

FY12/2023 2Q Financial Results Briefing
Business Environment and Progress on
Medium-Term Management Plan

August 9, 2023



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Mission TREEING 2030

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

By providing value for our planet, for people and society, and for the market economy, we at Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.



Target for recurring income in 2030: **250** billion yen

Medium-Term Management Plan 「Mission TREEING 2030 Phase 1」
FY12/2022 to FY12/2024

Target for recurring income in FY12/2024:

173 billion yen

□ Basic Policy

1. Pursuing decarbonization through the use of timber resources
2. Promoting strengthening of the revenue base
3. Accelerating global expansion
4. Strengthening the management base for sustainable growth
5. Further integrating business operations and ESG initiatives

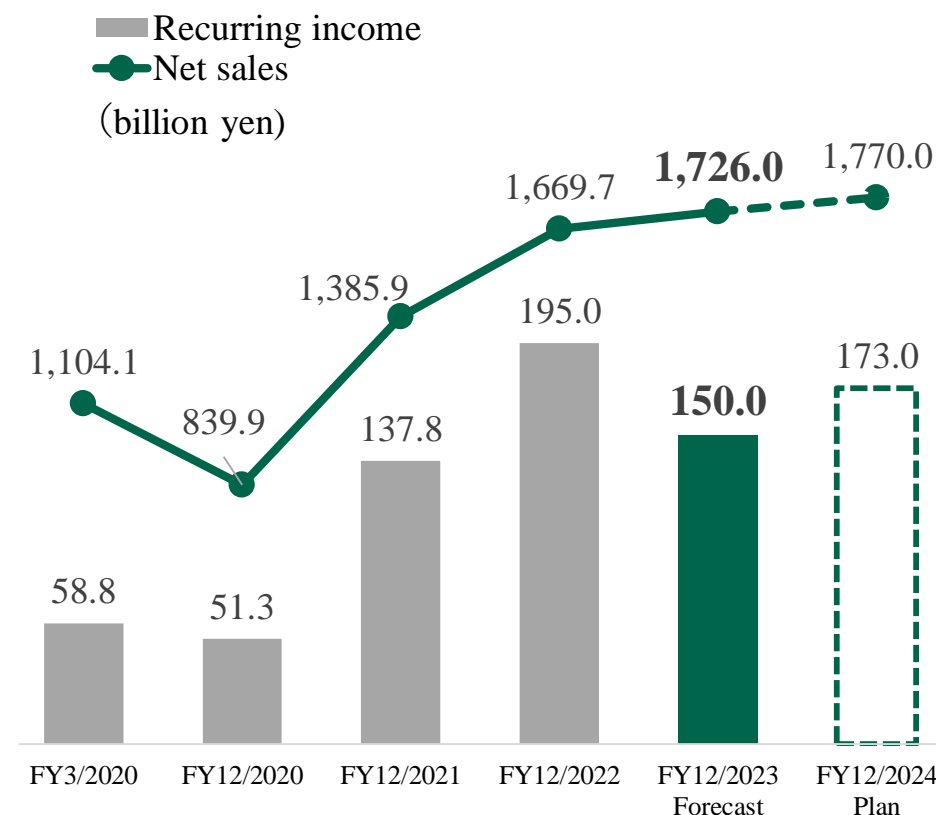
FY12/2023 Full Year Forecast

- Full-year forecast was revised upward** in consideration of the strong performance of the U.S. single-family homes business in the Global Housing, Construction and Real Estate segment.

FY12/2023 full year forecast revised upward

(billion yen)	Previously announced forecast	Revised forecast	Pct. (change)
Net sales	1,598.0	1,726.0	8.0% (+128)
Operating income	101.5	130.5	28.6% (+29)
Recurring Income	120.0	150.0	25.0% (+30)
Net Income	77.0	92.0	19.5% (+15)
ROE (%)	11.8	13.7	+1.9pt

Net sales and recurring income



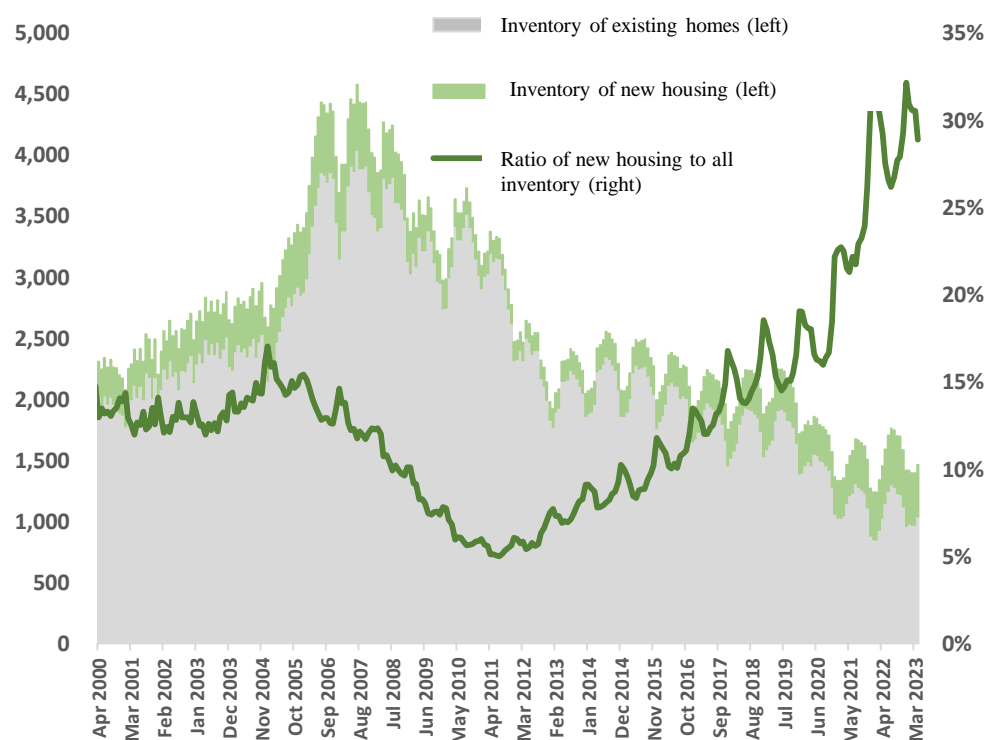
Acceleration of global expansion

Market Conditions of Single-family Homes Business in the United States

- Approximately 70% of people with existing mortgages have opted for a 30-year fixed interest rate and about two in every three of these people take out loans with mortgage rates below 4%. Hence, the inventory level for existing homes available for circulation is extremely low under high interest rates.
- Demand for new housing is expected to be sustained in the housing market.**

Increasing ratio of new housing among all housing inventory

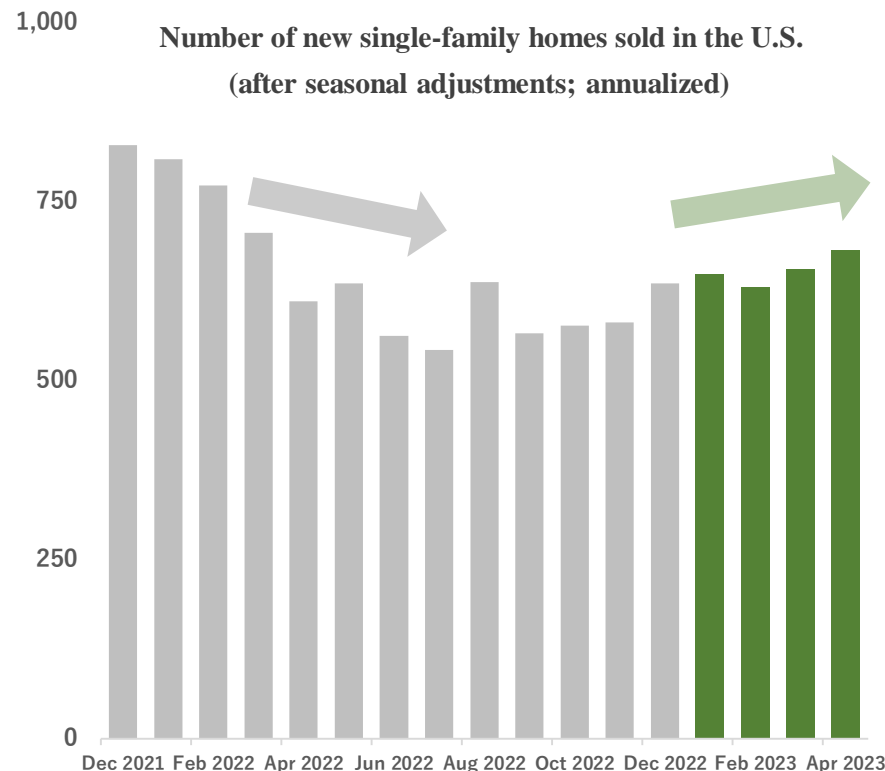
(Thousand units)



Source: U.S. Census Bureau, NAR

Market for new housing entering a recovery phase

(Thousand units)



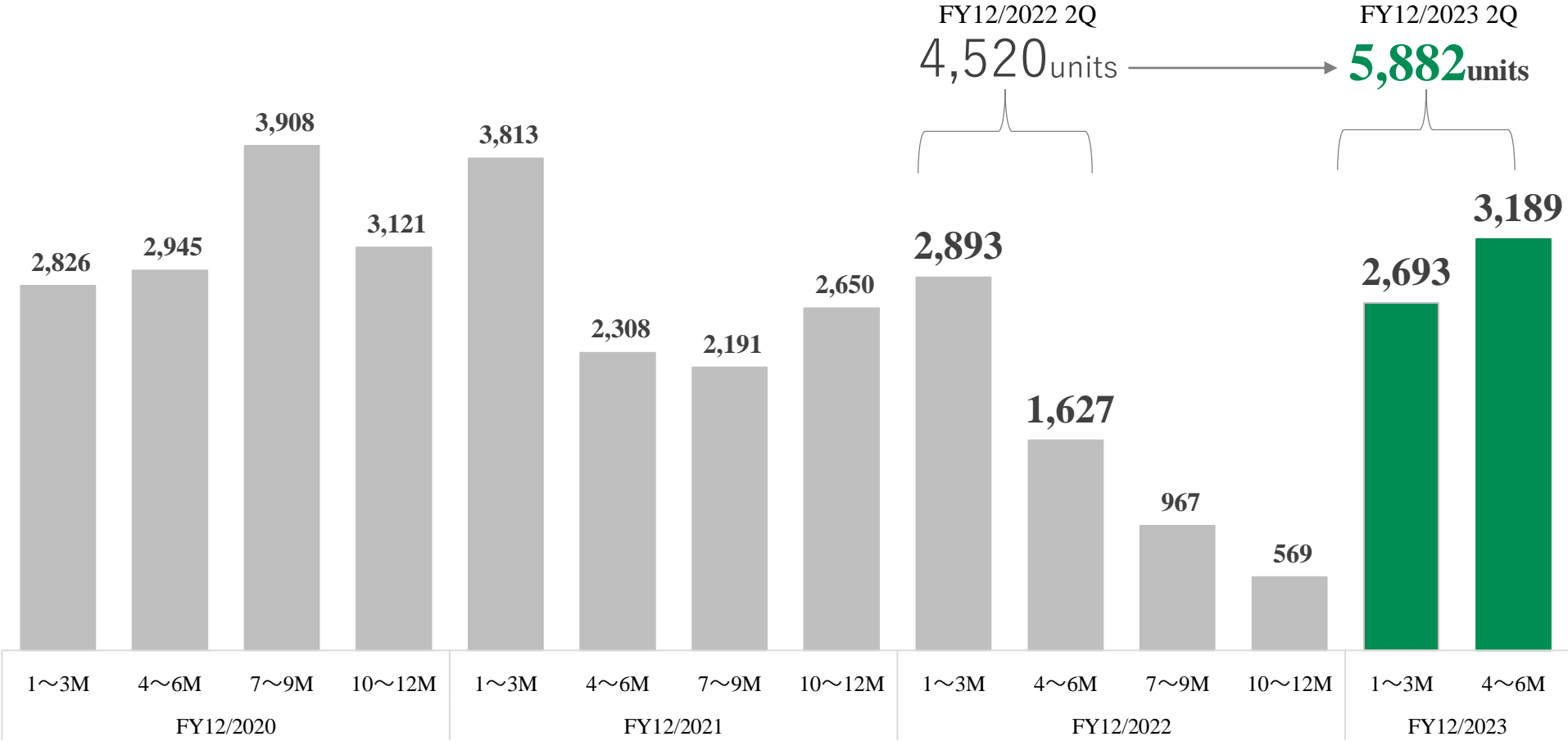
Source : U.S. Census Bureau

Acceleration of Global Expansion

US Single Family Homes Business – Units Ordered

- As the market for new housing enters a recovery phase, our company continues to offer incentives such as partial coverage of mortgage interest. **The number of units ordered improved significantly** in the first half of the fiscal year, **with a year-on-year increase in the number of units ordered.**

■ US Single Family Homes Business - Trends in number of units ordered



Acceleration of global expansion- Single-family Homes Business in the United States

- With the market for new housing entering a recovery phase, we are **making steady progress in expanding business in promising areas and establishing stable construction functions** to reach our sales target of 23,000 units by 2030.

■ Business expansion through acquisition of Southern Impression Homes



Roll out the diverse information
and knowhow relating to single
family rentals (SFR) owned by SIH,
to Group companies



1

Brightland Homes' expansion into Florida

Using land information from SIH, expand the single-family homes business in the state of Florida

2

Expansion of sale areas for single-family rentals

Expand the single-family rental (SFR) business in existing business areas (Texas, etc.)

3

Expansion of rental management business within the Group

Roll out, within the Group, a business model for acquiring long-term fee revenues

4

Partnership with Crescent

Partnership with Crescent, which is already engaged in real estate development in the same state. Mutual sharing of information on land owned, and utilization of SIH's construction functions in development projects

Acceleration of global expansion- Single Family Homes Business in the US

■ Promoting FITP business providing services that integrate materials and labor

We are promoting a Fully Integrated Turn-key Provider (FITP) business in which we provide integrated services that include everything from structural panel manufacturing to framing work.

Various benefits of the FITP business

1 Addressing impending labor shortage

We have secured the stable construction functions for our business development for the time being, but as we aim to expand further, an FITP business addresses the future shortage of on-site labor, including framers.

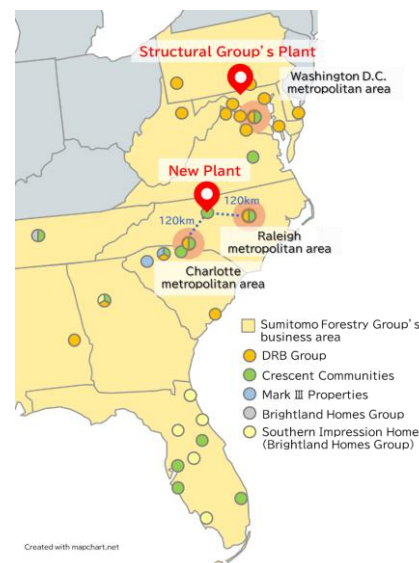
2 Streamlining of construction

Strengthens the foundations of the business through streamlining (shortening construction periods, reducing costs, enhancing safety, standardizing on-site work, etc.)

3 Creation of new business opportunities

We also anticipate an expansion of the business in the medium- to long-term through external sales.

■ Progress on FITP business

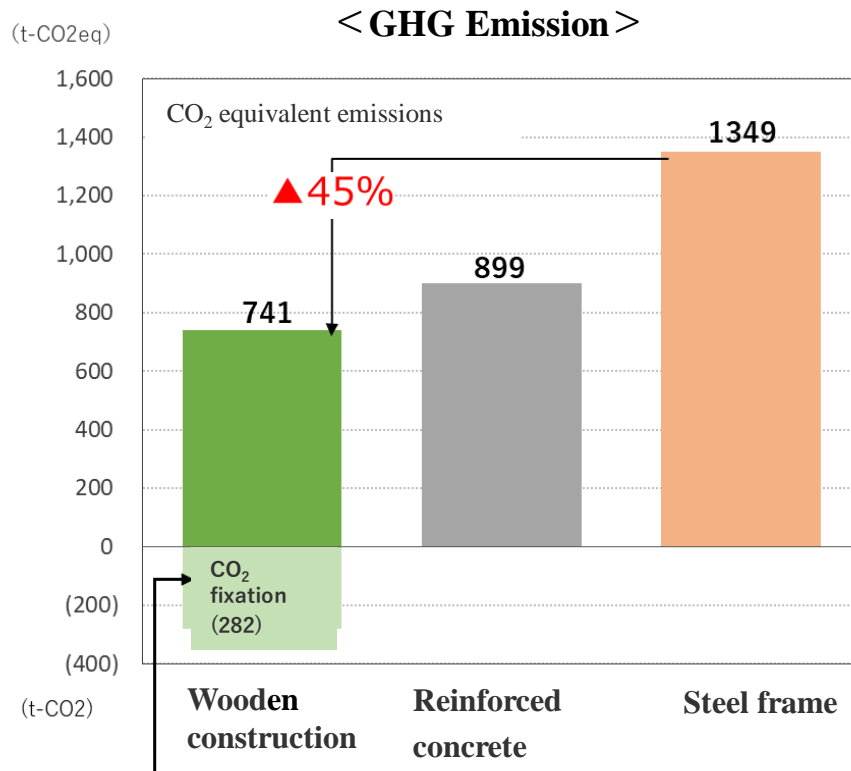


- February 2022: Acquired a construction company that engages in the contracting of framing, interior and exterior works, etc. with a focus on the U.S. East Coast, and internalized some of the construction functions.
- October 2022: Acquired 70% of the holdings in Structural, which is engaged in the component manufacturing business, such as trusses and wall panels for houses, in the suburbs of Washington D.C.
- November 2022: Decided to establish a panel factory in North Carolina, which is located in the southern part of the U.S. east Coast.

Acceleration of Global Expansion - Real Estate Development Business and Medium- to Large-scale Wooden Constructions

- Looking ahead to the future, we will continue to **promote the commercialization of carefully selected projects. We will expand medium- and large-scale wooden construction projects globally** to contribute to decarbonization and differentiate ourselves.

Greenhouse Gas Emissions by Structure

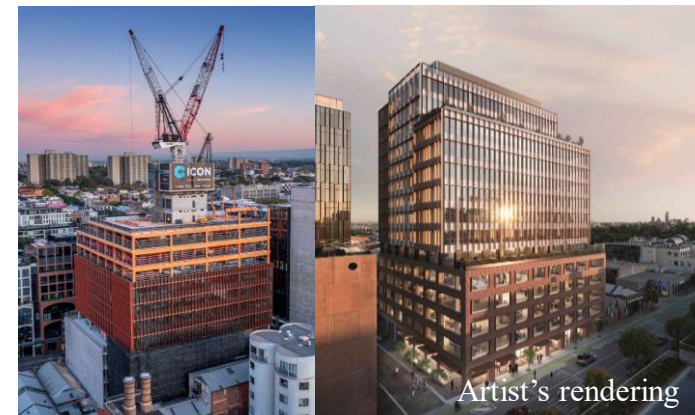


***If CO₂ fixation is offset, it will result in a roughly 66% reduction.**

*Estimated by Tsukuba Research Institute based on Forestry Agency survey.
 Calculation model: 3-floor office (1,500 m²)

Expansion of medium- to large-scale wooden constructions

- Melbourne (15-story wood office building)**



Completion date:
 →September 2023
CO₂ Fixation
 →2,300t-CO₂eq

- Dallas (7-story wood office building)**

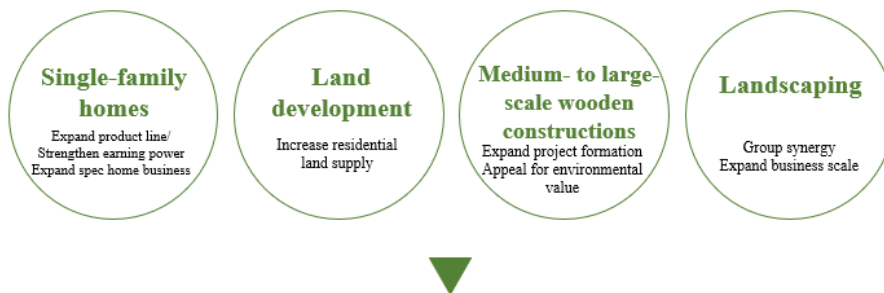


Completion date:
 →October 2023
CO₂ Fixation
 →3,800t-CO₂eq

Acceleration of Global Expansion – Businesses in Australia and Asia

Australia

- Population is expected to grow due to immigration policy, and stable housing demand is anticipated in the long-term.
- After the COVID-19 pandemic, protracted construction periods became an issue. However, with the knowledge and cooperation of the domestic housing business, efforts were made to rationalize production and reduce construction periods.

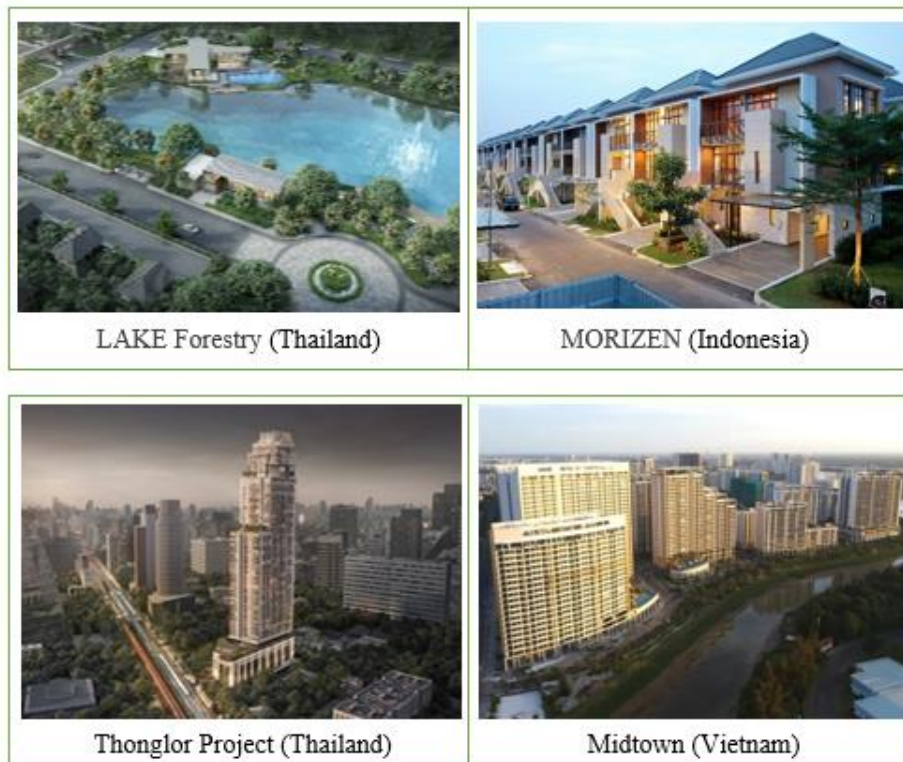


In addition to aiming for sales of 5,500 units by 2030 for the housing business, we will also work toward realizing stable profits for the land development business, medium- to large-scale wooden construction business, and landscaping business.



Asia

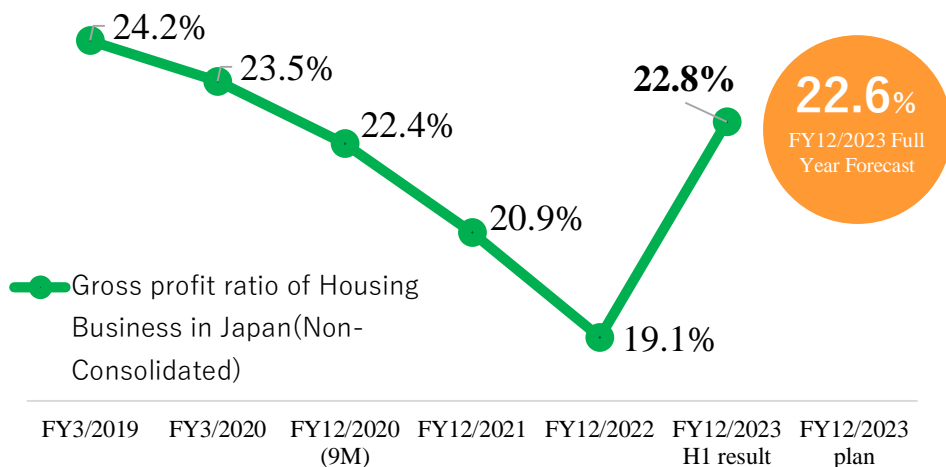
- Expectations for economic growth in the ASEAN region driven by the middle class and strong potential for medium- to long-term economic growth.
- Supply high quality and environmentally-friendly housing by harnessing our know-how from our housing business in Japan,



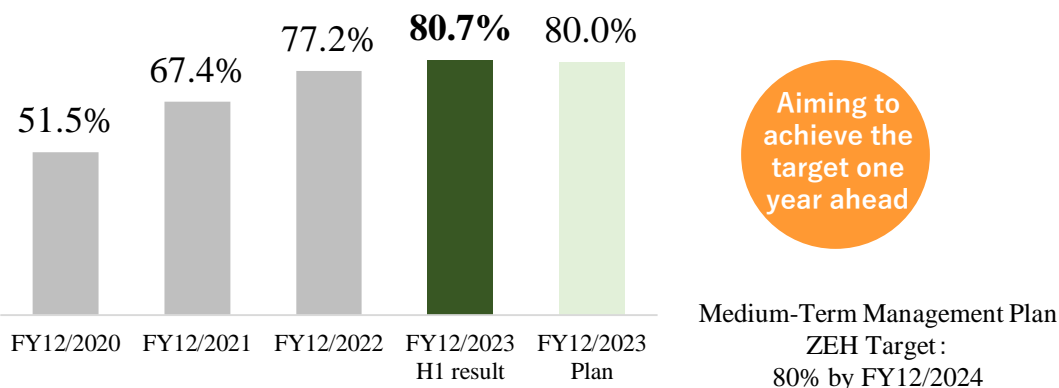
Promotion of More Resilient Earnings Base – Housing Business in Japan

- We have made steady progress in efforts to improve profitability, such as by **increasing the ratio of zero energy housing** and **harnessing the effects of price revisions in light of soaring material prices**. **Gross profit margin has improved** for the housing business on a non-consolidated basis.

Improvements in the gross profit margin of housing business in Japan (non-consolidated)



Ratio of Net Zero Energy House (ZEH) exceeding 80%



Topics: Business Succession of Sasazawa Construction

In July 2023, we completed the business succession of Sasazawa Construction, a long-established construction company engaged in the construction of vacation homes and hotels mainly in the Karuizawa area, which is seeing growing demand for resort villas. We aim to expand the resort villas business and others to enhance our competitiveness.

< Strengths of Sasazawa Construction >

- ✓ **Top share of owner-occupied housing starts** (Karuizawa Town, since FY2017)
- ✓ **Proven results and land procurement network**
- ✓ **Construction management capabilities for villa construction**



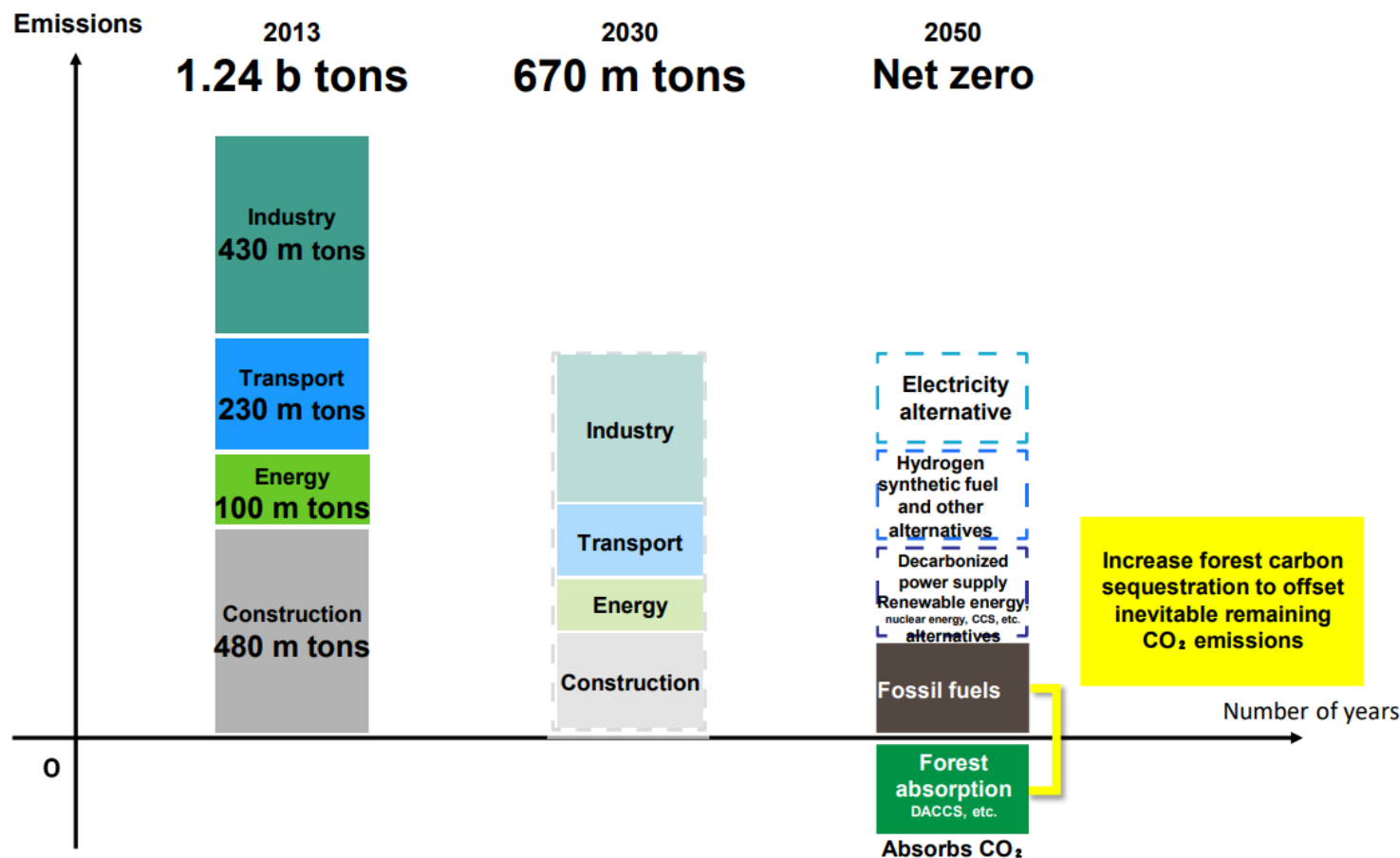
Utilization of Timber Resources to Support Zero-carbon Transition - Background to the Formation of Forestry Fund

Happiness Grows from Trees



- To achieve carbon-neutrality, it is necessary not only to reduce CO₂ emissions in each field, but also to realize carbon sequestration by forests.

■ Japan's CO₂ emissions

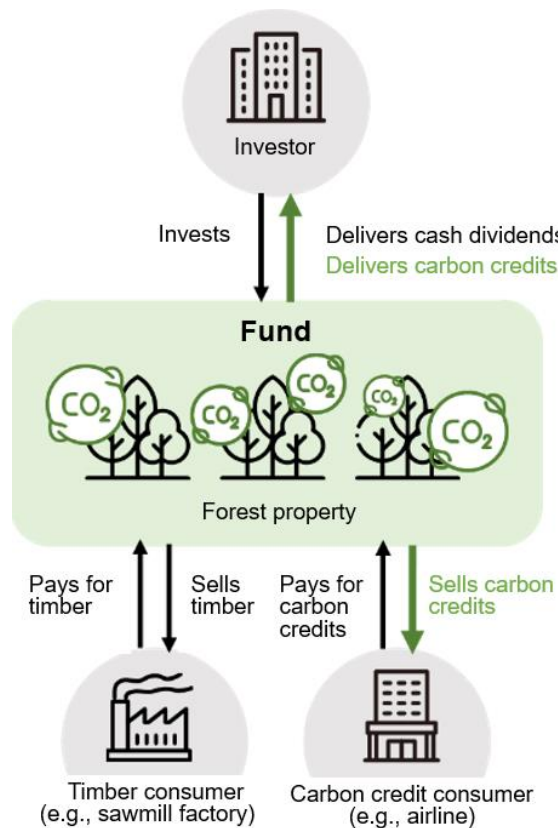


Source) Ministry of Economy, Trade and Industry, based on the “Realizing Carbon Neutrality” diagram in “Green Growth Strategy for Carbon Neutrality by 2050,” Global Warming Countermeasure Plan (October 22, 2021, Cabinet decision) and the target indices indicated in “Greenhouse Gas Targets/Criteria for Each Category”

* This material is not intended to promote investment in the fund.

Tackling the Challenge of Decarbonization Through the Utilization of Timber Resources – Formation of Forestry Fund

- The Sumitomo Forestry Group and participating companies aim to increase forest sequestration of carbon dioxide through a forest fund, with a target of sequestering an additional 1 million tons of carbon dioxide a year. The increased sequestration will enable the production and trading of high-integrity carbon credits, which will contribute to the realization of a decarbonized society.
- At the same time, we aim to enhance the value of forestland as natural capital by rehabilitating the role of forests in protecting biodiversity and water resources.



Scheme of forest Fund

Pooled capital:

Approx. **60** billion JPY

※ As of July 2023

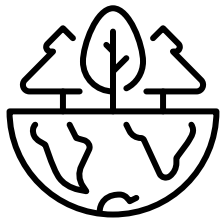
Investors

ENEOS Corporation	Osaka Gas Co., LTD
Tokyo Century Corporation	JAPAN POST HOLDINGS Co., Ltd.
NYK Line	Fuyo General Lease Co.,Ltd.
Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Trust Bank, Limited
Unicharm Corporation	Sumitomo Forestry Co., Ltd.

Tackling the Challenge of Decarbonization Through the Utilization of Timber Resources – Formation of Forestry Fund

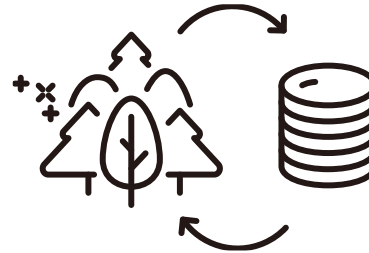
- Going forward, we will consider expanding the fund to markets other than the United States, creating a forestry fund framework that can visualize and monetize the value of the natural capital that a healthy forest can produce, such as biodiversity conservation, and introducing a forest monitoring system that involves observing forests from outer space.
- We aim to enhance the health level of forests to generate high-quality credits.

Expansion to markets other than the U.S.



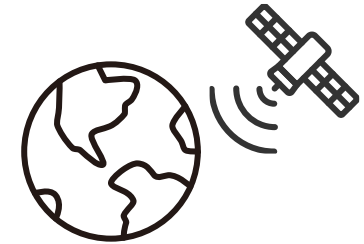
Expand the fund to forestry businesses in Japan, Asia, and Oceania.
(Currently looking into a few options, including Indonesian tropical peatlands)

A Forestry fund that monetizes natural capital



Develop a framework for the fund that can monetize the value produced by a healthy forest, such as biodiversity conservation.

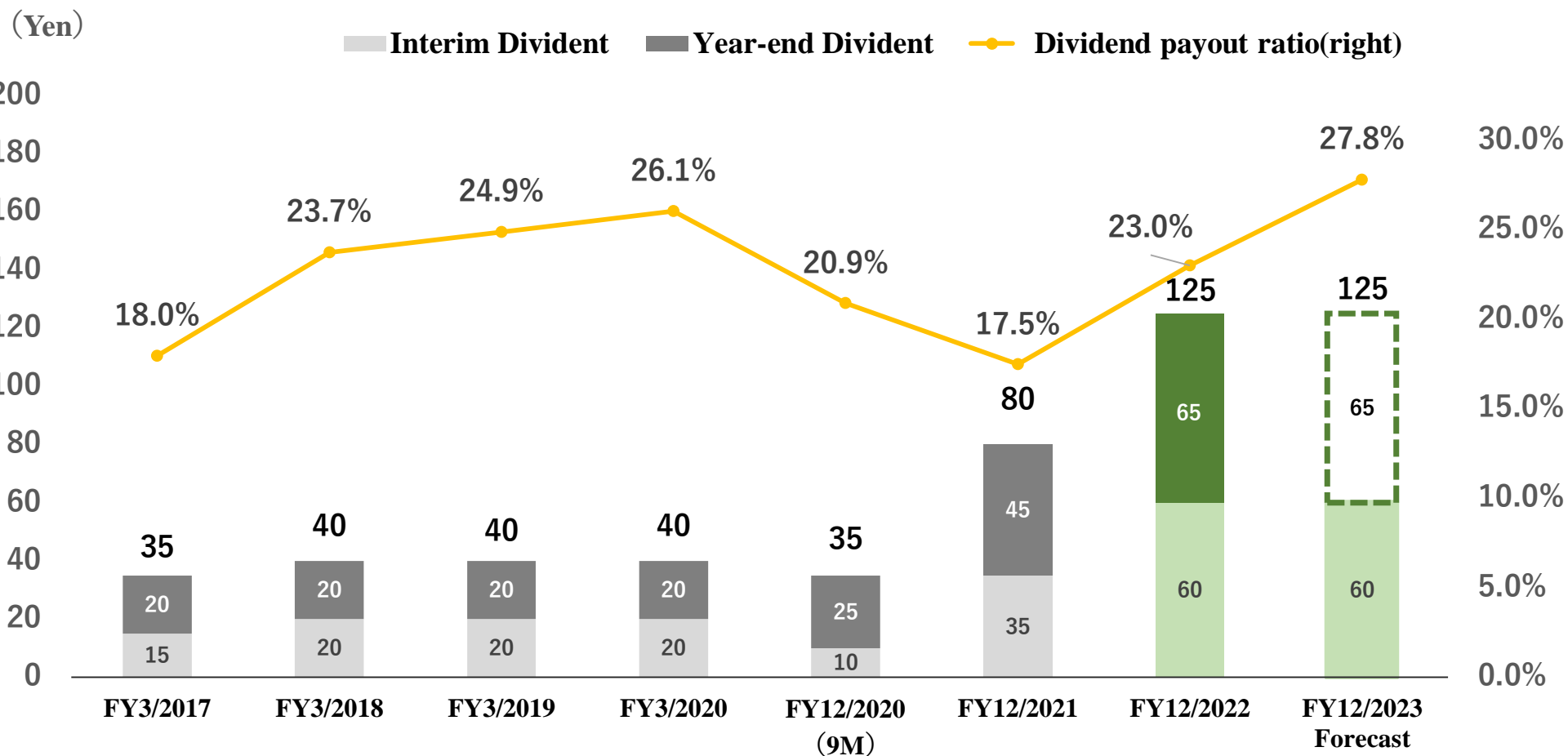
Incorporate a forest monitoring system that involves observations from space



Incorporate NeXT FOREST—a system developed with IHI for monitoring and conserving forests using satellites and drones—into our forest management.

Returns to Shareholders

- Paying stable and continuous returns as our basic policy. To improve ROE and enhance shareholders' equity, we will continue to pay an appropriate level of shareholder returns in line with earnings while reflecting an overall balanced consideration of factors such as business fundamentals, financial conditions and cash flow. Annual dividend per share for FY12/22 of 125 yen, an increase from the initial plan of 80 yen per share and we will maintain the same dividend for FY12/23, although the profits are expected to decline year on year.



- The performance forecasts, outlooks, business plans, etc. in this document are based on the assumptions and judgment of the Group made based on information available as of the time of preparation. No promise or guarantee is made with respect to the accuracy or completeness thereof.
- Performance forecasts, outlooks, business plans, etc. are subject to change.
- This material is not intended to solicit investment or acquisition of any other financial instrument.

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Happiness Grows from Trees



SUMITOMO FORESTRY