



Happiness Grows from Trees

 SUMITOMO FORESTRY

Results Briefing for the Second Quarter of FY Ending December 31, 2021

Business Environment and Future Initiatives

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

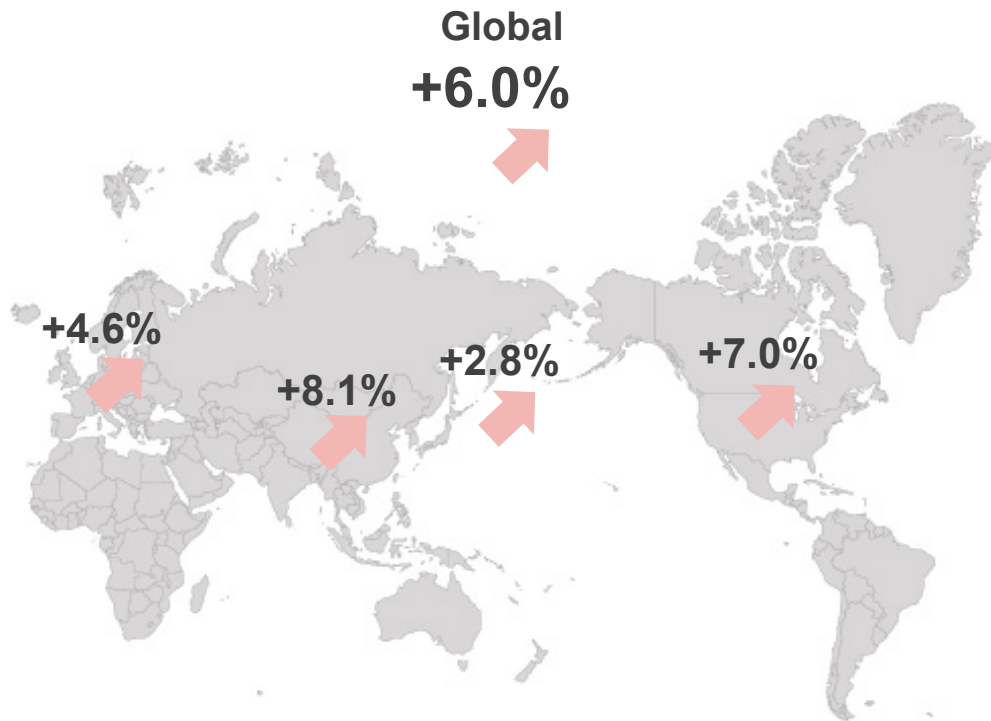
August 11, 2021

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GDP Growth Rate in Each Country



Source: IMF

Global Economy

- In the United States and some European countries where progress is being made on vaccination, daily life is gradually returning to normal.
- Due in part to the spread of the new COVID-19 variant, there is still no end in sight in Japan, Southeast Asia, and other places.
- Despite the uncertainties, economic activity is predicted to recover in each country.

New Housing Starts (June 2021)

- In Japan, owner-occupied houses has been up year on year eight consecutive months, supported by demand for new housing in the suburbs sparked by COVID-19 and various government measures to promote home buying.
- Against a backdrop of low mortgage interest rates, the number of new housing starts in the United States has recovered to 1,643,000* on an annualized basis, which is where it was prior to the global financial crisis in 2008.

*Seasonally adjusted annual rate for June 2021

FY12/21 Results

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1H results

- Overseas Housing and Real Estate Business, primarily in the US, drove overall results.

	(billion yen)			
	FY12/20 2Q (Apr-Sep)	FY12/21 2Q (Jan-Jun)	Change	Pct.
Net Sales	525.9	632.9	+106.9	+20.3%
Recurring Income	28.7	51.8	+23.1	+80.5%
Net Income	16.3	29.2	+12.9	+79.5%

Full-year forecast

- Results are expected to far exceed the targets of the Medium-Term Management Plan for record-breaking income.

	(billion yen)			
	Medium-Term Management Plan	FY12/21 Forecast	Change	Pct.
Net Sales	1,260.0	1,310.0	+50.0	+4.0%
Recurring Income	85.0	100.0	+15.0	+17.6%
Net Income	48.0	60.0	+12.0	+25.0%

* The fiscal year end was changed from March to December starting with FY12/20, so the accounting period for FY12/20 is the nine months from April to December, while the accounting period for FY12/21 is the full year from January to December. Figures for the Medium-Term Management Plan are from the FY3/22 plan as of the time of establishment. We handle actuarial differences for retirement benefit accounting all together under selling, general and administrative expenses at the end of the year of occurrence, but the figures above for income in the Medium-Term Management Plan and the FY12/21 forecast do not include actuarial differences.

Background and trend in timber prices

- Causes include the brisk US housing market and the container shortage resulting from rapid economic recovery in the US and China. Timber prices are rising sharply globally.
- In North America, including the US, timber can be sourced locally, so following a sharp rise, the prices entered an adjustment phase in June.
- Japan depends on imports for more than 60% of its timber, so there has been a supply shortage on top of the sharp increases in price.



Our response

Domestic Housing and Construction Business

- There is concern of costs going up in response to rising prices of both imported and domestic timber, but we will proceed with steady construction leveraging our timber procurement capabilities, which is one of our strengths, and work to minimize the impact on income through cost reduction and other efforts.

Overseas Housing and Real Estate Business

- We have secured higher income than initially anticipated owing to rising selling prices against the backdrop of a favorable US housing market.
- There have been no construction delays.
- Timber prices are up in Australia as well, but the self-sufficiency rate is high, and the market is not significantly affected by international prices, so the impact has been small.

Timber and Building Materials Business

- Secure timber for our domestic housing business and provide steady supply to customers
- Increase amount of domestic timber handled
- Expand sales in fields unrelated to owner-occupied housing starts, such as nonresidential, renovation, and fuels for biomass power generation
- Improve profitability of overseas manufacturing business by integrating manufacturing and sales



Housing and Construction Business

- Promote MYHOME PARK and other digital marketing efforts
- Propose housing with improved safety and security functions
- Establish infrastructure for integrated customer management system for existing customers, promote retention marketing centered on renovation business, and create synergy throughout existing homes business
- Strengthen material development and production system to streamline construction and reduce costs
- Accelerate adoption of wood construction and material in non-residential construction through creation of synergy with COHNAN KENSETSU INC. and Kumagai Gumi Co., Ltd.



Future Initiatives

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Overseas Housing and Real Estate Business

- Promote business operations for expanding number of units sold
- Pursue Group synergy, including group purchasing of materials
- Roll out sales activities according to regional characteristics
- Diversify revenue streams, including medium- to large-sized wooden buildings business in Australia
- Cultivate partners in Asia and accumulate local business know-how



Environment and Resources Business

- Leverage favorable conditions of trend toward decarbonization
- Generate profits in carbon sinks business and increase value of forest assets
- Expand profits in renewable energy business



Other Businesses

- Prioritize efforts to prevent COVID-19 infection among tenants and staff in elderly care business
- Participate in hotel development and operations and promote regional revitalization initiatives utilizing housing-related know-how

Capital Increase by way of Public Offering

Purpose of raising funds

- Funds necessary for operations have increased with expansion of business in recent years.
- In order to flexibly invest in future growth opportunities, we increased capital through the procurement of long-term funding to establish a solid financial base and secure investment capacity.*

Use of funds

- Funds amounted to 34.3 billion yen after deducting expenses.
- 32.3 billion yen will be allocated to funding acquisition of real estate for sale in the US and repayment of long-term debt by December 2022.
- 2.0 billion yen will be allocated to funding real estate development in the medium and large scale wooden architecture business in Australia by December 2022.

Overview

Method of procurement	Issuance of new shares by way of public offering (general offering)	Issuance of new shares by way of third-party allotment in conjunction with over-allotment
Class of shares	Common shares of the Company	Common shares of the Company
Number of shares	16,000,000 shares	2,400,000 shares
Issue price	1,954 yen/share	-
Paid-in amount	1,873.40 yen/share	1,873.40 yen/share
Amount of capital stock / capital reserve to be increased	Capital stock 14,987,200,000 yen Capital reserve 14,987,200,000 yen	Capital stock 2,248,080,000 yen Capital reserve 2,248,080,000 yen

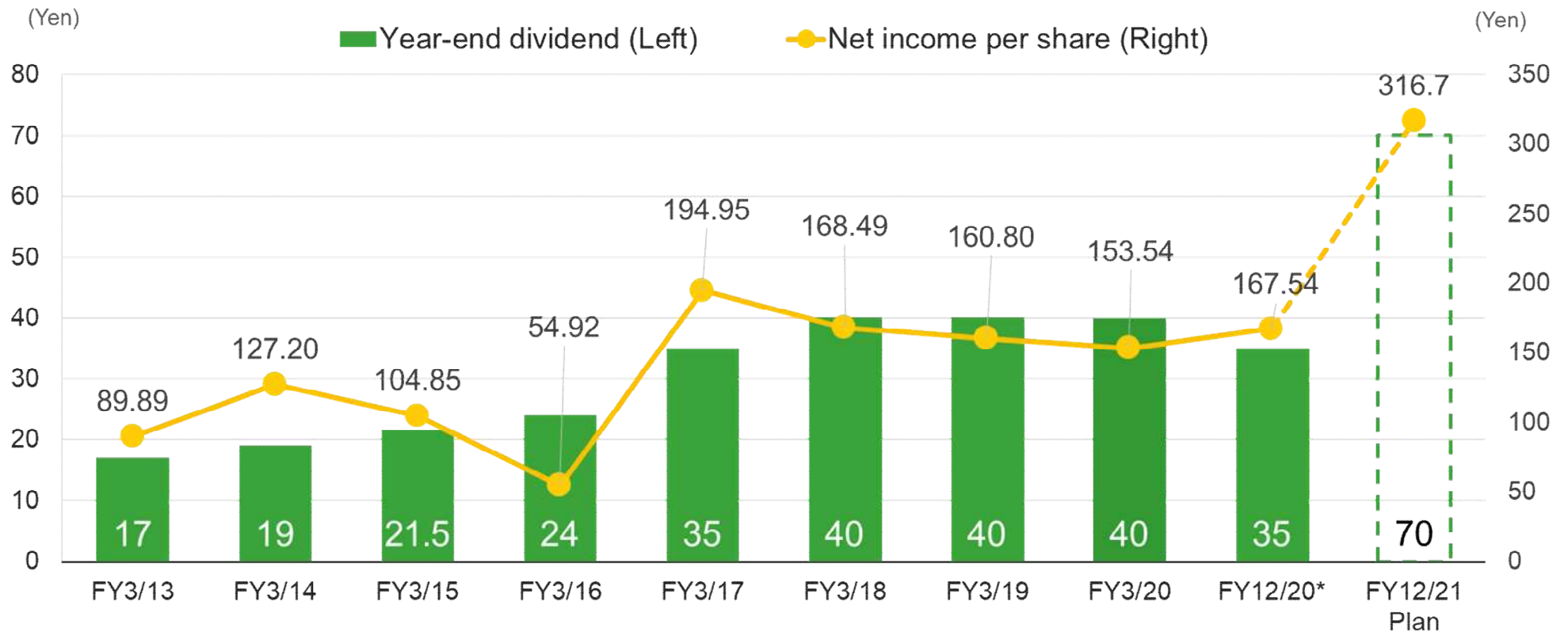
* The issuance of new shares by way of public offering was completed on the payment date of July 9, and the issuance of new shares by way of third-party allotment was completed on the payment date of August 6.

Return to Shareholders

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- The year-end dividend per share for FY12/21 will be increased by 20 yen to 70 yen from the initially planned 50 yen based on a comprehensive consideration of performance and other factors.



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

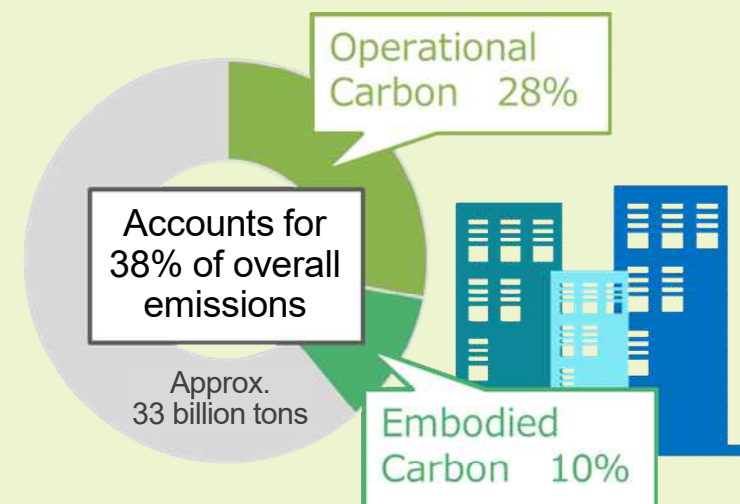
Global trend

- Countries around the world have made their greenhouse gas emission reduction targets more ambitious, and 2021 will be a major turning point for the realization of a decarbonized society.

Environmental impact of construction sector

- It is said that global CO₂ emissions amount to around 33 billion tons. Out of this, the construction sector accounts for around 38%.
- Breaking it down further, CO₂ related to residential energy consumption, including electricity and gas (operational carbon), accounts for around 70%, and that related to energy consumption throughout the life cycle of construction materials from manufacturing and construction to tear-down (embodied carbon) accounts for the remaining 30%.

Percentage of global CO₂ emissions accounted for by construction sector (2019)



* Source: Global Alliance for Buildings and Construction
2020 GLOBAL STATUS REPORT FOR BUILDINGS AND CONSTRUCTION

- The advantages of wooden buildings are gaining attention as interest grows in efforts to reduce CO₂ emissions throughout the construction to tear-down life cycle and reduce residential energy consumption to achieve carbon neutrality by 2050.

Our Initiatives for Realizing a Decarbonized Society

Accelerate development of the medium and large scale wooden architecture business

- Not only do wooden buildings reduce CO₂ emissions in the life cycle from construction to tear-down compared to RC construction, but they also provide long-term carbon fixation.



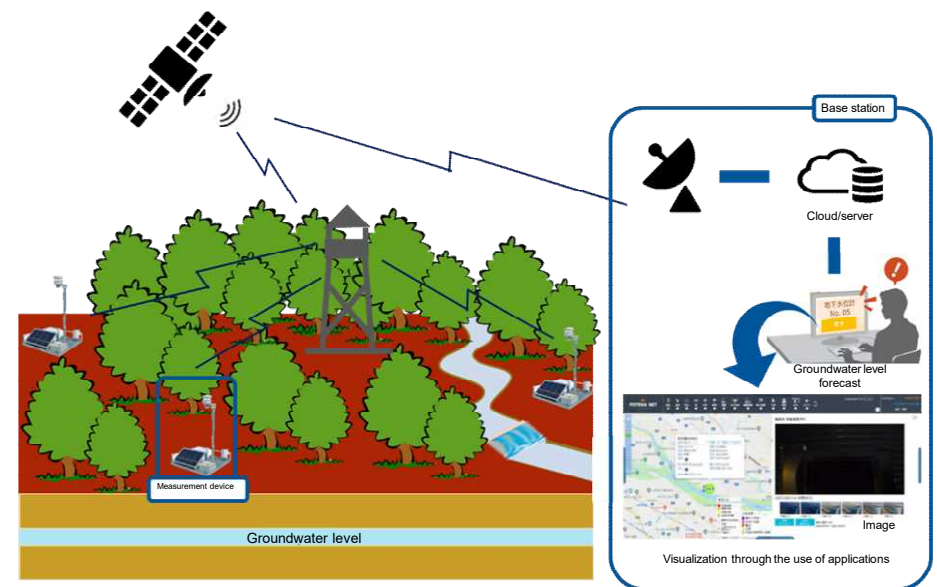
Toho Gakuen Munetsugu Hall (Left: Exterior; Right: Music hall)



Building No. 15, Sophia University Yotsuya Campus

Visualize CO₂ absorption/emissions

- We have launched efforts to commercialize peaty land management technology in tropical regions and to measure the CO₂ absorbed by forests with high accuracy.
- We will measure CO₂ emissions and verify/visualize the reduction effect.



Groundwater level forecasting system

Our Initiatives for Realizing a Decarbonized Society

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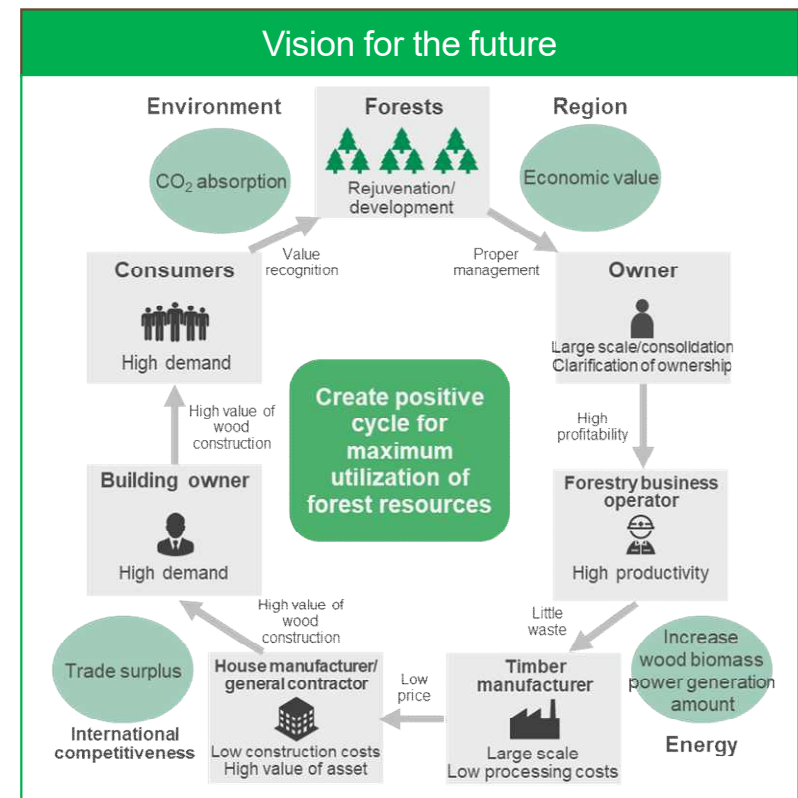
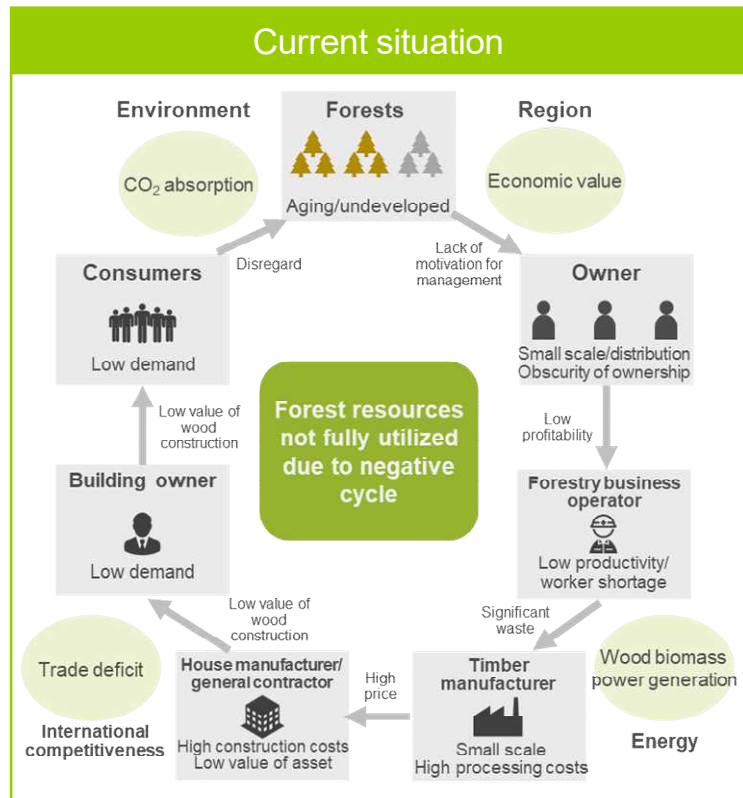


Current state of domestic forests

- In the domestic forestry business, forest resources are not being fully utilized due to a negative cycle.

Expand and promote concept of sustainable forest management

- We will take the lead in developing a circular bio-economy and promote the realization of a decarbonized society.



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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