

**Medium-Term Management Plan
(FY12/2022 - FY12/2024)
Mission TREEING 2030 Phase 1**

Positioning of the new Medium-Term Management Plan

The new Medium-Term Management Plan is Phase 1 of Mission TREEING 2030
Three years for creating a foundation aimed at future growth and contribution to decarbonization



Basic policy

(1) Efforts to address decarbonization challenges using timber resources

- 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

(2) Promotion of more resilient earnings base

- Restore earnings power of Housing and Construction business and Timber and Building Materials business as well as promote reforms based on future market changes
- Boost asset efficiency

(3) Acceleration of global expansion

- Expand Housing and Real Estate business in the US and Australia and establish earnings base in Asia

(4) Strengthen management base for sustainable growth

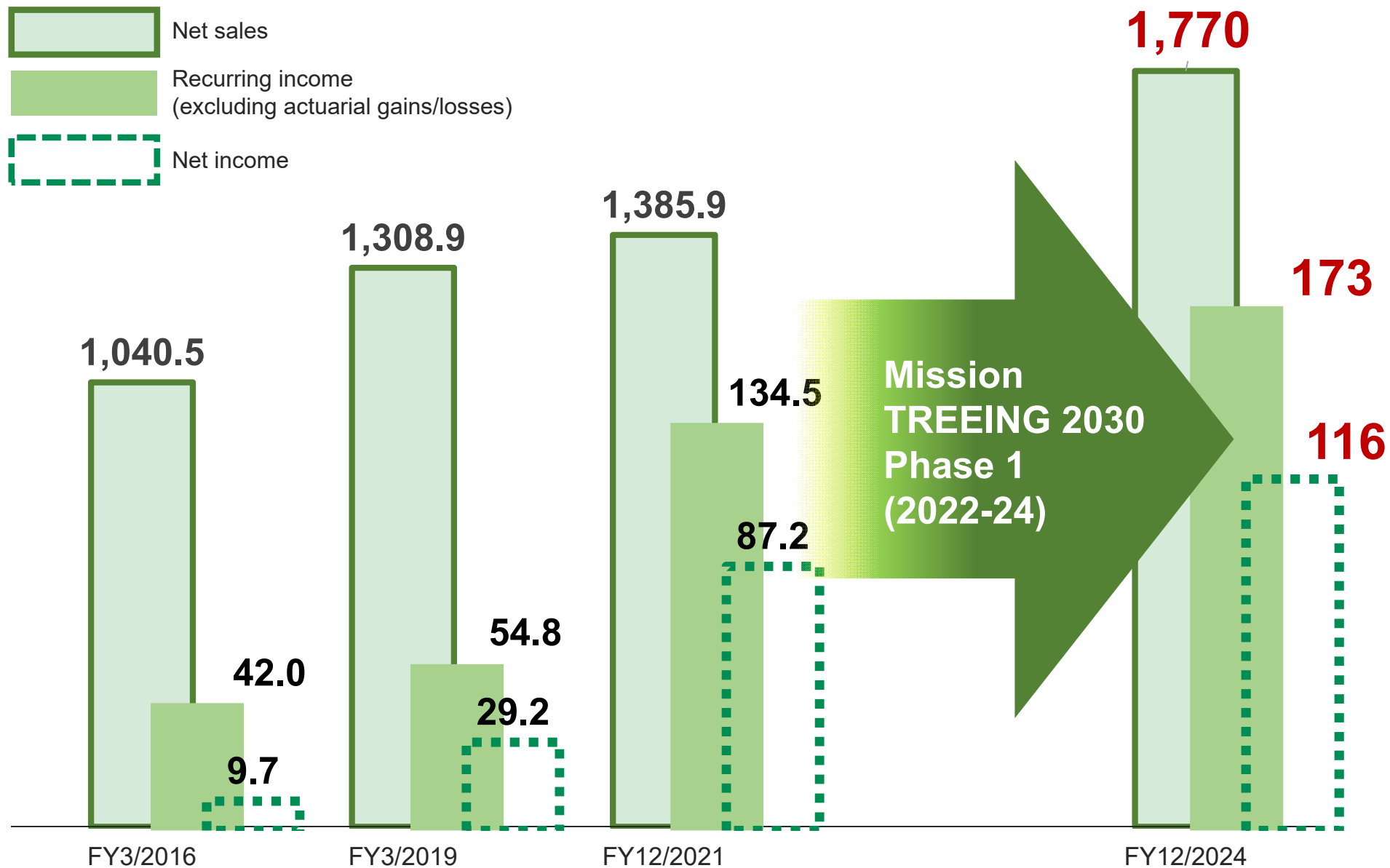
- Promote digitalization
- Secure human capital and enhance HR development, and increase employee engagement
- Reinforce risk management

(5) Further integration of business operations and ESG

- Steady implementation of measures aimed at achievement of RE100/SBT (Science Based Targets)

Performance Targets

(¥ billion)



Targets by Segment

(billion yen)	Net sales			Recurring income		
	FY12/2021	FY12/2024	YoY (%)	FY12/2021	FY12/2024	YoY (%)
Timber and Building Materials	216.9	264.0	+21.7%	10.0	11.5	+15.2%
Housing and Construction	510.9	547.0	+7.1%	19.6	32.0	+62.9%
Overseas Housing and Real Estate	644.6	954.0	+48.0%	104.3	129.0	+23.6%
Environment and Resources	22.3	26.5	+18.8%	3.9	4.0	+1.8%
Other	23.9	29.0	+21.1%	3.0	5.0	+66.0%
Adjustment	(32.7)	(50.5)	—	(3.1)	(8.5)	—
Total	1,385.9	1,770.0	+27.7%	137.8	173.0	+25.6%
			Note: Excluding actuarial differences	134.5	173.0	+28.6%

Targets by Segment

Timber and Building Materials



- Rebuild overseas Manufacturing business
- Invest in new businesses that can become a future pillar of our business portfolio (domestic timber manufacturing including timber industrial complex, decarbonization business, and DX, etc.)

Overseas Housing and Real Estate



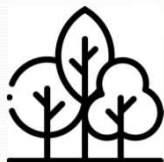
- Continue to grow the Housing and real estate development business in the US, Australia and Asia
- Commercialize medium- and large-scale wooden architecture business in non-residential segments in all markets including Europe

Housing and Construction



- Increase market share and streamline construction in custom-built housing business
- Expand spec homes business, non-residential business, and renovation business

Environment and Resources



- Expand forest management area in Japan and abroad

Other



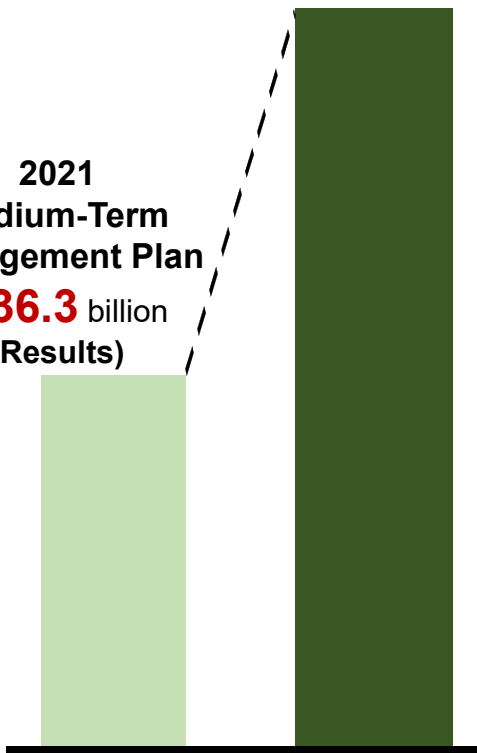
- Continue stable operation of nursing care business, etc.

Investment Plan

Aim for greater business growth by promoting growth investments including in decarbonization related sectors

Medium-Term Management Plan
3-year total
Approx. **¥300** billion

2021
Medium-Term Management Plan
¥**136.3** billion
(Results)



Main decarbonization related investments

Forest funds
Related investments

¥**12** billion

Timber industrial
complex
Investments

¥**20** billion

Overseas wooden
non-residential
Investments

¥**30** billion

Timber and Building materials

Manufacturing, etc.

Approx.
¥**35** billion

Overseas Housing and Real Estate

Overseas real estate and residential land development, etc.

Approx.
¥**130** billion

Housing and Construction

Model homes, offices, etc.

Approx.
¥**25** billion

Environment and Resources

Forest and afforestation investment, etc.

Approx.
¥**30** billion

Other

System investments (promotion of DX), etc.

Approx.
¥**15** billion

Efficiency

ROE

Consistently
15% or higher

(Trailing 3-year average: 12%)

Stable

Equity ratio

40% or higher

(Result for FY12/2021: 37.7%)

Return to shareholders

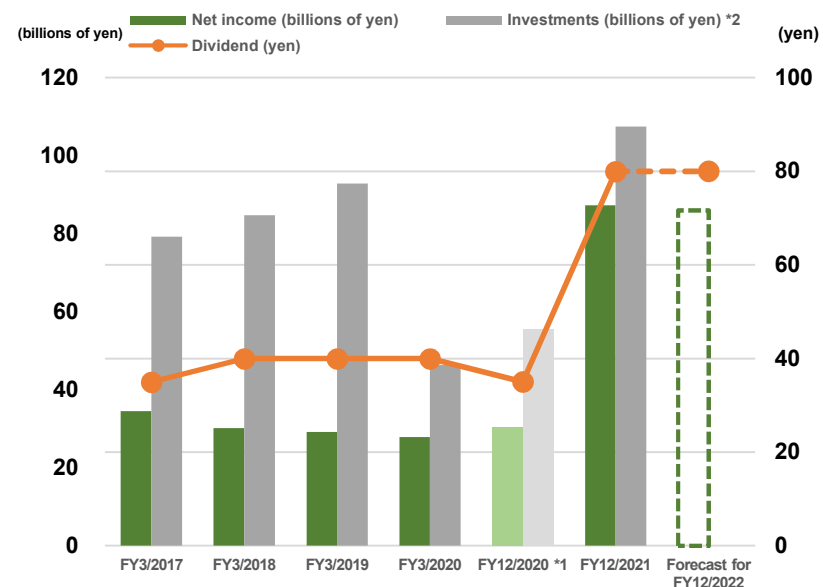
Dividends per share (annual)

FY12/2021 full-year
(planned)

80 yen

FY12/2022 full-year
(forecast)

80 yen



	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY12/2020 *1	FY12/2021	Forecast for FY12/2022
Dividend (yen)	35	40	40	40	35	80	80
Net income (billions of yen)	34.5	30.1	29.2	27.9	30.4	87.3	86.0
Investments (billions of yen) *2	79.3	84.7	92.8	46.3	55.6	107.5	-
Net income per share (yen)	194.95	168.49	160.80	153.54	167.54	458.33	430.30




*1: FY12/2020 is an irregular nine-month fiscal year due to changes in the fiscal year-end

*2: Investment amount equals investment CF plus change in inventories balance

Overview of plan for the Housing and Real Estate Business in Japan and abroad



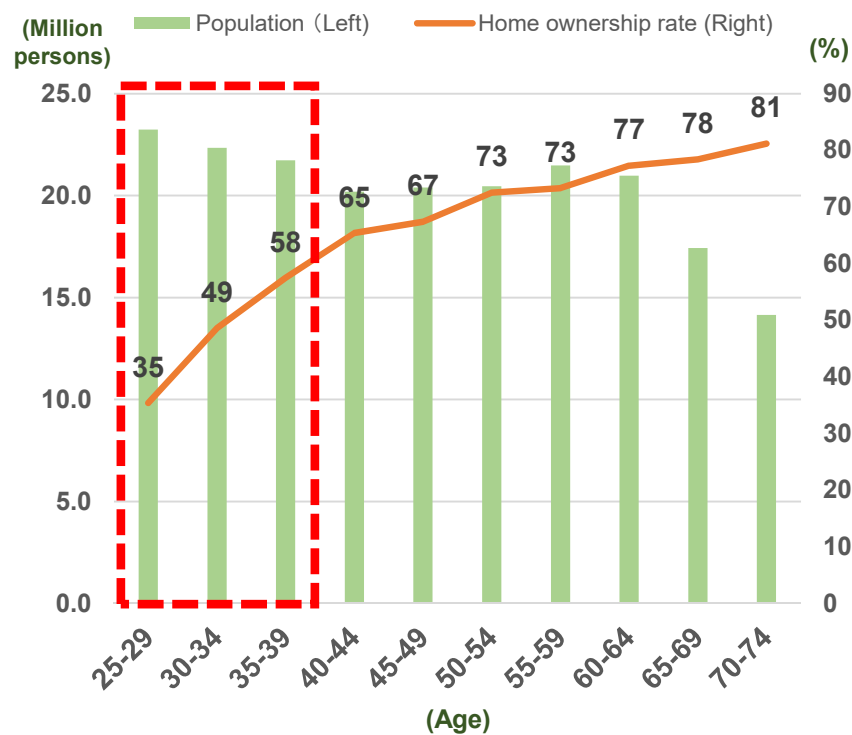
- Acquire dominant market share in custom-built detached houses in Japan using sales powered by DX
- In the US and Australia, plan to greatly increase units sales by expanding product offerings based on carefully selected land and area characteristics
- Promote development of mid- and large-scale non-residential wooden buildings in the US, Australia and Europe

	Sales volume	FY12/2021 Results		FY12/2024 Target
	Housing in Japan (units)	9,711	➔	9,750
	Housing in the US (units)	11,230	➔	16,000
	Housing in Australia (units)	3,169	➔	4,000
	Total (units)	14,399	➔	20,000

US market environment

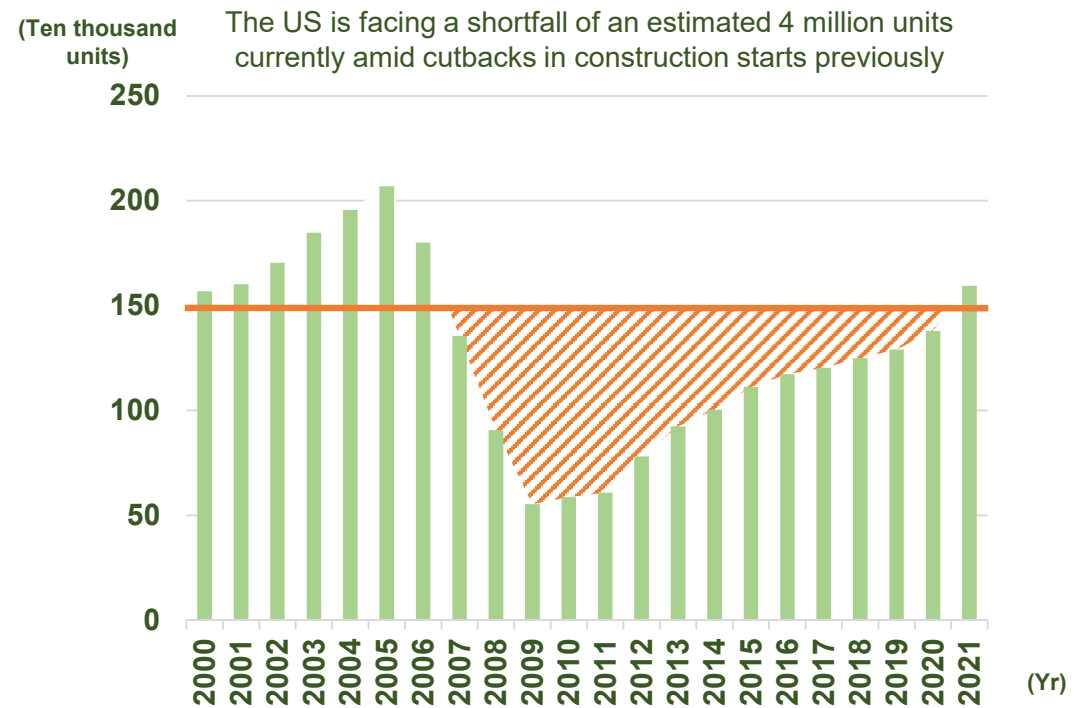
The US housing market is expected to see stable and continuous demand underpinned by a rising population of new home buyers, such as Millennials and Generation Z, and inventory shortages of resale homes

US population by age and home ownership rate



Source: U.S. Census Bureau Population: 2019 Home ownership rate as of Q4 2021

New housing starts in US



Source: U.S. Census Bureau

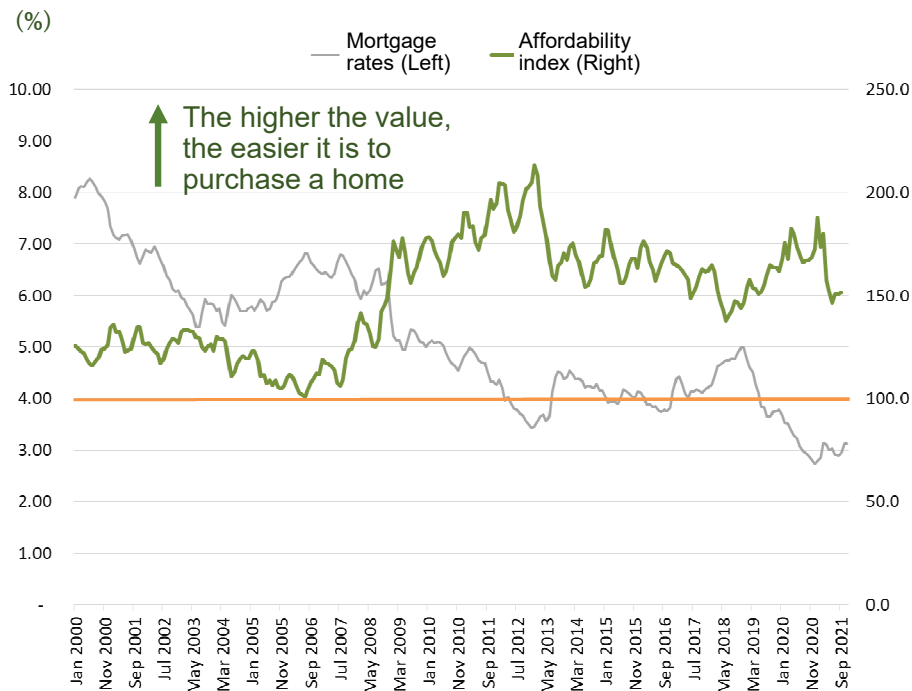
US market environment

Affordability remains sufficiently sound

* 100 represents an equilibrium between household income and annual income required to pay the mortgage

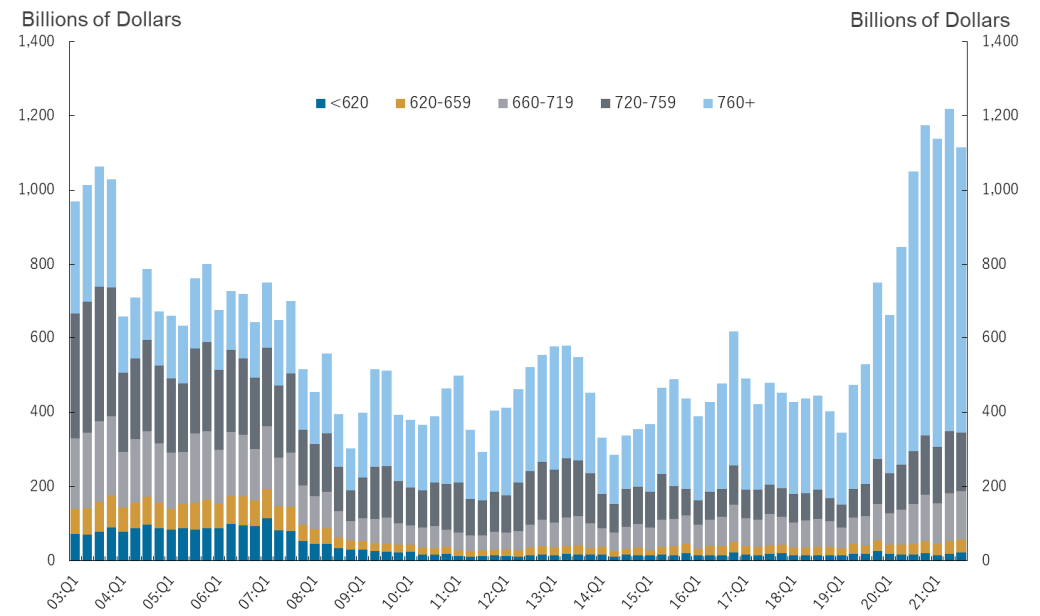
Generally a sound market as the ratio of subprime loans (credit score under 670) is very small

Mortgage rates and Housing Affordability Index



Source: NAR

Executed mortgage volume by credit score

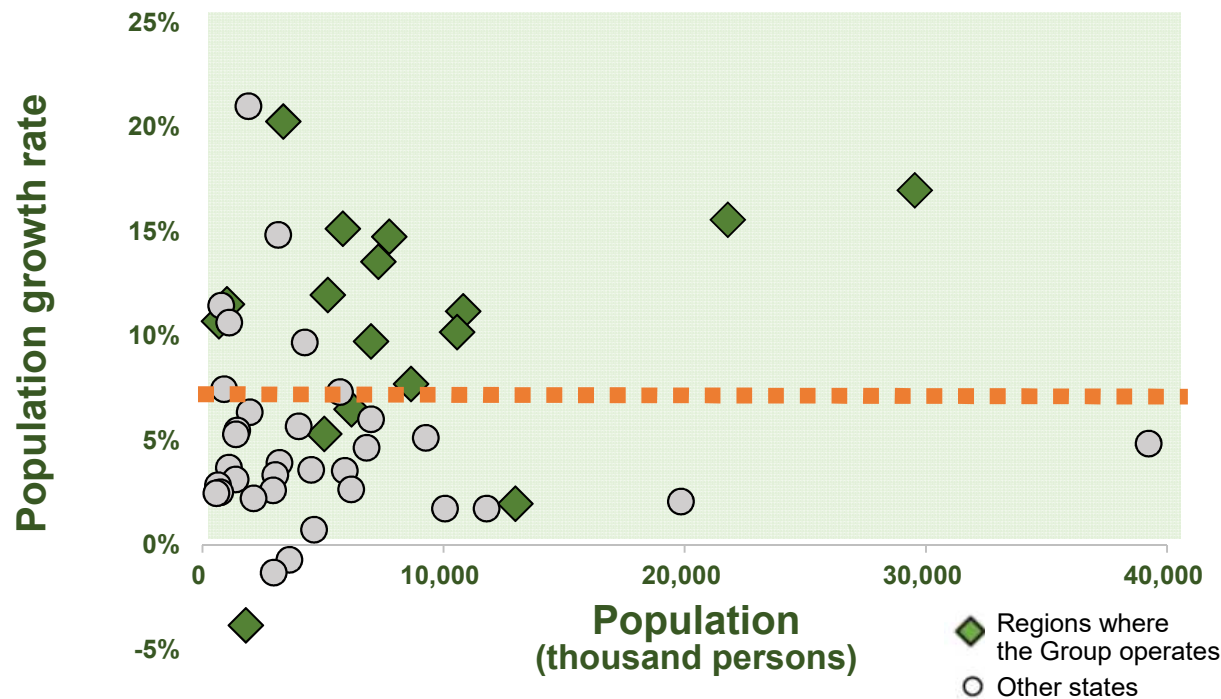


Source: New York Fed Consumer Credit Panel/Equifax

US market environment

The population growth rate of regions where the Group operates is higher than the national average and these markets are expected to grow going forward

Population growth rate of regions where the Group operates in the US (*1)



*1: Population growth rate comparing 2010 to 2021 (estimates as of April 2020)

Source: Prepared by the Company based on U.S. Census data

Detached housing business coverage (*2)
(14 states and Washington D.C.)

11.5%

Real estate development business coverage (*3)
(9 states and Washington D.C.)

14.6%

National average: **7.5%**

*2: 5 detached homebuilders' coverage

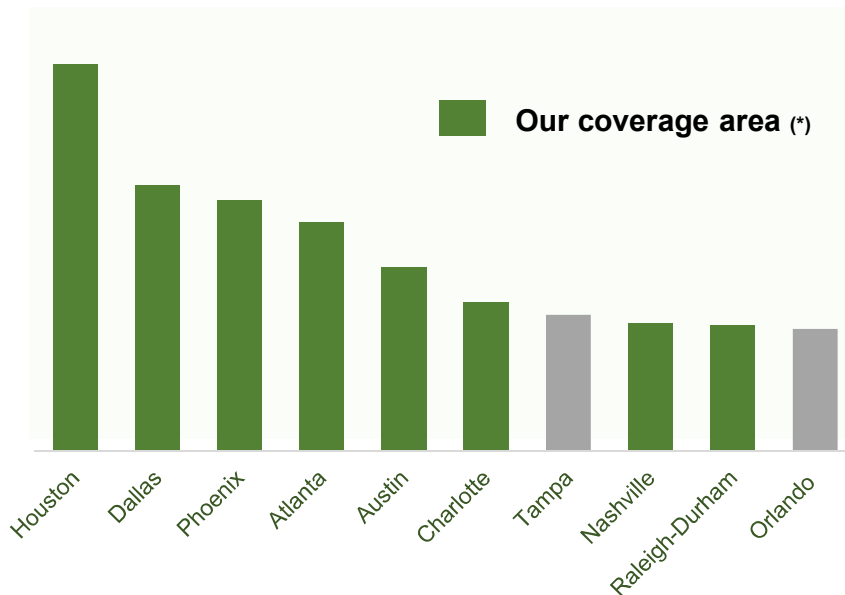
*3: Crescent's coverage
(As of December 31, 2021)

US market environment

Presence in 8 of the top 10 cities in building permits

High affordability in coverage area

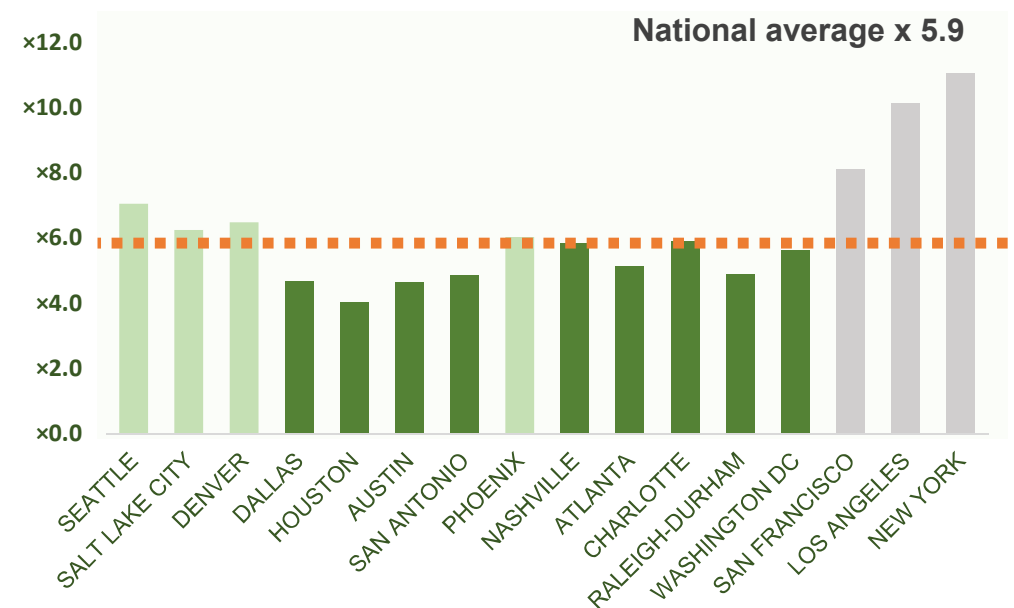
Top 10 in building permits (by US city)



* 5 US detached homebuilders

Source: Prepared by the Company based on U.S. Census data November 2021 (trailing 12-month running total)

Detached house price to income ratio in our coverage area (*)



* 5 US detached homebuilders and Crescent

Source: Prepared by the Company based on U.S. Census data As of December 2021

Strategy of detached housing business in the US

Growth strategy

- Moving assets off balance sheet using joint ventures and land banks, etc.
- Enter integrated business spanning from manufacture of structural panels to framing work
- Grow contract business for detached houses for rent

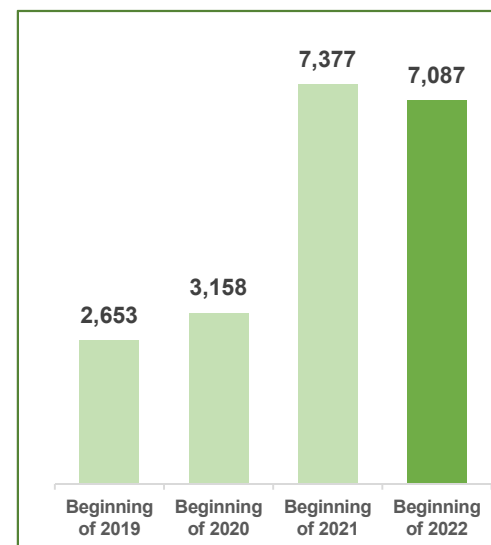
Balance of real estate for sale in the US

¥**333.4** billion → ¥**550** billion

Maintain ROA* of **20** % or higher

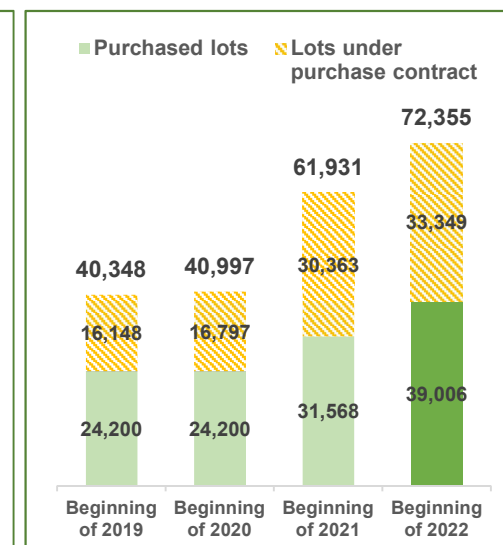
*Simple total for 5 US homebuilders

Abundant beginning-of-period backlog of orders(units)



Purchased lots and lots under purchase contract land type

(Total for purchased lots and lots under purchase contract)



<Reference>

	Simple total for 5 US homebuilders		Simple average for 4 largest listed homebuilders in US
	FY12/2020 results	FY12/2021 results	FY2021 results
ROA	24%	29%	23%
Real estate investment turnover (days)	197	178	197

* Real estate investment turnover (days) equals average balance of real estate for sale for two periods divided by net sales for the current year multiplied by 365 days

* ROE equals profit before income tax and other adjustments divided by average total assets for two periods

Strategy of real estate development business in US



Growth strategy

- Full-fledged expansion of Build-to-Rent development business
- Acquire environmental certifications and continue development considerate of local communities

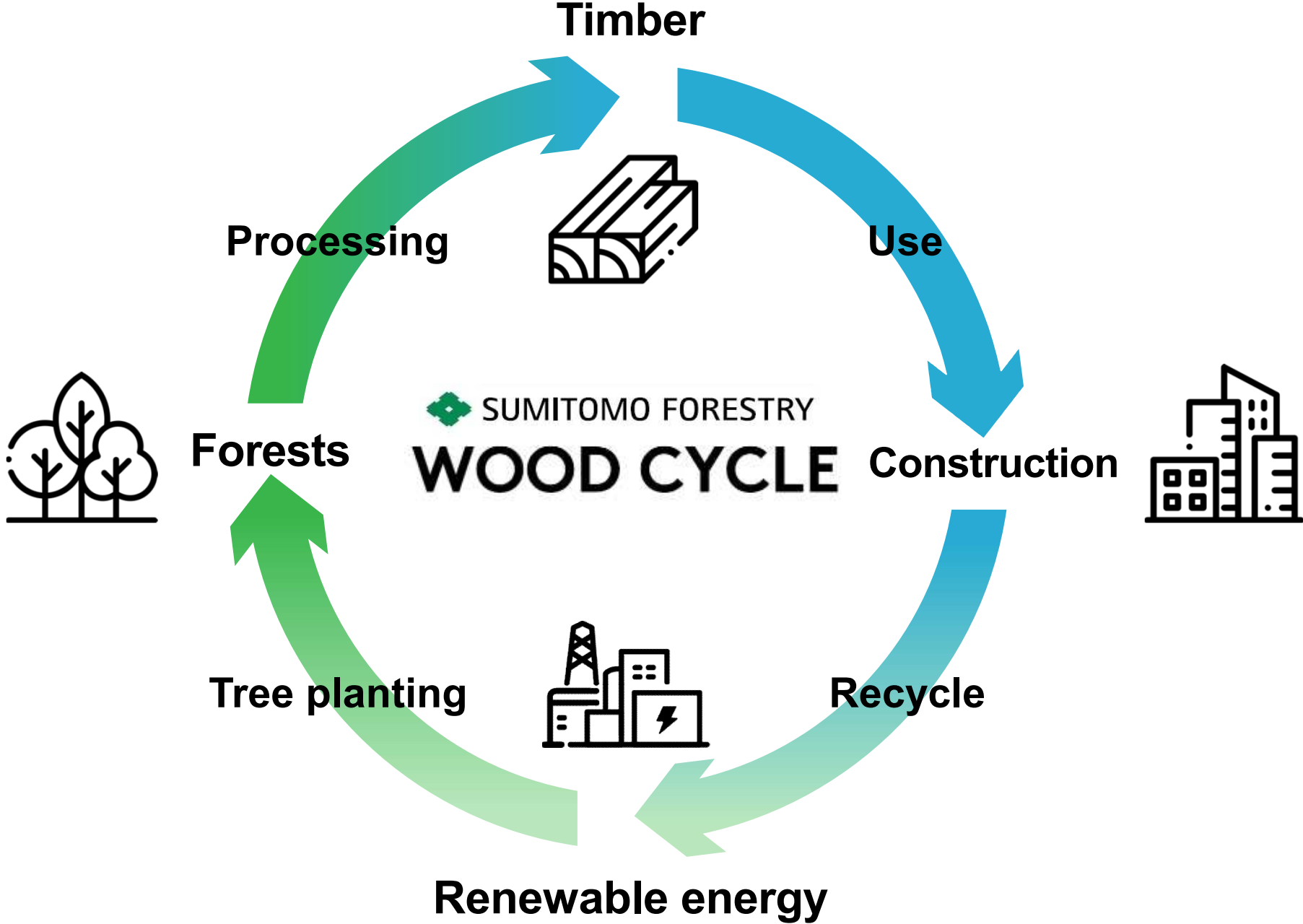


Crescent's new build-to-rent units

3 year running total (2022-24)

1,700 units

Sumitomo Forestry's Wood Cycle



- **The earnings forecasts, outlooks, business plans, etc. described in this document are based on assumptions and judgments by the Sumitomo Forestry Group based on information available at the time of preparation. Sumitomo Forestry does not guarantee or promise the accuracy and completeness of such information.**
- **Business results forecasts, outlooks, business plans, etc. may change in the future.**

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