



We will maintain the stability of our financial base while enhancing our forestry fund and decarbonization-related investments, and aim for further profit growth.

Tatsumi Kawata
Director and
Senior Managing Executive Officer

Review of FY ended December 2021

Earned record profits, recurring income exceeded 100.0 billion yen for the first time

In the fiscal year that ended in December 2021, which was also the final year of the previous medium-term management plan, the Timber and Building Materials business and Housing and Construction business did not meet their targets, mainly in the Japanese market. However, buoyed by strong sales in the Overseas Housing and Real Estate Business, mainly in the USA, the Group as a whole posted net sales of 1,385.9 billion yen, with recurring income of 137.8 billion yen. Recurring income far exceeded the

previous medium-term management plan's target of 85.0 billion yen and set a new record by crossing 100.0 billion yen for the first time ever.

On the financial side, our financial indicators improved greatly. We achieved our stated target of making total free cash flow positive and attaining an ROE of over 10%. We also achieved an equity ratio of 37.7% by accumulating profits and carrying out our first public offering in 48 years.

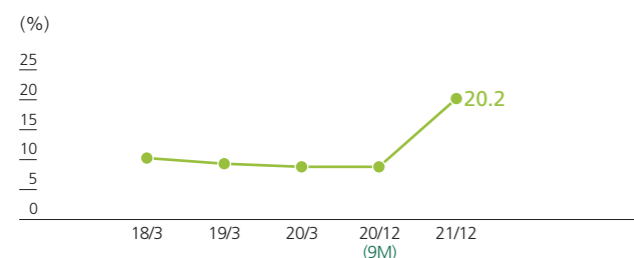
Initiatives for the Mission TREEING 2030 Phase 1 medium-term management plan
Achieve stable ROE of 15% or more

The new medium-term management plan that began in 2022 forms Phase 1 of the Mission TREEING 2030 long-term vision, and we have positioned the next three years as a period for creating the foundation for contributing to future growth and decarbonization. To secure a foothold for realizing our long-term vision, we will diversify the Overseas Housing and Real Estate Business, which has become the pillar of our revenue, and strive to enhance cost competitiveness for material and labor costs. At the same time we will work to recover the earning power of our domestic businesses,

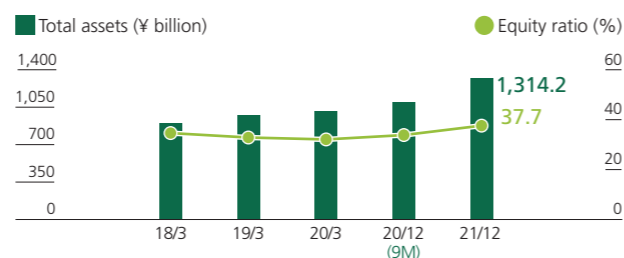
which remained an issue in the previous medium-term management plan, and we will also accelerate investments in the environment and resources business which will form the core of decarbonization.

Financially, we will strive to maintain of an equity ratio of at least 40% and a net DE ratio of 0.7 or less while making future-oriented growth investments, and we have also set a new target of stably achieving an ROE of 15% or more, exceeding the target of the previous medium-term management plan.

ROE (Return on equity)



Total assets / Equity ratio



Planned investments of 300.0 billion yen in three years in decarbonization and other fields

We plan to invest a total of 300.0 billion yen over a three-year period. Out of that, we intend to spend 62.0 billion yen on decarbonization-related investments such as non-residential buildings overseas, forestry funds and timber industrial complexes.

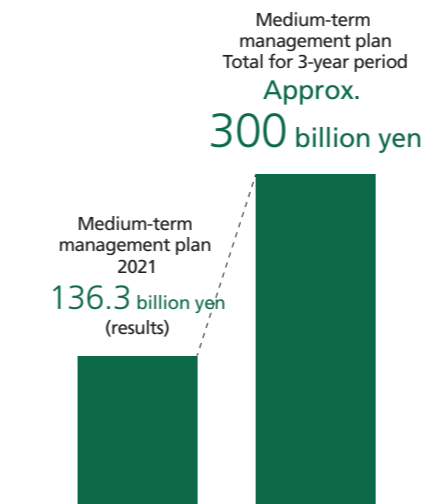
Furthermore, apart from the 300.0 billion yen investment plan, we will continue to acquire real estate for sale particularly in the United States where we expect to see robust demand, and by the end of December 2024, the final year of the medium-term management plan, we plan to have a balance of 560.0 billion yen, a 220.0 billion yen increase over the 340.0 billion yen recorded at the end of the previous year. We will seek growth investments exceeding the results of the previous medium-term management plan and aim to expand our businesses even further.

The Sumitomo Forestry Group pursues investment projects that

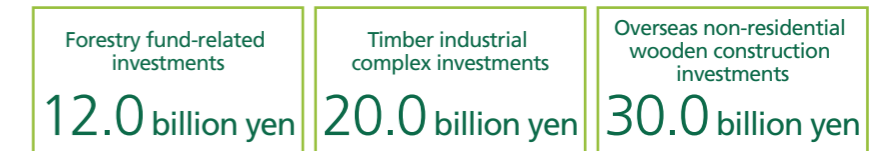
guarantee returns higher than the capital costs. To increase the ROE and ROIC that serve as KPIs, we use IRR or NOI yields as quantitative evaluation standards when making new investments or withdrawing from businesses. Generally speaking, the condition for undertaking a new business investment or remaining in a business is that the IRR and other efficiency indicators calculated from the business plan must be higher than the hurdle rate (such as WACC).

From the fiscal year ending in December 2022 and onwards, we have changed from determining the hurdle rate by country to setting it by country and by business. We have also newly established two types of standards, Project IRR and Equity IRR, which we have begun to apply. We hope to increase corporate value even further by establishing selection standards that better suit investment projects.

Investment plan



Main decarbonization-related investments



Category	Sub-category	Amount (billion yen)
Timber and building materials	Manufacturing, etc.	Approx. 35.0
Overseas housing and real estate	Overseas real estate and residential land development, etc.	Approx. 130.0
Housing and construction	Model homes, offices, etc.	Approx. 25.0
Environment and resources	Forestry, afforestation investments, etc.	Approx. 30.0
Others	System investments (DX promotion), etc.	Approx. 15.0

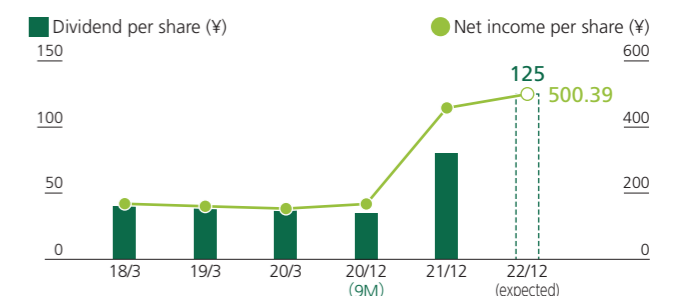
*The amounts for the investment plans listed above do not include amounts for acquiring real estate for sale.

Continuing to provide appropriate returns to shareholders based on profits

At Sumitomo Forestry, we view returns to shareholders as one of our most important tasks, and it is our basic policy do so in a stable and ongoing manner.

Going forward, we will endeavor to increase our ROE and enhance our equity ratio by using our internal reserves efficiently in effective investment and R&D activities that help increase long-term corporate value while also paying out the appropriate level of returns based on our profit situation, taking the balance of our management base, financial position and cash flows into comprehensive account.

Dividend per share/Net income per share



*Expectations for FY22/12 are expected values as of August 9, 2022. Visit our website for information about the latest expectations. <https://sfc.jp/english/ir/>