

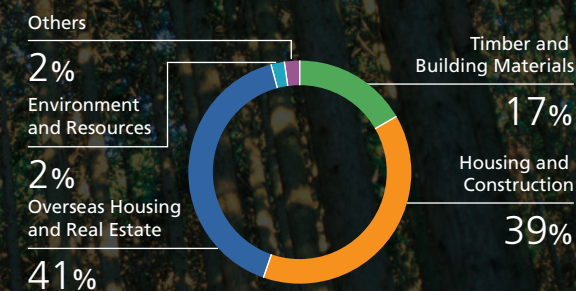
Part 2

Business activities & value creation

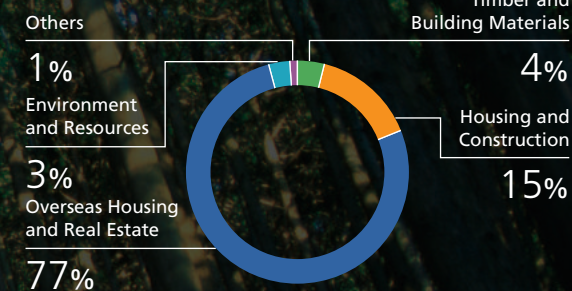
The Sumitomo Forestry Group builds unique value chains centered on utilizing renewable forest resources and timber resources, and engages in a variety of efforts in the five business segments of Timber and Building Materials, Housing and Construction, Overseas Housing and Real Estate, Environment and Resources, and Other.

In each segment we strive to create and nurture new value by accelerating R&D and technological innovation utilizing trees, while at the same time deploying future-oriented strategies. We aim to build a strong business portfolio that is capable of flexibly adapting to changes in the environment while achieving even more growth for the Group as a whole.

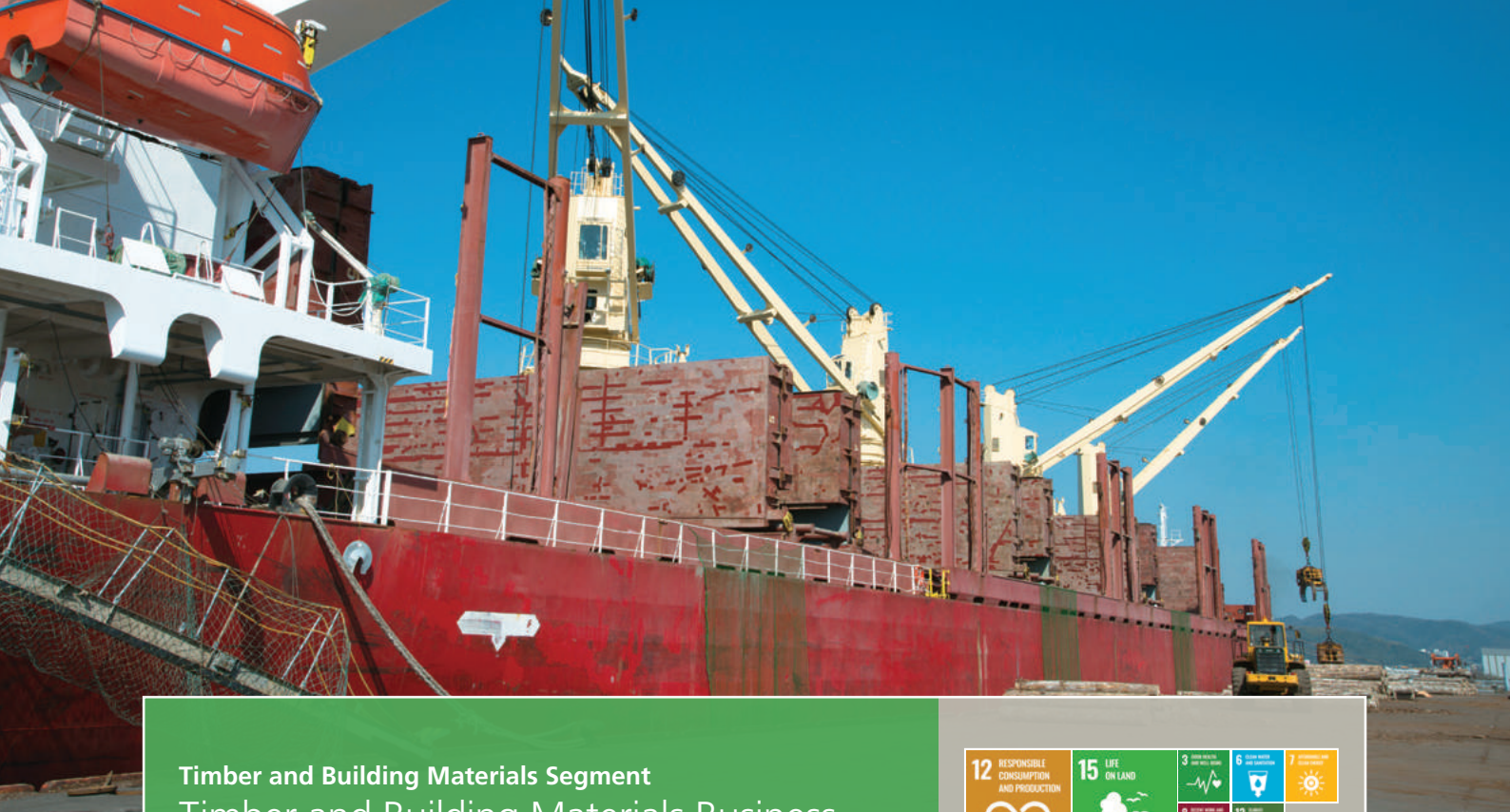
Net sales composition by segment
(Fiscal Year ended December 31, 2020)



Recurring income composition by segment
(Fiscal Year ended December 31, 2020)



* In the fiscal year ended December 2020, the Timber and Building Materials Business and Housing and Construction Business were sluggish due to the effects of the COVID-19 pandemic, but performance was strong in the Overseas Housing and Real Estate Business. For details about performance trends and more, see reports on the results of each business segment (page 35-52) and Management's discussion and analysis (page 89).



Timber and Building Materials Segment Timber and Building Materials Business



Koji Tanaka

Managing Executive Officer
Divisional Manager of Timber and Building
Materials Division

As the No. 1 share company in the domestic timber and building materials distribution markets, we provide total solutions, from distribution to the manufacture and sale of timber and building materials.

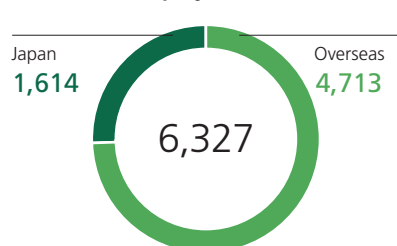
Based on a global network built up over years of developing operations worldwide, the timber and building materials distribution business sources stable supplies of high-quality timber from properly managed forests. As the No. 1 share company in the domestic timber and building materials distribution markets, Sumitomo Forestry operates a broad range of businesses, from procurement to the manufacture and distribution of timber and building materials.

The Group's manufacturing operations in Japan produce furniture and fixtures, staircases, and wooden interior fittings. Overseas, we produce wooden board products such as plywood, medium density fiberboard (MDF) and particle board and various building materials such as flooring, furniture and kitchen cabinets. We supply them all over the world including Japan.

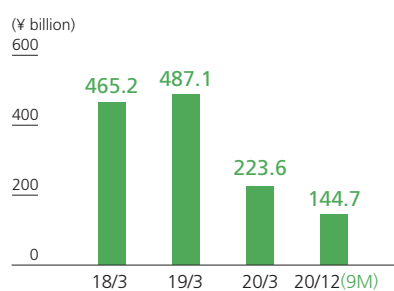
See page 64 for details about our initiatives for our Group's supply chain management

Data

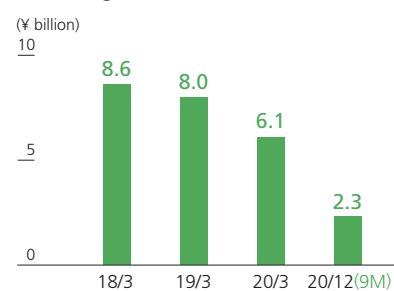
Number of employees



Net sales



Recurring income



* Starting in the fiscal year ended March 31, 2020, Sumitomo Forestry adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29). For transactions where the Company's role in providing the product to the customer is fulfilled by an agent, instead of the total amount, revenue is now recognized in the net amount.

Initiatives towards growth

In the timber and building materials distribution business, we utilize supply chains for sustainable procurement of timber to promote sales of eco-friendly products like plantation timber, while also continuing to expand our efforts in the non-residential building construction market and to build a stable supply system for wood fuel used in biomass power generation. We will continue increasing the range of variations for KIKORIN-PLYWOOD, a high-quality, eco-friendly plywood that the Company developed, giving customers a

broader selection of products.

In the manufacturing business, we aim to increase profitability by further integrating manufacturing and sales through cooperation with the timber and building materials distribution business, and by developing high-value-added products that satisfy customer needs.

We are also working on ways to generate new revenue sources through DX (digital transformation) efforts.

Progress in FY ended December 2020

In the timber and building materials distribution business, we worked to strengthen collaboration with our trading partners and developed a versatile business portfolio, continuing to focus on expanding our lineup of fuel wood for biomass power generation, increasing exports of domestic materials, and strengthening efforts in non-housing and construction markets. We also put more focus on expanding sales of plywood made with sustainable plantation timber in the aim of reducing environmental impact. However, performance was sluggish due to the decreased sales volume of plywood and other lumber products resulting from weakness in the

domestic housing market caused by the COVID-19 pandemic.

In the manufacturing business, business was sluggish domestically due to the decreased sales volume of fixtures, flooring, and other products resulting from weakness in the housing market. Overseas, the sales volume of medium density fiberboard (MDF) from New Zealand decreased, particularly in Japan, but performance was strong due to the reduction in manufacturing costs. In Indonesia, performance was sluggish due to the decreased sales volume of plywood, particle board, and other products.

DX efforts: Launched structural design support services for builders and pre-cut factories

In August 2020, the Company began to offer Structure Express, a service for builders and pre-cut factories that helps them with structural design, as a new business that utilizes our know-how accumulated in the housing and construction business and networks in the timber and building materials business. Based on architectural drawing data created by builders, the system utilizes AI to automatically generate the structural calculations and data that links pre-cut and CAD^{*1}, then provides these online. In addition to being helpful for builders who struggle with long work hours due to labor shortages, and improving productivity at pre-cut factories, it can also automatically calculate the optimal materials needed to achieve seismic performance level 3^{*2} which helps to make safe, secure housing more prevalent.

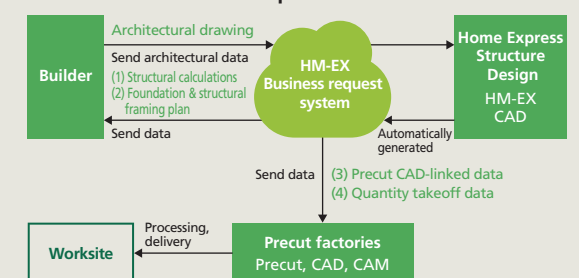
The Sumitomo Forestry Group aims to maximize synergies within the Group by dedicating efforts to spec-in activities for builders which incorporates structural design services, and will target 300 builders and 3,000 buildings by the fiscal year ending December 2023, while also capturing the related materials sales

for these projects.

*1 Data which serves as the basis of schematic drawings for pre-cut timber.

*2 The level at which a building will not collapse or disintegrate when subjected to force 1.5 times greater than an earthquake that occurs only once every several hundred years.

Overview of structure express



Timber and building materials distribution business

Delivering quality timber and building materials through solid relationships with suppliers around the world

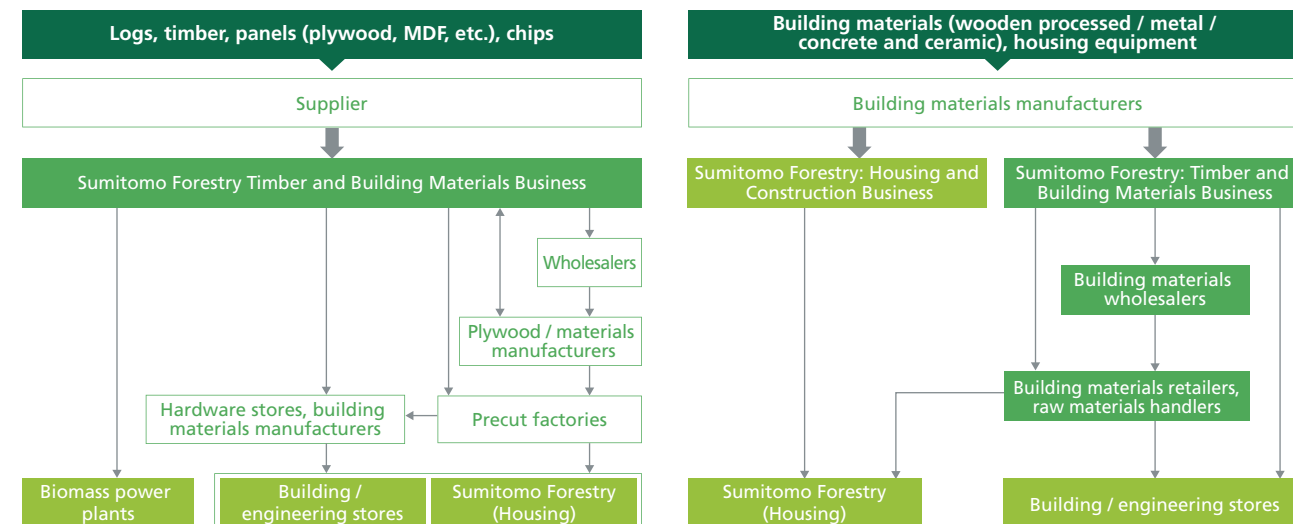
In recent years, Sumitomo Forestry has concentrated on handling wood chips as fuel for biomass power plants, demand for which is likely to expand, as well as domestically grown timber that is ready for harvesting. Furthermore, we are focusing on increasing the use of wood in non-residential building construction, by supporting the design of wooden retail stores and offices, while supplying structural wood for medium- to large-scale building construction.

In overseas distribution operations, we established a sustainable business cycle in New Zealand, spanning forestation, logging and distribution, and we also export logs from the forests we manage and own in New Zealand to markets across Asia. From our administrative base in Singapore, we mainly focus on selling



timber and building materials to countries in Southeast Asia. In Vietnam, which has huge growth potential, we have a business alliance with An Cuong Wood-Working JSC, Vietnam's leading manufacturing and distribution company for interior building materials. We have put into place an integrated structure from raw material procurement to home construction.

Main commercial logistics flowchart



KIKORIN-PLYWOOD

KIKORIN-PLYWOOD is a JAS-compliant product made of at least 50% certified timber and sustainable plantation timber. Some of the sales proceeds are used for reforestation activities conducted by the Group in Indonesia. Starting in FY ending December 2021, the definition of KIKORIN-PLYWOOD was revised to "plywood made with 100% certified sustainable timber" for consistency with the procurement criteria for timber.

KIKORIN-PLYWOOD won the EcoPro Award in 2018.



Manufacturing business

Developing and selling high-value-added products through integrated manufacturing and sales structure

In recent years, in the international market for wooden board products, competition has intensified as major manufacturers have expanded their facilities. As a result, the development of high-value-added products that cater to user requirements and marketing is more demanding than ever before.

For this reason, the Group has integrated its overseas and domestic manufacturing operations and sales operations of timber and building materials, and organized and improved each company's production technologies and factory management methods to ensure thorough cost reductions, and enhanced product development and marketing functions. We are also



Sumitomo Forestry Crest Co., Ltd., Kashima Plant



Example by Canyon Creek Cabinet Company

working to build a robust business base by developing personnel with high-level expertise in manufacturing technology. We will continue to build enterprise value and achieve sustainable growth over the medium and long terms.

Domestic manufacturing group companies

Japan



Sumitomo Forestry Crest Co., Ltd.

Manufacturing/wooden housing-related materials, housing equipment, engineering wood, stair materials, counters, dressed lumber, synthetic resin adhesives, chemical materials

Sumitomo Forestry Crest Co., Ltd.'s Kashima Plant

Overseas manufacturing group companies

New Zealand



Nelson Pine Industries Ltd.

Manufacturing/medium density fiberboard (MDF), veneer and laminated veneer lumber (LVL)

United States



Canyon Creek Cabinet Company

Manufacturing/kitchen cabinets

Vietnam



Vina Eco Board Co., Ltd.

Manufacturing/particle board

India



Spacewood Furnishers Pvt. Ltd.

Manufacturing/kitchen cabinets, wooden building materials, wooden furniture, etc.

Indonesia



PT. Kutai Timber Indonesia

Manufacturing/plywood, secondary processed plywood, processed timber products and particle board



PT. Rimba Partikel Indonesia

Manufacturing/particle board and low pressure laminate (melamine)



PT. Sinar Rimba Pasifik

Manufacturing/wooden building materials, wooden furniture, etc.



PT. AST Indonesia

Manufacturing/materials for musical instruments, wooden building materials and wooden furniture



Housing and Construction Segment Housing and Construction Business



MyForest BF



Ikuro Takahashi

Managing Executive Officer
Divisional Manager of Housing and
Construction Division

Comfortable homes worth living in even longer, with the unique feeling and functionality of wood

The Sumitomo Forestry Group has been providing quality living environments by doing our part to increase the prevalence of high-quality homes that last a long time. “Sumitomo Forestry Home Houses,” made from advanced construction methods while fully expressing the attractiveness and qualities of wood, is a leading brand in custom-built wooden detached homes. They have received high accolades for being gentle on the environment, and as comfortable, safe and secure homes that can be lived in for a long time.

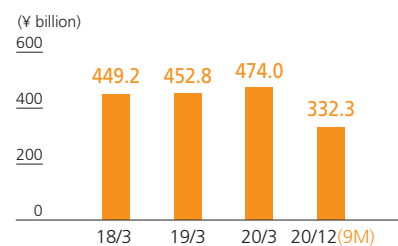
Leveraging our design and technological capabilities accumulated in the custom-built housing business, Sumitomo Forestry has expanded its range of business operations to offer the unique, comforting feel of wood in the apartment business, residential property development (spec homes) business, landscaping business, and existing homes business as well. In recent years we have also been engaged in wood construction and the use of wood materials in the non-residential building construction fields due to increasing new production and consumption of timber, which has also been attracting attention in government policies. The Sumitomo Forestry Group will continue to offer abundant lifestyles by providing high-value-added products and services while harnessing synergies in housing-related businesses.

Data

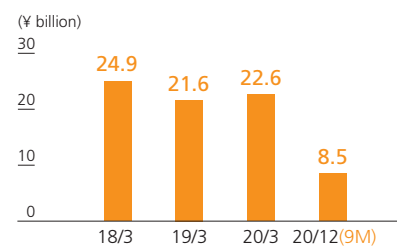
Number of employees



Net sales



Recurring income



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Initiatives towards growth

The number of new housing starts is likely to tend downward, alongside the declining population and number of households amid a falling birthrate and aging population. At the same time, new demand is emerging amid the “new normal” and values unique to mature markets due to the COVID-19 pandemic.

With these changes in mind, Sumitomo Forestry builds highly satisfactory homes for customers in our custom-built detached housing business by proposing layouts with working spaces and interior wood materials that only Sumitomo Forestry can offer, in addition to providing living environments that are comfortable yet strong against natural disasters, while promoting net zero energy houses (ZEH). We are also making progressively more use of the data accumulated through our sales activities to ambitiously transform our sales model. To address worsening labor shortages at

worksites, we are accelerating initiatives to strengthen and streamline productivity by reducing the amount of labor involved with pre-cast foundations, as well as transitioning toward pre-cuts and panels of various materials.

Sumitomo Forestry will establish a diverse earnings base by also striving to expand business in renovations, apartments and residential property development (spec homes) while promoting the use of wood in non-residential building construction fields. At the same time, we are accelerating efforts to establish infrastructure and mechanisms to stay connected with existing customers throughout our Housing and Construction Business, striving also to construct business models for providing ongoing services tailored to customers’ needs and their stages in life.

Progress in FY ended December 2020

In our custom-built detached housing business, we focused on online sales activities, such as rolling out MYHOME PARK, a service that allows users to experience our home building virtually. In addition, we leveraged our design capabilities to focus on proposing plans corresponding to new lifestyles, such as the changes in work styles brought about by the spread of telecommuting. As a result, orders have increased compared to the same time last year. On the other hand, profitability was down due to increased production costs, including labor costs, and there were delays in construction. As such, performance was sluggish.

In the apartment business, we worked on expanding orders for apartments constructed via our original “Wall Frame (WF) method. In our residential property development (spec homes) business, we

focused on online sales activities on top of the previous efforts of procuring excellent land and preparing a construction system, and as a result, the number of houses sold remained strong.

In the renovation business, we focused energy on expanding orders, including for earthquake resistance renovations utilizing our high level of technical capabilities, including our proprietary seismic resistance/seismic vibration damper method.

In January 2021, as a measure toward further expanding our business in medium- to large sized wood buildings, we also added general construction company COHNAN KENSETSU INC. which has bases in both Osaka Prefecture and Tokyo, to the Sumitomo Forestry Group.

MyForest BF, our new custom-built detached housing product

In April 2021 we launched our new custom-built detached housing product MyForest BF. Mainly characterized by the use of PRIME WOOD, our original new material made with high-quality wood, along with our high-strength, highly-advanced BF (Big-Frame) construction method and a universally appealing outer appearance that incorporates materials derived from wood and tiles to blend in with the neighborhood. MyForest BF is a wood-themed living space brimming with wooden textures. (Outside view: Top of page 39)

Custom-built detached housing business

Comfortable housing propositions in tune with customers' lives

We construct most of our houses using our original Big-Frame (BF) construction method that employs a wooden-beam Rahmen structure. This enables us to satisfy a variety of customer needs by allowing flexible design. In addition, there has been a strong need for long-lasting, high-quality homes that reflect full consideration of factors such as safety, durability, and environmental impact. In these circumstances, we have been promoting the widespread adoption of homes specified as ZEH (net zero energy house) which produce a net balance of zero annual primary energy consumption per household. We supply living environments that are resilient to natural disasters and comfortable year-round.

People are thinking about housing in many more different ways than before as a result of changes in their values and lifestyles.



We are harnessing the wealth of ideas and know-how that we have built up until now to make our customers' dream homes a reality. In doing so, we focus on providing housing that meets the demands of an array of customers, from first-time home buyers to double-income households and married couples that are done raising their children and seeking a residence for themselves. With telecommuting on the rise due to the spread of COVID-19, we are also making proposals for floor plans that offer sufficient workspace. By making housing with new value-added features more widely available in society, we will contribute to the reliability and safety of as many customers as possible.

Reducing environmental impact through business

ZEH (Net Zero Energy House)

We have long provided homes that are comfortable to live in throughout the year by using wood, which is a renewable natural resource that absorbs and stores CO₂ during its growth process, as a primary structural material, and by incorporating our Ryouonbou natural heating and cooling design concept, which utilizes elements of our natural surroundings like wind and sunlight. Combining our expertise utilizing these properties of trees and blessings of nature with "technologies to reduce energy consumption" such as higher-performance insulation and energy saving equipment, and "technologies to use energy wisely" such as devices that generate and store energy and HEMS*, we are reducing household CO₂ emissions by enhancing



energy efficiency in the home.

* Home Energy Management System. HEMS manages energy in the home, and visualizes the amount of electricity generated and consumed.

Sumirin Denki electricity service for post-FIT owners

Since November 2019 we have been offering a service called Sumirin Denki, in which Sumitomo Forestry serves as an agent for the purchase of surplus electricity from home solar power generation as well as for electricity supply for house owners whose 10-year purchase period under the renewable energy feed-in-tariff (FIT) scheme has ended ("post-FIT"). Through this service we are working to increase customer satisfaction, and we

will link it to the achievement of our greenhouse gas reduction Science Based Targets (SBT) for 2030 by effectively utilizing renewable energy purchased from owners in our offices, showrooms and other business facilities.

* See page 70 for more details about SBT

Apartment & residential property development (spec homes) business



Beautiful townscape in harmony with nature

In the apartment business, the Group provides apartments with an appeal that only it can offer by fully utilizing its expertise in wood, including its original construction methods that leverage its technological capabilities and specifications from the viewpoint of residents. For residential property development, the Group's spec homes operations construct quality detached houses based on the technology and knowledge accumulated in the Group's businesses, such as the custom-built housing business and the landscaping business. Features of these homes are that they respect regional histories, environments, and cultures, and that they are built as townscape in harmony with nature. In addition to the design codes of buildings that consider all aspects of housing, from location selection to space designs, our aim is to create townscape with a sense of unity between the homes and nature.

Landscaping business



Support for charming environments surrounded by nature

The landscaping business encompasses all aspects of "greenery," from general housing to urban spaces and the creation of communities with an emphasis on biodiversity. In our residential landscaping business, we offer a range of services from planning and design to the installation and maintenance of exterior and outdoor greenery in order to enhance the value of the residence. In environmental landscaping business, we provide total support for the design, construction and maintenance of natural environments in parks, office buildings and other urban spaces. We also offer landscaping consulting services for a variety of facilities, including factories and research centers.

Existing homes business



Home renovation with value to "sustain and utilize"

As Japan's housing stock has risen to around 62 million homes while the number of households is roughly 54 million, the Japanese government is promoting policies to make use of established housing and ensure the "formation of housing stock of good quality." The Group is developing home renovation technologies to improve disaster prevention and mitigation performance, such as by enhancing seismic-reinforcement construction methods. We also operate business in resales of renovated properties, real estate brokerage, real estate rental and management, and more. We contribute to society through this eco-friendly business model of properly evaluating housing stock and utilizing it effectively as high-quality assets.

MOCCA (timber solutions) business



Promoting wooden construction methods and the use of wood for medium- to large sized buildings in the non-residential sector

Interest is growing in wooden construction non-residential buildings in consideration of aspects like responding to climate change and being considerate to the environment. Using the expertise in wood that we have accumulated in various businesses, as well as our technological and design capabilities in the Housing and Construction Business, we are concentrating our efforts on expanding the MOCCA (Timber Solutions) business, which promotes wooden construction methods and the use of wood in non-residential buildings, such as children's facilities, welfare facilities, lodging facilities, and low-rise buildings. Going forward, we will continue passing down the culture of wood through this business while seeking to reinvigorate Japan's forestry industry and contribute to the realization of a sustainable society where the economy is in harmony with the environment.



Street view of houses sold by Gehan Holmes Group (United States)

Overseas Housing and Real Estate Segment Overseas Housing and Real Estate Business



Atsushi Kawamura
Director Managing Executive Officer
Divisional Manager of Overseas Housing and
Real Estate Division

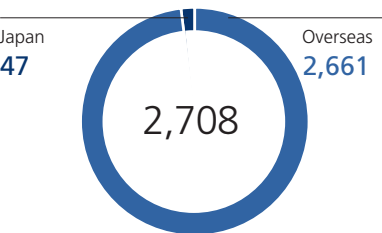
Diversifying revenue streams and entering into new areas, while contributing to each country's society and regional communities

Since the launch of the detached housing business in the United States in 2003, the Group has actively entered into new and promising growth markets, and it is currently conducting businesses in the United States, Australia, and Asia. In these regions, it is expected that demand for housing will be solid in the medium to long term against the backdrop of their stably growing populations. In addition to detached housing business mainly aimed at customer demographics with immediate demand, we are also active in real estate development in the regions where we operate. Being active in a wide range of business domains, we intend to diversify and stabilize our revenue streams and diversity our business while contributing to the abundance of life in each of these areas.

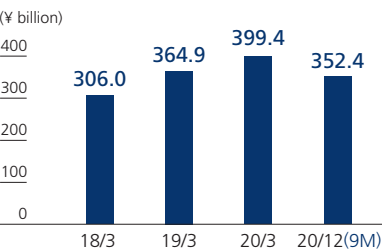
Housing is a business with strong local characteristics due to changing local customs and lifestyle habits. Therefore, we manage this business to make full use of the knowledge of our group companies in each region and our ability to propose products tailored to the needs of those regions. Adapting to the increasingly varied housing needs in recent years, we are expanding our product lineup with town homes, condominiums, and other offerings. Leveraging the comprehensive strength of the Group, we are creating synergies, and adding competitive strength in each business area through materials procurement, establishing business infrastructure and sharing of various types of information, while striving to manage in a way that fosters group-wide unity and bolstering out governance.

Data

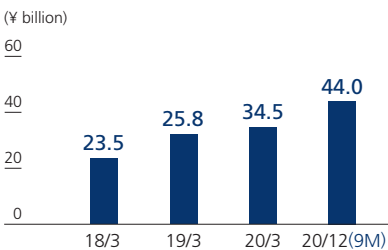
Number of employees



Net sales



Recurring income



Initiatives towards growth

In the detached housing business in the United States and Australia, we are focusing on increasing the number of homes sold through sales activities that are based on sales strategies tailored to characteristics of each region. In the real estate development business in the United States as well, we are establishing a business structure to stabilize revenue. Based on the organic growth of each company, we also aim to achieve steady growth by diversifying revenue streams and entering into new areas. Furthermore, we are widely engaged in real estate development projects in order to grow the Asia region into our third overseas revenue pillar after the

United States and Australia.

Regarding real estate investment risk, we appropriately conduct monitoring based on internal regulations, including confirming the inventory conditions of real estate for sale and the latest price trends, while at the same time doubling our efforts to respond flexibly to the market conditions and economic climate.

From the viewpoint of growth in the future as well, through our businesses, we are aiming to contribute to local communities, solidify the business foundation, and further grow the business scale.

Progress in FY ended December 2020

In the detached housing business in the United States, sales activities have been hampered by effects of the COVID-19 pandemic such as temporary entry restrictions to showrooms. However, the market has recovered and performance has been strong thanks to historically low housing loan interest rates as well as increasing demand for newly constructed detached housing in the suburbs caused by the spread of telecommuting. The Group entered the markets in the Metro Atlanta region in Georgia and the

state of Alabama for the first time through the transfer acquisition of business from a local builder by Sumitomo Forestry Group company DRB Group in December 2020.

In our detached housing business in Australia, construction starts were delayed due to the COVID-19 pandemic, but there have been signs of market recovery as the government's support initiatives including the housing construction subsidy system have produced results.

Gehan Homes Group in the U.S. wins Grand Award for Builder of the Year by Texas Association of Builders

Texas, USA-based detached housing builder Gehan Homes Group was awarded Volume Builder of the Year at the 2020 Star Awards organized by the Texas Association of Builders. Since its establishment in 1992, the Star Awards has established a long history designating winning individual and corporations involved in the residential housing business, from residential housing builders to renovators, designers, and more. Gehan Homes Group won the Grand Award for Builder of the Year for the third time, after previously winning it in 2010 and 2017.



Houses built by Gehan Homes Group

United States

Conducting a detached housing business and a real estate development business over a wide region, from the west coast to the east cost

The Group started construction and sales of specs homes in 2003 in Seattle, Washington, the site of the distribution base with more than 50 years' experience in timber and building materials. This marked our entry into the United States, the world's largest housing market. We have built long-term partnerships and expanded our business by adding leading local builders to the group, accumulating know-how while valuing the United States' unique housing culture, customs, and construction methods. In January

2021, Gehan Homes Group entered the market in the Metro Denver region in Colorado. Together with new market entry in the Metro Atlanta region in Georgia and in Alabama by DRB Group the previous year, this broadened our business presence in the Sun Belt region where economic growth has been significant. The Group now has business presence in 17 states and special districts, including Crescent Communities which operates in the real estate development business, and Mark III Properties which operates in residential land development.

Based on the relationships of trust with the management team of each company, which we have established by sharing our management philosophy and business policy, we are working to improve quality and design features. Moreover, while providing living environments and communities that meet the needs of our business areas, we are further progressing business expansion and development.

Detached housing business areas in U.S.

Edge Homes Group
UT : Utah

Gehan Homes Group
TX : Texas
AZ : Arizona
CO : Colorado

DRB Group

PA : Pennsylvania
MD : Maryland
WV : West Virginia
VA : Virginia
NC : North Carolina
SC : South Carolina
DE : Delaware
GA : Georgia
AL : Alabama

MainVue Homes Group

WA : Washington
TX : Texas

Bloomfield Homes Group
TX : Texas

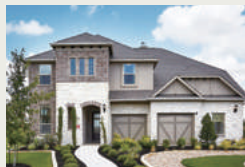
Detached housing business group companies



MainVue Homes Group (WA/TX)



Edge Homes Group (UT)



Gehan Homes Group (TX/AZ/CO)

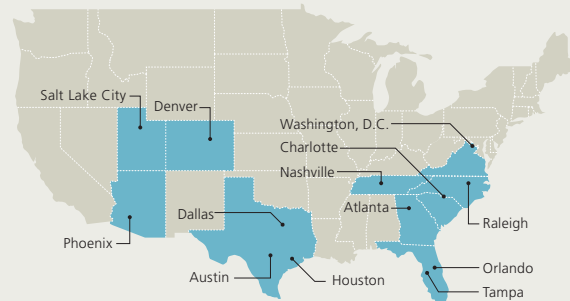


Bloomfield Homes Group (TX)



DRB Group (MD/VA/WV/NC/SC/PA/DE/GA/AL)

Crescent Communities business areas



Crescent Communities (NC/SC/DC/GA/TN/FL/TX/AZ/CO/UT)

Australia

Operating our detached housing business throughout Australia

In Australia we mainly construct and sell custom-built housing and spec homes. Since launching our housing business there in 2008 we have been steadily expanding our business area. We currently operate in all the major five cities - Melbourne, Brisbane, Sydney, Adelaide, and Perth. Utilizing a network spanning all Australia, we are building and selling high-quality wooden housing. Sumitomo Forestry Group company the Henley Property Group has been garnering high acclaim, including multiple times winning the Professional Major Builder Award which is presented to the building company with the greatest overall capabilities operating in each state, and selection for the second time as Australia's No. 1 in 2020 after previously winning it in 2015. We are also dedicating our comprehensive efforts to providing exquisite living environments, including through our spec homes business in communities that we develop ourselves, and by developing housing that is considerate of the environment and residents' health.

In Australia, where the population is expected to grow in the medium to long term, we are offering housing that meets the

Detached housing business areas in Australia

Henley Properties Group

VIC : Victoria
QLD : Queensland

NSW : New South Wales
SA : South Australia



Detached housing business group companies



Henley Properties Group(VIC/QLD/NSW/SA)



Scott Park Group(WA)



Wisdom Properties Group(NSW)

needs of a wide range of demographics by developing multiple brands each with their own characteristics.

Asia

Developing real estate including multi-family housing, commercial and mixed-use facilities, and detached housing

We are engaged in joint development of condominiums for sale and the detached spec homes business with local companies in Hong Kong, Vietnam, Indonesia, and Thailand. Business is being developed in all four of these markets based on actual demand alongside the regions' medium- to long-term economic growth. As our next area for overseas business expansion after the United States and Australia for the Group, we aim to strengthen our earnings base.

Through joint ventures with local companies in each country, we strive to provide high-quality living environments by harnessing the functions and resources of these companies while utilizing our accumulated design expertise in the effective use of spaces and improvement of functionality in order to create attractive interiors rich with the essence of wood. We are aiming to stabilize our business foundation while capturing housing demand that is strong during this time in which infrastructure is being rapidly established, population is increasing, and income levels are rising, as we also



help to improve the living environments of people in local communities.



New Zealand plantation forest

Environment and Resources Segment
Environment and Resources Business



Masanobu Nishikawa
Executive Officer
Divisional Manager of Environment and Resources Division

Planting trees, nurturing forests, and utilizing them as resources.
Utilizing resources effectively for local production and consumption of energy

In the Environment and Resources Business, Sumitomo Forestry owns a total of approximately 48 thousand hectares of forest in Japan, which is approximately one eight-hundredth of the country's land area, for which we engage in sustainable forestry management based on a "sustainable forestry" approach of planting, growing, logging, and utilizing trees, and then replanting trees. This includes acquiring forestry certification from the Sustainable Green Ecosystem Council (SGEC). Overseas, we own and manage approximately 231 thousand hectares of plantation forests in Indonesia, Papua New Guinea, and New Zealand, including forests that have acquired third-party forestry certification such as FSC®, while we are also contributing to preserving biodiversity and developing local communities.

In our Renewable Energy Business to make effective use of wood and other resources, we are mainly active in wood biomass power generation in Japan.
(FSC® license code: FSC-C113957)

Initiatives towards growth

The Japanese government has declared the goal of reducing greenhouse gas emissions to virtually zero by 2050, and society at large is progressing toward decarbonization. In our Environment and Resources Business we are striving to enhance our corporate value by utilizing sustainable forest resources effectively.

Currently in Japan, forests planted after WWII have matured and reached their harvesting period, and reforms are being progressed to turn the forestry industry into a growth industry by promoting the use of wood. While the use of domestic timber is being promoted, clearcut logging is also expected to continue. Securing reliable supplies of the seedlings needed for reforestation is therefore becoming a pivotal issue. In the Group's domestic forestry business, we are aiming to improve productivity and ensure safety by introducing advanced forestry machinery. At the same

time, we are establishing and strengthening our container seedling production system and striving to implement sustainable forestry management that is competitive internationally.

In our overseas forestry business, natural wood supplies are expected to further diminish due to global deforestation and the tightening of logging restrictions in natural forests. In this situation, we will continue to grow stably and over the long term by supplying sustainable high-quality wood from the forests we have planted, while also looking to expand our forest area.

For our renewable energy business which has been attracting greater attention since the Japanese Government pledged to become carbon neutral by 2050, we will strengthen our wood biomass power generation business and accelerate our effective utilization of other sustainable resources.

Progress in FY ended December 2020

In our domestic forestry business, we signed a comprehensive partnership with Nishiawakura Village, Aida-gun, Okayama and Sumitomo Mitsui Trust Bank, Limited for the promotion of a forest trust with a forestation asset as the trust property in August, 2020. As forestry experts, we will provide management support with respect to forestation asset management methods and increasing the efficiency of forestation, felling, and other activities carried out by a forest management company. Utilizing the know-how cultivated through this agreement, we will contribute to the promotion of regional revitalization based on forestry as we roll out our forest trust efforts.

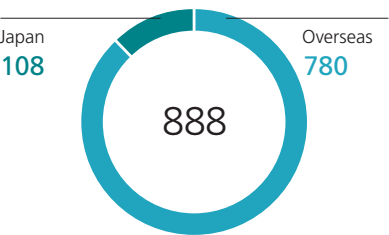
Business results were also strong, owing primarily to increased

sales volume in Tasman Pine Forests Ltd., in Nelson, a city in the South Island of New Zealand. Additionally, we made an equity-method affiliate, which is engaged in reforestation and forest management in West Kalimantan, Indonesia, into a consolidated subsidiary, and also acquired a neighboring forest asset as we worked to reinforce the structure of our sustainable business operations.

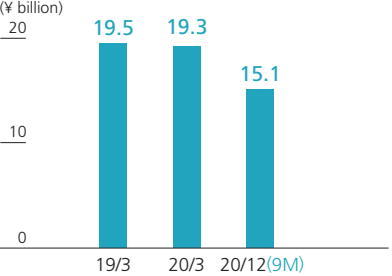
In renewable energy business, business results were strong in biomass power generation owing to stable operations of our three wood biomass power plants across Japan, including in Mombetsu City, Hokkaido.

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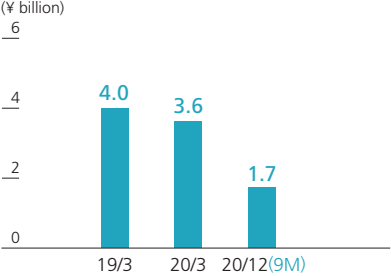
Number of employees



Net sales



Recurring income



* Starting in the fiscal year ended March 31, 2020, the Environment and Resources Business was transferred from the "Other" segment.



Shooting location: Wakayama (Japan)

Domestic forestry business

Revitalizing domestic forestry and contributing to regional revitalization

The Group is making forest management more efficient by deploying high-performance timber machinery such as the lumber-gathering Tower Yarder that promotes safer and more efficient operations in steep forests, and the Harvester that combines the functions of felling, collecting, and lumbering trees in a single machine. Together with Nippon Caterpillar we have also developed the Taser winch assist forestry machine which makes it possible to operate heavy tree harvesters and skidders on sloped terrain. We are also pursuing development of the cutting-edge technologies as evidenced by the development of a forestry assistance suit that reduces workload, as well as seedling transport drones and test forestation with fast-growing tree species. The Group has greenhouse seedling cultivation centers in six locations nationwide as production infrastructure for container seedlings of cedar, Japanese larch, and other trees. In addition to our own



Mowing weeds and vines that hinder the growth of cedar seedlings

company-owned forests, we also provide seedlings to national and private-owned forests. At our facilities we monitor the environment of in which seedlings are raised in greenhouses and produce seedlings year-round regardless of the season.

The domestic forestry business is the core of our business, which constitutes the roots of the Sumitomo Forestry Group. As we pursue sustainable business models going forward, we will also be working to help revitalize local economies and the domestic forestry sector. This includes using our expertise and experience from managing our company-owned forests to actively develop forest-based asset management businesses for the public and private sector.

Overseas forestry business

Reducing environmental burden and creating sustainable forests

Radiata pine trees planted in New Zealand grow quickly and provide stable supply. With its homogeneity and broad usability, this tree species has price competitiveness. Furthermore, the Group has built an integrated supply chain by utilizing trees obtained from these forests as raw material in production of medium-density fiberboard (MDF) and laminated veneer lumber (LVL) in the country. The supply chain carries out sustainable forest management and industrial material production in harmony with the local society and environment.

In Indonesia we have been operating a large-scale reforestation in West Kalimantan since 2010. There, our initiative together with the Indonesian government to manage peatland in a way that maintains business while curtailing greenhouse gas emissions has also garnered international acclaim as a case study in advanced, high-quality peatland management. We have given COP presentations for three consecutive years since COP23 in 2017 at the request of the Indonesian government. In December 2020 we established wholly-owned subsidiary PT. Kubu Mulia Forestry (KMF)



Indonesia plantation forest

and acquired plantation forests adjacent to our other Group companies in Indonesia, PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI). Adding KMF has enabled us to further improve upon the peatland ecosystem management that we have been engaged in.

In Papua New Guinea, the Group practices sustainable forest management through our own directly-managed operations, and operates clinics and markets for local areas that lack sufficient social infrastructure, thereby contributing to improvements in health and living conditions of local people.

Renewable energy business

Utilizing construction waste and unused timber from forests as an energy resource

Our wood biomass power generation business, which uses chips made from construction waste, unused timber from forests* and other materials as fuel, possesses an operational advantage in stable access to fuel, leveraging the Group's procurement sources attained in the Timber and Building Materials Businesses, while also holding a high level of social significance through effective utilization of timber, curb increases in CO₂ emissions, and contributions to the development of forestry such as improving forest environments in regional areas.

In our wood biomass power generation business, we aim to provide society with even more renewable energy, boost the added value of forest resources through utilization of wood resources, and ultimately strengthen and enliven forests and their essential function of carbon absorption and capture.

The Group is promoting renewable energy business suited to

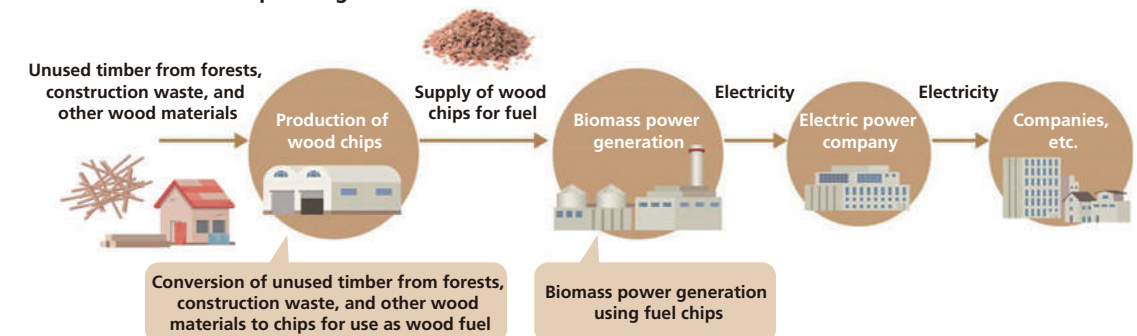


Mombetsu biomass power plant

local characteristics and conditions by harnessing our know-how, networks, and other management resources as well as experience in the wood biomass power generation business.

* Refers to thinned wood and felled timber left in forests without being used due to curved shape or small diameter. This wood harms the environment in the forest when it is abandoned and interferes with proper forest management and forestation efforts.

Main flow of wood biomass power generation



Wood biomass power generation is carbon neutral

Wood biomass power generation is considered to be a power generation method that does not result in changes in CO₂ levels. Since CO₂ emitted by combustion of the wood is the CO₂ in air that is absorbed by trees through photosynthesis during the growth process, this power generation does not increase CO₂ in the atmosphere during the trees' lifecycle. This concept of a carbon cycle is known as carbon neutral and curtails increase in CO₂ concentration in the atmosphere.

Our wood biomass power plants (as of March 31, 2021)

	Kawasaki Biomass	Mombetsu Biomass	Tomakomai Biomass	Hachinohe Biomass	Kanda Biomass	Morinomiyako Biomass
Service Areas	Kawasaki City, Kanagawa Prefecture	Mombetsu City, Hokkaido	Tomakomai City, Hokkaido	Hachinohe City, Aomori Prefecture	Miyako-gun, Fukuoka Prefecture	Sendai City, Miyagi Prefecture
Start of operation	February 2011	December 2016	April 2017	April 2018	June 2021 (planned)	November 2023 (planned)
The Company's investment ratio	34%	51%	20%	52%	41.5%	15.0%
Power generation capacity	33MW	50MW	6.2MW	12.4MW	75MW	75MW
Fuel	Construction waste and others	Unused timber from forests and others	Unused timber from forests and others	Unused timber from forests and others	Imported wood pellets and others	Imported wood pellets and others



Care manager at work (at rear in photo)

Other Segment Lifestyle Services Business



Kunihiro Takagiri
Managing Executive Officer
Divisional Manager of Lifestyle Service Division

Solving social issues, offering fulfillment and comfort in each stage of life

In the lifestyle services business, the Group offers a wide range of living-related services centered on our elderly care services business.

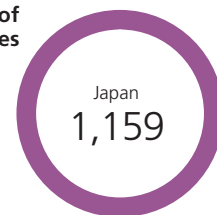
Japan is currently confronted with a multitude of social issues. One particularly glaring issue is the country's rapidly accelerating birthrate decline and aging population.

The Sumitomo Forestry Group operates services such as private-pay elderly care facilities and home care services, catering to a wide variety of needs. Our private-pay elderly care facilities leverage our expertise in creating spaces with the comforting effect of wood and lifestyles that incorporate the greenery of the seasons, in order to offer our residents comfortable places to live that are fulfilling for both mind and body.

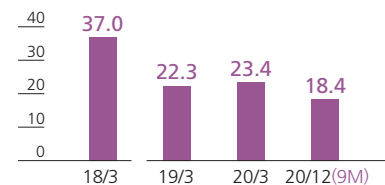
Decline in Japan's regional areas due to the falling population is also a serious problem. In response, our Group is actively involved in regional revitalization initiatives to spur regional economies, including participation in the development of commercial facilities opened as an industry-government-academia collaborative project. With the comfortable living environments that we build in communities throughout the country, we are doing our part to maintain appealing lifestyles in Japanese society into the future.

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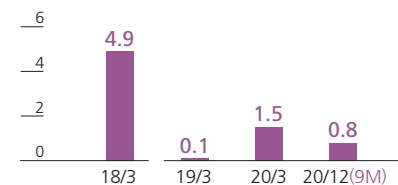
Number of employees



Net sales (¥ billion)



Recurring income (¥ billion)



* Starting in the fiscal year ended March 31, 2020, Sumitomo Forestry adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29). For transactions where the Company's role in providing the product to the customer is fulfilled by an agent, revenue is now shown as the net amount instead of the total amount. We also separated the Environment and Resources Business as an independent category from the Other Segment in FY3/20. Net sales and recurring income up to FY3/18 correspond to the categories before this change. The Other Segment covers elderly care services business, insurance agency business related to homes, and various other service businesses. Recurring profit includes equipment-method investment income from Kumagai Gumi Co., Ltd.

Initiatives towards growth

In our elderly care services business, we provide spaces with the comforting effect of wood and nursing care geared toward each individual. We help to maintain and improve the health and lifestyle of the users of our services, and reduce the caretaking burden on their families. We are also continuously engaged in human resources development for our staff, and are constantly looking for ways to further improve our occupancy rates and achieve business stability. Working together with local communities to deliver advanced, high-quality services, we are helping to create a society in which people can enjoy vibrant, healthy lives.

In terms of regional revitalization, we are part of a new lodging and accommodations business aimed at energizing the community at the largest commercial facility in Japan called Vison, which is now open in the town of Taki, Mie Prefecture. Vison is an industry-government-academia joint project centered on the keywords of food, knowledge, and health, with the goals of promoting industry and creating jobs utilizing local resources. Working together with multiple companies and government

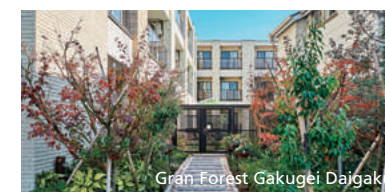
agencies participating in the project, Sumitomo Forestry intends to expand business opportunities and contribute to local revitalization by deploying open innovation to solve problems in communities.



VISON distant view

Sumirin Fill Care

Number of private-pay elderly care facilities operated: 16
Number of day care business facilities operated: 3
(As of end of March 2021)



Sumirin Fill Care Co., Ltd. operates 16 private-pay elderly care facilities and three day care business facilities, mainly in the Greater Tokyo area, advocating "the warmth of people and trees" and "elderly care services for changing times." With the introduction of advanced systems that use ICT and the guidance of specialists in that field, the Company is actively undertaking initiatives that use the latest technology for elderly care, such as operating our original service "Forest Life" which maintains and improves the living environment and health status of facility users.

Sumirin Care Life

Number of private-pay elderly care facilities operated: 3
Number of private-pay elderly care facilities (residences that include living support services) operated: 1
(As of end of March 2021)



In May 2020 we opened large-scale private-pay elderly care facility Elegano Nishinomiya with 309 rooms in Nishinomiya, Hyogo Prefecture. We now operate four large-scale private-pay elderly care facilities and seven stations that provide home care services. Our private-pay elderly care facilities offer various forms of recreation, as well as living support services tailored to the life stages of residents through partnerships with medical institutions.

column

For our future and
the future of the planet

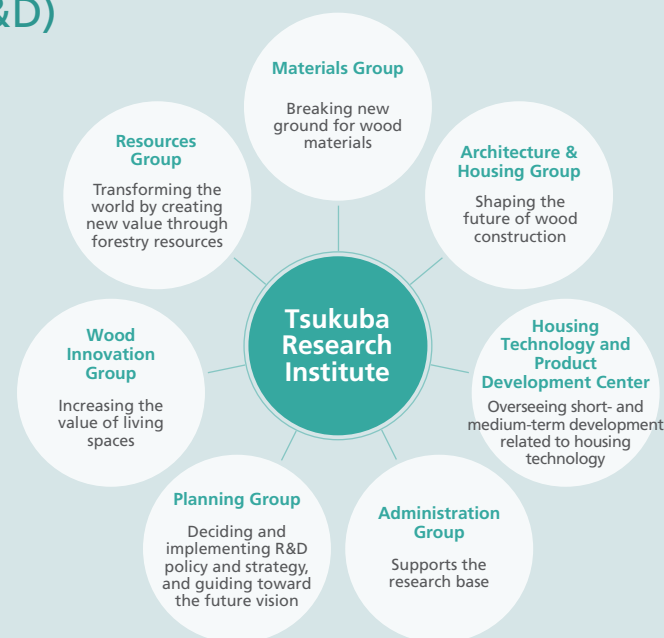
New research building of the Tsukuba Research Institute; Interior view

Research and Development (R&D)

Promoting the W350 Plan, changing cities into forests

In order to enhance the potential of trees and their added value, it will be absolutely essential to continuously develop technologies.

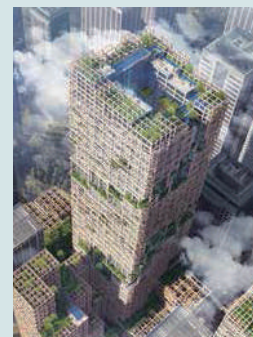
The Tsukuba Research Institute will serve as the driving force behind this effort. Ever since it was established in 1991, the Tsukuba Research Institute has supported the foundations of the Sumitomo Forestry Group with its advanced tree-related research and technological development capabilities. At present, the institute conducts two main types of R&D activities: (1) Corporate R&D, which seeks to create future technologies over the long term, and (2) R&D through collaboration between business divisions which aims to boost earnings over the short and medium terms. The Tsukuba Research Institute is pushing ahead with these R&D activities through an organizational structure of seven different groups. The institute is also playing a central role in a research technology development concept called the W350 Plan.



Research technology development concept: The W350 Plan

The W350 Plan is the research technology development concept to be completed by 2041, which will mark the 350th year since the Company's founding. Characterized by the construction of wooden high-rise buildings, the plan is intended to create "Environmentally-Friendly and Timber-Utilizing Cities" that transform cityscapes into forests. We strive to bring about innovation that encourages a sustainable cycle for timber-utilization and forestry management, and realize a vision for environmentally-friendly timber-using cities where people, trees and diverse plant and animal life can coexist with the planet.

The potential of trees is expected to provide important solutions to a host of issues we face. These issues range from the global environment to urban environments, living environments, and the mental and physical well-being of every individual. The Tsukuba Research Institute has produced various research achievements. The Sumitomo Forestry Group, through its business activities, will return the benefits derived from these R&D achievements to individuals and society as a whole. By doing so, the Group will contribute to the realization of a sustainable and prosperous society.



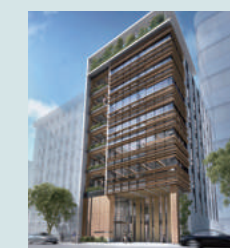
Co-Creation Activities

Collaboration with Kumagai Gumi: Creating new markets through innovation

Sumitomo Forestry has been collaborating with Kumagai Gumi through eight working groups in five sectors since our business and capital alliance started in November 2017. Specific initiatives we are engaged in include joint efforts between K&E (Kumagai Gumi Group) and Sumitomo Forestry Home Tech in the non-residential renovation business, and we have established a collaborative team for design and construction of mid- to large-sized wooden buildings. In greenery and civil projects, the alliance is steadily accumulating a track record in environmental real estate utilizing Kumagai Gumi's construction technology and Sumitomo Forestry Landscaping's environmental greening know-how.

In March 2021, the "with TREE" brand was launched as an initiative of one of the working groups, the Mid- to Large-sized Wooden Building Working Group. From the procurement of raw materials to building and consulting, we will integrate the respective expertise of Sumitomo Forestry and Kumagai Gumi to offer total solutions for health and environmentally-conscious construction that advances the use of wood materials and wood construction in medium- and large-scale building projects.

In overseas business, the two Groups established a joint venture in Singapore in January 2020 to develop real estate in Asia. The first collaborative overseas project is development of a high-rise condominium building and commercial and mixed use complexes with a local company in Jakarta (Indonesia). The two Groups intend to continue their efforts to create new markets with innovation that transcends their existing frameworks through collaboration.



Outside view of a green building (Illustration)

Collaboration with the University of Tokyo - Building a circular bioeconomic system for wood resources

In September 2020, Sumitomo Forestry entered into an industry-academia collaboration agreement with the University of Tokyo. Together, we are working to build a future society of cyclic regeneration through the creation of new value from trees and plants. Leveraging cutting-edge scientific research of both partners over the next decade, this project will increase the value of trees, and build a circular bioeconomic system of wood recycling. The ultimate goal is to create a sustainable future society in which both people and the environment can flourish.

Specifically, this project seeks multifaceted co-creation of global commons* through a three-pronged effort to boost the economic value of trees and plants, make the shared benefit of forest resources more evident, and quantify relationships between people, trees and plants. The project also includes collaborative efforts in human resources development and venture companies.

Sumitomo Forestry remains dedicated to making the value of trees and forest resources evident and creating new value. Leveraging the University of Tokyo's cutting-edge research findings alongside our 330 years of experience in forestry management and expertise in the timber and housing industries, we will build a cyclic symbiotic economy and generate new business.

* Earth's systems such as climate and biodiversity which must be shared among humans and all life on the planet

