

Happiness Grows from Trees



Results Briefing for FY Ended December 31, 2020 Business Environment and Future Initiatives



February 16, 2021

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Business Environment

Business environment surrounding the Company

- The economic outlook in Japan and other countries is unpredictable.
- The number of new housing starts is showing signs of a partial recovery, such as those for owner-occupied dwellings, but overall, the year-on-year results have been negative for 18 consecutive months, so the market environment remains harsh.
- Even in the midst of this uncertain political and economic environment, things are moving steadily toward establishment of the “**new normal**,” which has been developing in anticipation of the post-COVID-19 world, and realization of a “**decarbonized society**.”



Examples of our initiatives

- We promoted sales activities utilizing the Internet.
- We drew attention to floor plans and a “woody” feel addressing new lifestyles.
- We entered new areas in the United States and Australia expected to see steady housing demand. etc., etc.

Business Environment

- Rolling out business strategies adapted to peri-COVID-19 era

Promotion of sales activities utilizing the Internet



MYHOME PARK website

Drawing attention to floor plans and a “woody” feel addressing new lifestyles



Wooden home working style



JAPANESE OAK

Entering new areas in United States and Australia expected to see steady housing demand

*The main business areas are in parenthesis in the captions.



Knight Homes
(Atlanta, Georgia, USA)



Wonderland Homes
(Denver, Colorado, USA)



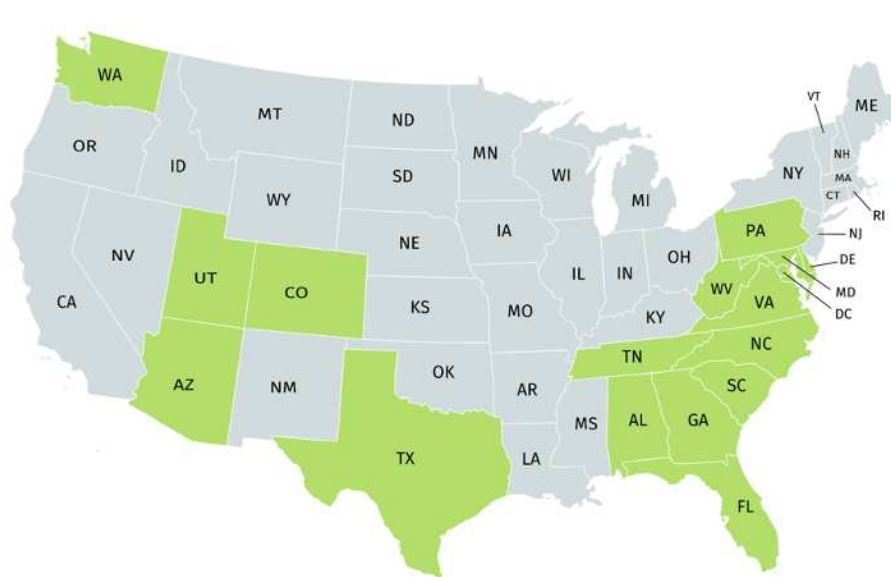
Scott Park Group
(Perth, West Australia, Australia)

Business Environment

Business areas of the Sumitomo Forestry Group in the United States and Australia

Business areas in the United States: 17 states

- Detached housing business: 14 states
Real estate development business: 9 states
(Some overlap exists)



Business areas in Australia: 5 states



FYE December 2020 Results

- Revenues and earnings up owing primarily to growth of Overseas Housing and Real Estate Business.
- New record high in recurring income for nine-month period.

(billion yen)	FY3/20 3Q	FY12/20 Results	Change	Pct.
Net Sales	802.7	839.9	+37.1	+4.6%
Operating Income	38.3	47.5	+9.2	+24.0%
Recurring Income	43.1	51.3	+8.2	+19.1%
Net Income	22.6	30.4	+7.8	+34.4%
[without actuarial differences]				
Recurring Income	43.1	46.5	+3.4	+7.9%

* 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 fiscal year of occurrence.

FYE December 2021 Plan and Progress on 2021 Medium-Term Management Plan

- Net income for third year of Medium-Term Management Plan expected to reach target.
- Net sales and recurring income fell below initial plan in Timber and Building Materials Business and Housing and Construction Business. Overall, targets not expected to be achieved.

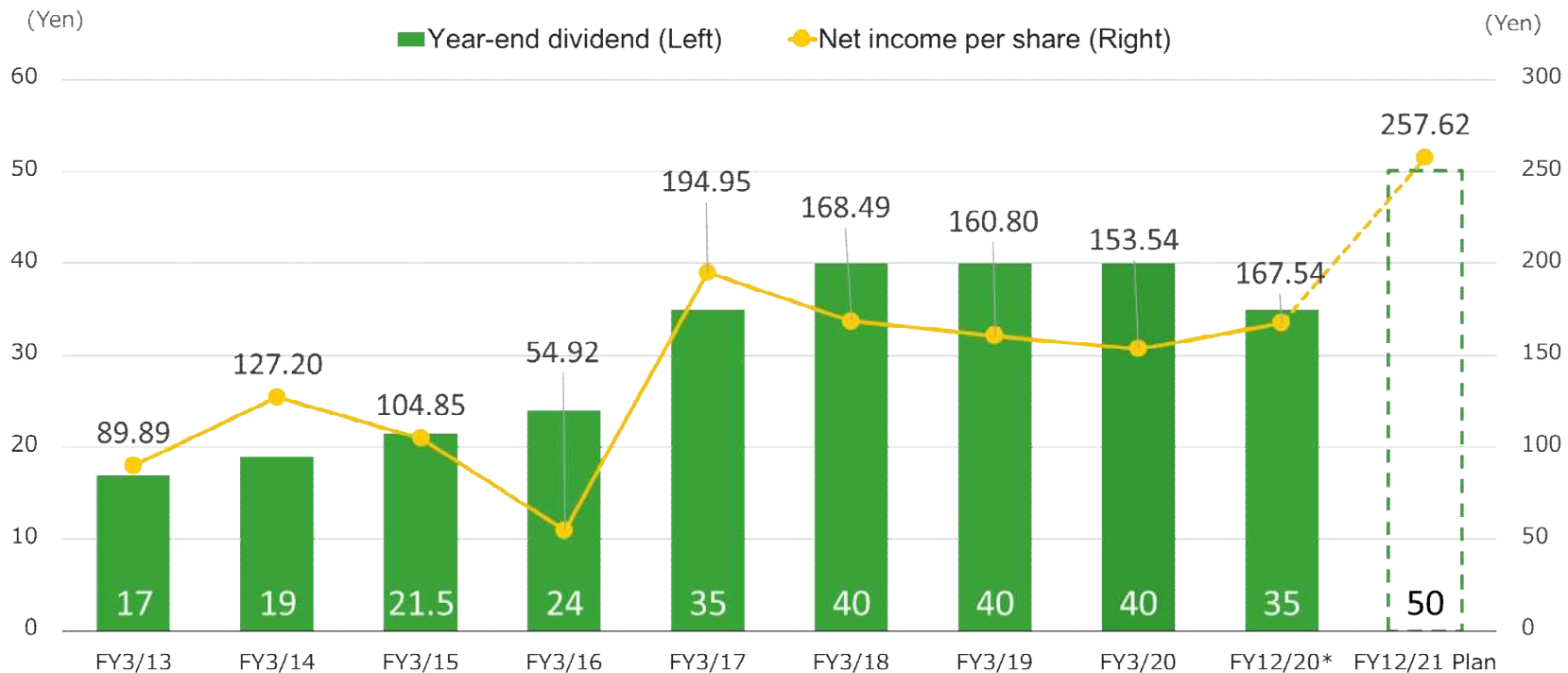
(billion yen)	Medium-Term Management Plan	FY12/21 Plan	Change	Pct.
Net Sales	1,260.0	1,257.0	-3.0	-0.2%
Recurring Income	85.0	80.0	-5.0	-5.9%
Net Income	48.0	48.0	-	-

* Figures for Medium-Term Management Plan are from FY3/22 plan as of time of establishment.

* We handle actuarial differences for retirement benefit accounting all together under selling, general and administrative expenses in the fiscal year of occurrence, but the profit above for Medium-Term Management Plan and FY12/21 plan does not include actuarial differences.

Return to Shareholders

- Engage in continuous and stable distribution of dividends.
- Year-end dividend for irregular 9-month fiscal term of FY12/20 increased 5 yen from initially planned 20 yen to 25 yen for a total of 35 yen when combined with interim dividend.
- Full-year dividend for FY12/21 to be increased 10 yen from FY3/20 dividend for a combined total of 50 yen for interim and year-end dividends.



* FY12/20 is an irregular nine-month fiscal term covering April to December 2020 in conjunction with change in fiscal year-end.

Main Future Initiatives

1. Strengthened response to peri- and post-COVID-19 situations

Looking ahead to post-COVID-19 society, trends toward a new normal and a decarbonized society will be taken as business opportunities and leveraged for new growth strategy.

Timber and Building Materials



- Increase profitability of existing distribution business
- Expand handling of wood biomass fuel and domestic timber exports
- Expand business irrespective of number of new housing starts
- Promote unification of production and sales in overseas manufacturing business
- Promote DX for trading partners such as in design support

Housing and Construction



- Promote DX, including utilization of real data and digital marketing
- Streamline construction and shorten construction periods
- Cultivate market for medium- to large-sized timber constructed buildings
- Establish synergy with Kumagai Gumi and Cohnan Kensetsu

Overseas Housing and Real Estate



- Plan to sell 11,000 houses in United States and 3,550 in Australia
- Achieve sustainable growth of detached housing business and real estate development business
- Build business portfolio that is highly resistant to environmental change

Environment and Resources



- Achieve renewable energy structure capable of 300 MW
- Expand area managed in plantation forest in Indonesia
- Increase operational efficiency with latest technology, including drones
- Promote forest management consulting business

Main Future Initiatives

2. Strengthening of financial foundation

- To ensure sustainable growth, we will optimize the cash conversion cycle, including maintaining proper inventory levels and quick recovery of credits, carefully select investments and loans, and thoroughly review the cost effectiveness of general administrative expenses.
- If there is concern over significant deterioration of cash flows due to COVID-19, we will identify the financial requirements and risks as we did in the previous fiscal year and flexibly secure liquidity.

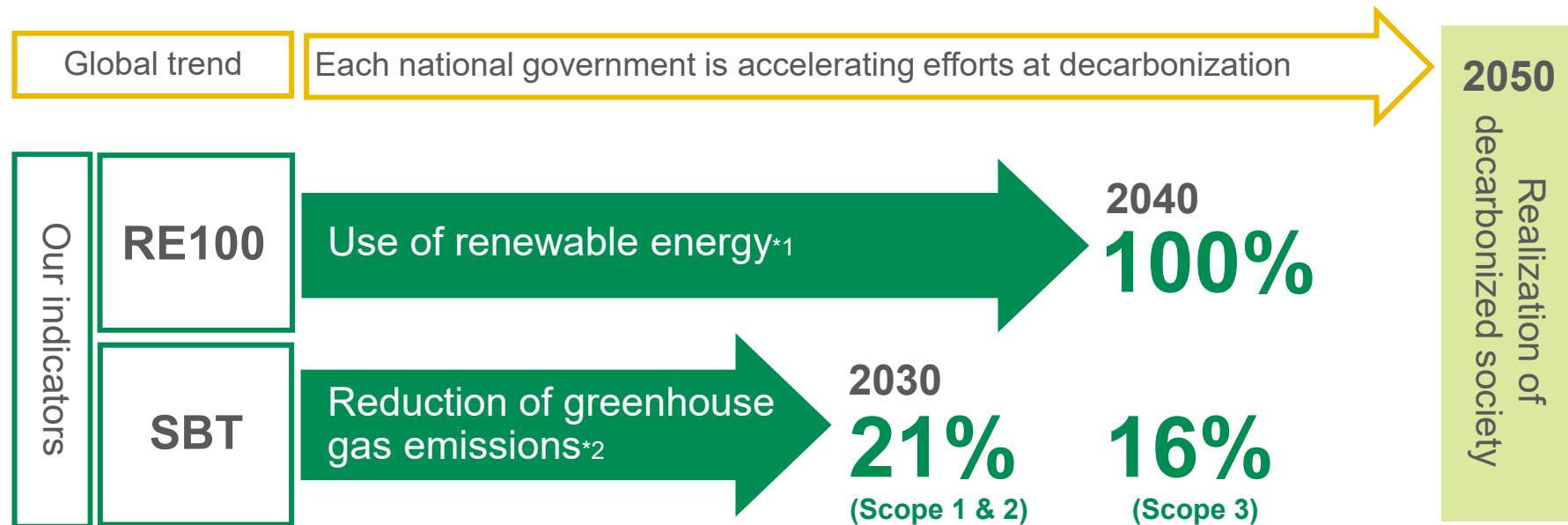
3. Strengthening of governance

- Strengthening governance is essential to be a sustainable company.
- Starting this fiscal year, we will elect one new outside director, bringing the percentage to one-third.
- We will work to strengthen governance while strengthening profitability and finances and addressing various risks in order to solidify our management foundation.



Direction of Next Medium-Term Management Plan

- As climate change becomes an increasingly significant social issue, we have set forth SBT-certified long-term targets for reducing greenhouse gases and are working to achieve 2030 targets. At the same time, we have signed onto RE100, which aims to power all business operations with only renewable energy by 2040.



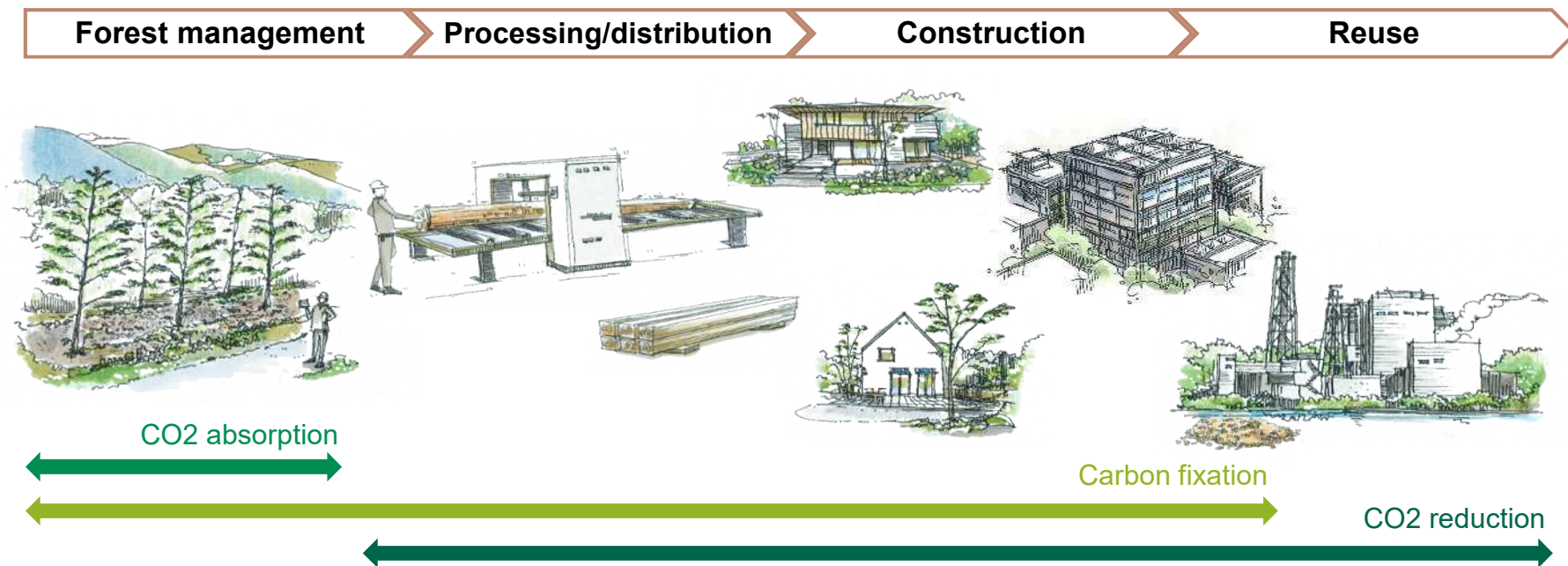
*1. We aim to switch to 100% renewable energy for the power used in Group business activities and the fuel used for power generation at our power plants by 2040.

*2. Scope 1 and 2: Reduce greenhouse gas emissions by 21% compared to 2017 (reference year) by 2030. *Scope 3: Reduce Category 1 and Category 11 greenhouse gas emissions by a combined 16% compared to 2017 (reference year) by 2030. Both targets were approved in July 2018.

Direction of Next Medium-Term Management Plan

- Create public benefit consisting of environmental value and social value.
- Promote visualization of the public benefit of forests and wood.
- Flesh out strategies for the carbon sink business contributing to absorption and fixation of greenhouse gases and widely supplying wooden construction materials, wooden buildings, fuel for biomass power generation, etc. contributing to a decarbonized society.

■ Sumitomo Forestry value chain



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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