

Happiness Grows from Trees



Financial Results for the Second Quarter of FY Ending March 2020

Business Policy and Future Initiatives

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Business Environment

<<Japan>>

- Although the gentle recovery continued, sluggish exports and concern about global economic deceleration have produced a strong sense of uncertainty about the future.
- There has been a sharp reactive decline in the housing market prompted by the consumption tax hike, but it has not been as pronounced as last time.

<<Overseas>>

- Customer buying power has been bouncing back in the US housing market owing to lower home loan interest rates. The market is expected to continue performing favorably thanks to strong internal demand and lowering of policy interest rates in October.
- At the same time, there is increasing uncertainty about the future of world affairs, due in part to trade friction between the United States and China and the Middle East problem.
- The Australian housing market remains in an adjustment phase, but there are also signs of improvement in the market, including rise in housing prices.

Second Quarter FY3/2020 Results and Full-Year Forecast SUMITOMO FORESTRY

- Second Quarter results roughly according to plan
- Full-year forecast for recurring income and net income left as-is

(billion yen)

(Consolidated)	Net Sales			Recurring Income			Net Sales			Recurring Income		
	FY3/19 2Q	FY3/20 2Q*	Pct.	FY3/19 2Q	FY3/20 2Q*	Pct.	FY3/19	FY3/20 Forecast*	Pct.	FY3/19	FY3/20 Forecast*	Pct.
Timber and Building Materials	235.2	116.9	-50.3%	3.4	2.9	-15.7%	487.1	245.0	-49.7%	8.0	6.0	-24.8%
Housing and Construction	201.1	233.7	+16.2%	4.0	12.2	+205.2%	452.8	485.0	+7.1%	21.6	25.5	+18.1%
Overseas Housing and Real Estate	154.3	176.4	+14.3%	11.5	10.9	-5.4%	364.9	385.0	+5.5%	25.8	28.0	+8.5%
Environment and Resources	9.7	9.1	-6.2%	2.0	1.8	-11.3%	19.5	19.0	-2.7%	4.0	3.0	-25.2%
Other	11.1	11.3	+2.0%	-0.4	0.4	-	22.3	24.5	+10.0%	0.1	1.0	-
Adjustment	-18.6	-17.6	-	-1.8	-2.5	-	-37.7	-41.5	-	-8.1	-6.5	-
Total	592.9	529.7	-10.6%	18.7	25.7	+37.2%	1,308.9	1,117.0	-14.7%	51.4	57.0	+10.8%

*After application of Accounting Standard for Revenue Recognition

2021 Medium-Term Management Plan

- Work on solving social issues and aim to strengthen our management base and further move our businesses into the future based on four basic policies.

Promote future-oriented business strategies for further growth

Strengthen management base for sustainable growth

Accelerate R&D and technological innovation utilizing timber

Promote further integration of business operations and ESG initiatives

<< Performance Targets* (FY3/22) >>

Net sales

¥**1,260.0**
billion

Recurring
income

¥**85.0**
billion

Net income

¥**48.0**
billion

ROE

10
% or more

*After application of Accounting Standard for Revenue Recognition

2021 Medium-Term Management Plan

- Quickly and steadily implement specific strategies to achieve targets of Medium-Term Management Plan
- Also focus on content to tie them into sustainable growth after Medium-Term Management Plan concludes

(billion yen)	Net Sales*			Recurring Income*		
	FY3/20 Forecast	FY3/22 Plan	Change	FY3/20 Forecast	FY3/22 Plan	Change
Timber and Building Materials	245.0	266.0	21.0	6.0	10.0	4.0
Housing and Construction	485.0	525.0	40.0	25.5	28.4	2.9
Overseas Housing and Real Estate	385.0	470.0	85.0	28.0	47.2	19.2
Environment and Resources	19.0	23.0	4.0	3.0	5.0	2.0
Other	24.5	20.0	-4.5	1.0	2.5	1.5
Adjustment	-41.5	-44.0	-2.5	-6.5	-8.1	-1.6
Total	1,117.0	1,260.0	143.0	57.0	85.0	28.0

*After application of Accounting Standard for Revenue Recognition

Business Strategy

(1) Timber and Business Materials

- **Promote reform of sales structure according to customer business formats**
Strengthen solutions such as cost reduction proposals that include ICT-based streamlining of logistics and construction expenses to expand our share
- **Secure various revenue streams in anticipation of shrinking of market for new construction of detached houses**
Expand fuel materials, materials for non-residential building structure, and domestic materials handled
- **Build up manufacturing business based on strengths of integrated production and sales system**
Develop high value-added products and improve productivity



Business Strategy

(2) Housing and Construction

- **Increase share of custom-built detached houses and address labor shortage**
Analysis of customer trends, provision of disaster-resistant and environmentally friendly housing, promotion pre-cutting of parts and pre-casting of foundations, etc.
- **Capture demand from first-time home buyers**
Continue measures on land and promote residential property development business
- **Diversify custom-home business and expand housing stock business**
Further develop non-residential building structure and construction fields and capture stock housing demand group-wide, including affiliates



Strengthen sales capabilities by price range and attribute



Pre-casting of foundations



Expansion of measures on land and spec homes business

Business Strategy

(3) Overseas Housing and Real Estate

➤ Expand spec homes business in US and Australia

Promote product development and marketing according to regional characteristics and enhance competitiveness through joint purchasing to expand profitability

➤ Diversify business portfolio

Strengthen foundation of real estate development (Crescent) and residential land development (Mark III) businesses

➤ Grow business in Asia to make it third pillar of profits

Actively promote new businesses such as real estate development projects



Business Strategy

(4) Environment and Resources / Other

➤ **Expand profitability in domestic and overseas forestry business and others**

Promote automation and improve forestation technology, including peatland management in Indonesia

➤ **Expand renewable energy business**

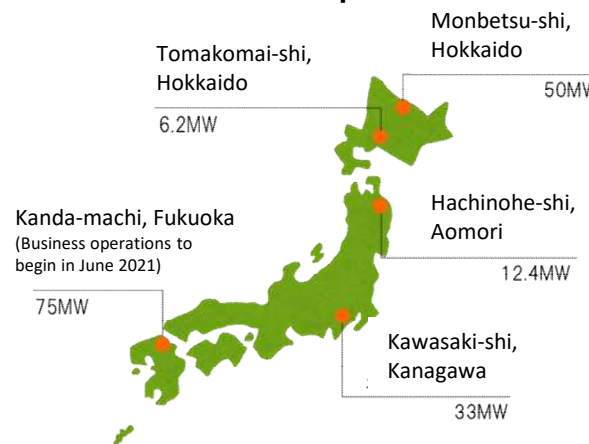
Aim for structure of 300MW of power generation based on finalized projects during period of Medium-Term Management Plan

➤ **Stabilize elderly care business and pursue new businesses utilizing local resources**

Pursue trusted elderly care business and possibilities of new businesses such as lodging business



Improvement of forestry business profitability



Expansion of renewable energy business



Participation in lodging business (AQUAIGNIS Taki)

Research and Development / W350 Plan

➤ Various research and development to increase possibilities of timber

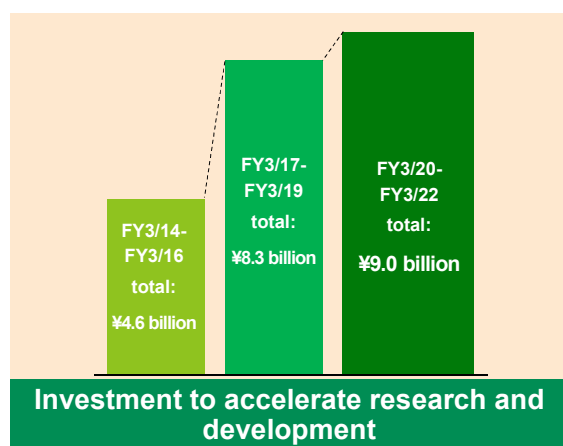
Promote broad range of research, including biotechnology and fire-resistant structural materials

➤ Further acceleration of research and development

Plan ¥9 billion investment in research and development, surpassing that of previous medium-term plan

➤ New research building at Tsukuba Research Institute completed as foundation for W350 Plan

Aim for achievement of W30 during period of Medium-Term Management Plan



➤ **Contribute to SDGs**

Establish five material issues and 15 targets in 2021 medium-term plan

➤ **Ensure sustainable growth, uniting financial and non-financial aspects**

Promote increasing environmentally conscious products and services and other initiatives


➤ **Understand and address risks and opportunities associated with climate change**

Begin scenario analysis of business impact of future climate change risk. Also utilize this in development of new, environmentally friendly products.



Addressing of climate change risk



In collaboration with  SAM
a RobecoSAM brand

Selection for inclusion in DJSI for second consecutive year

Investments Plan and Cash Flows

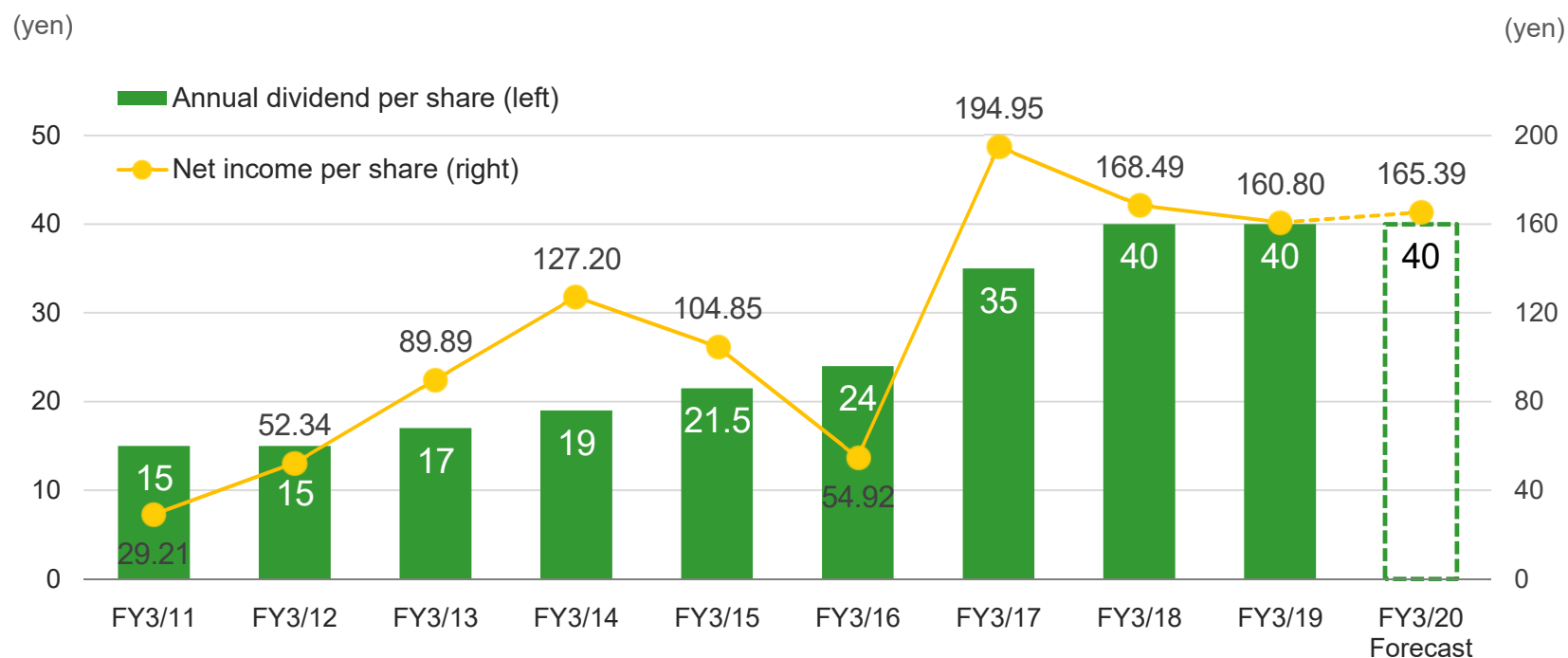
- **Execute growth investments based on medium- to long-term business strategy**
- **At the same time, generate positive free cash flow during 3-year period of medium-term plan and strengthen financial discipline and foundation by steadily tying previous investments into results**

Investment plan ¥ **150.0** billion
(3-year cumulative basis)

Generate positive free cash flow
(3-year cumulative basis)

Return to Shareholders

- Engage in continuous and stable distribution of dividends
- Provide return to shareholders based on comprehensive consideration of growth investments, financial standing, general norms, etc.



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- The business results forecasts, outlooks, business plans, etc. in this document are based on the Sumitomo Forestry Group's assumptions and judgments made based on information available at the time of preparation. No guarantee or assurance is provided with respect to the accuracy or completeness thereof.
 - Business results forecasts, outlooks, business plans, etc. may change in the future.

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