



Happiness Grows from Trees



SUMITOMO FORESTRY

**Results Briefing for the Second Quarter of
FY Ending December 31, 2020**

Business Environment and Future Initiatives

November 13, 2020

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Business Environment

- ❑ **Economic recovery in Japan and overseas expected to take some time**
- ❑ **Roll out business strategies adapted to peri-COVID-19 era**

❑ **Japan**

- Continue workstyle reform not limited to COVID-19 response.
- Implement thorough measures to prevent spread when face-to-face with customers.
- Focus on sales activities utilizing the Internet. Materials requests have doubled.
- Orders for custom-built detached houses up year on year.

❑ **Overseas**

- Engage in dynamic business development according to market trends.
- In US, favorable sales of new houses continue against a backdrop of low interest rates and low inventory of existing homes.
- In Australia, housing market varies by state. Continued monitoring is necessary.

□ Sales up owing to favorable performance of Overseas Housing and Real Estate

(billion yen)	FY3/20 2Q	FY12/20 2Q	Change	Pct.
Net Sales	529.7	525.9	-3.8	-0.7%
Operating Income	25.0	26.9	+1.9	+7.5%
Recurring Income	25.7	28.7	+3.0	+11.8%
Net Income	12.6	16.3	+3.7	+29.1%

FYE December 2020 Full-Year Forecast

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- Revised upward since the previous forecast
- Spec home sales in US expected to remain strong

(billion yen)	FY3/20 3Q	FY12/20 Forecast	Change	Pct.	Pct. Compared with the previous forecast
Net Sales	802.7	821.0	+18.3	+2.3%	+5.7%
Operating Income	38.3	35.0	-3.3	-8.5%	+55.6%
Recurring Income	43.1	37.5	-5.6	-12.9%	+56.3%
Net Income	22.6	20.5	-2.1	-9.3%	+86.4%

* Recording period for profit and loss at overseas subsidiaries: Cumulative 3Q of FY3/20 is from January to September, and FY12/20 is from April to December.

* We handle actuarial differences for retirement benefit accounting all together under selling, general and administrative expenses in the year of occurrence, but the profit above for cumulative 3Q FY3/20 and FY12/20 forecast does not include actuarial differences.

* Full-year forecast announced on August 12, 2020 used for comparison.

Main Future Initiatives (1)

Timber and Building Materials

Promote development of various revenue streams

- Launch services at Home Express Structure Design Co., Ltd.
- Build system for long-term stable supply of wood biomass fuel for power plants.

Housing and Construction

Improving profitability is urgent challenge

→ Provide housing with more added value

- Expand sales of ZEH that utilizes the characteristics of wood.

→ Improve operating efficiency and streamline construction

- Promote web strategy and improve order management utilizing IT.
- Work on shortening construction periods by reducing bottleneck processes such as pre-cutting while reducing industrial waste and preparing for emerging labor shortages.



Registration type website MYHOME PARK

Main Future Initiatives (2)

❑ Overseas Housing and Real Estate

Aim for further expansion as leading business within Group

→ **Organic growth and entry into new areas**

- Planning to acquire Knight Homes business.

→ **Continue efficiently investing in real estate for sale**

- Maximize profit in spec home business.



Illustration of house built by Knight Homes

❑ Environment and Resources

Expand business as key to environmental management

→ **Promote renewable energy business**

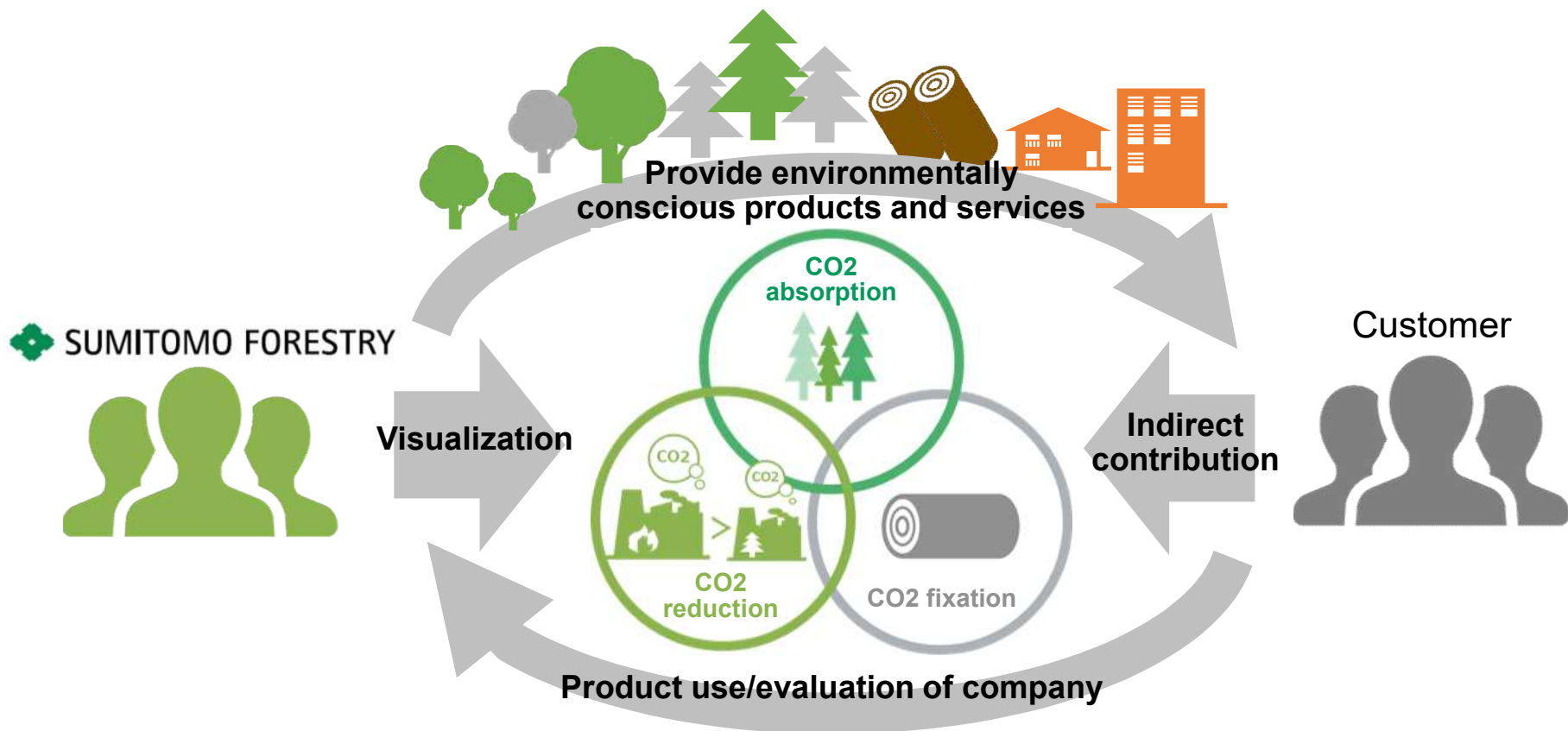
- Invest in Morinomiya biomass energy (75 MW).



Morinomiya Biomass Power Plant

Promotion of Integration of Business Operations and ESG Initiatives

- Promote ESG and SDG initiatives together with business and tie them into growth of the Group



□ Creating new businesses utilizing frontier sciences and internal knowledge



Creating new field of wood use

1 Improving economic value of trees and plants

Create new economic value that goes beyond the conventional timber application through biomass science and other tree-related sciences

2 Manifesting public benefit of forest resources

Contribute to the systematic and stable supply of valuable timber by visualizing the public benefit of forest resources from various perspectives

3 Quantifying relationship between humans and trees/plants

Create new value that delves deeply into the relationship between humans and trees/plants, including the tranquility that trees bring to humans and urban greening and lifestyles

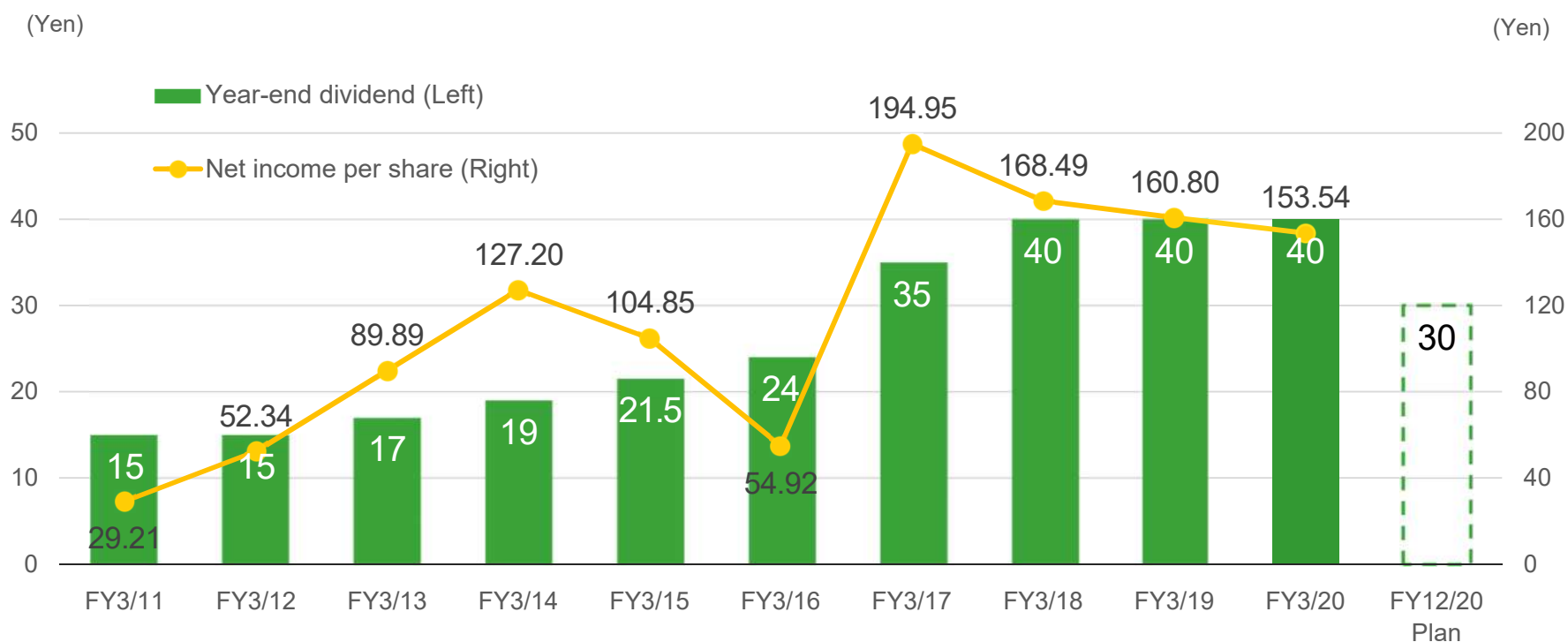
Contribution to Global Commons

Under this agreement, we contribute together to the Global Commons in a diversified manner through the creating new field of wood use, and by going beyond achievement in the physical world such as improving economic value and manifesting public benefit to combine wood use applications with cyberspace initiatives.

Return to Shareholders

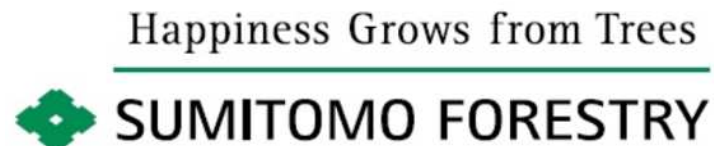
□ Basic policy: Engage in continuous and stable distribution of dividends

Combined total of interim and year-end dividend for 9 months of FYE 12/20 will be 30 yen based on 40-yen dividend of normal years.



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- The 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.
 - Outlooks, business plans, etc. may change in the future.

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