 - To set a remuneration standard that can secure and retain the human resources needed for the achievement of the Long-Term Vision.
 - To create a system that secures transparency and objectivity in the process of determining remuneration.

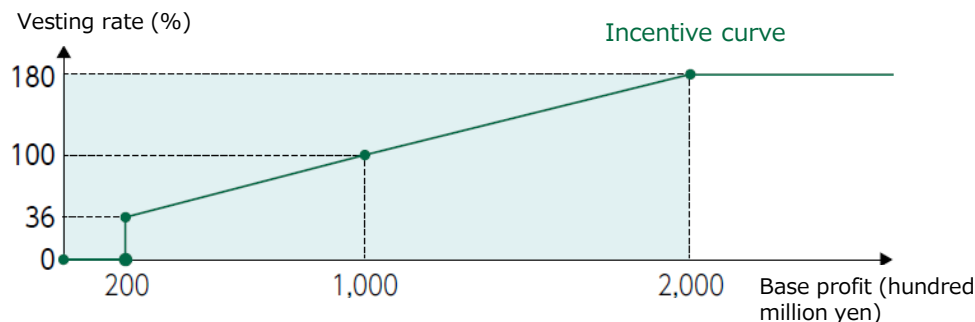
Composition ratio of Directors' remuneration

(illustration in the case where standard profit is 100 billion yen)



Calculation formula for annual performance-based bonuses

Amount of bonus = Standard position-based bonus x Vesting rate *1

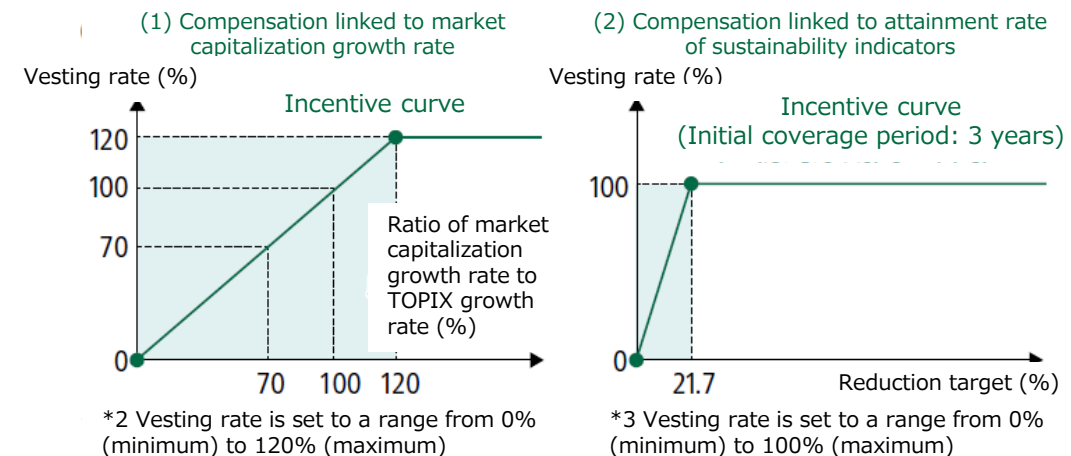


*1 Vesting rate is set at a range from 0% (minimum) to 180% (maximum).

Calculation formula for performance-based restricted stock compensation

(1) Amount equivalent to two-thirds of the position-based standard stock compensation amount x Vesting rate *2 (Sumitomo Forestry's market capitalization growth rate during the Medium-Term Management Plan period/TOPIX growth rate during the same period)

(2) Amount equivalent to one-third of the position-based standard stock compensation amount x Vesting rate *3 (Attainment rate of Medium-Term Management Plan targets to reduce greenhouse gas emissions based on SBT)





Thank you for listening.

- The forecast figures in this presentation are based on projections deemed logical at the time when it was prepared. Actual performance may differ materially from these projections.
- This document does not constitute a solicitation to invest or purchase any financial instruments.