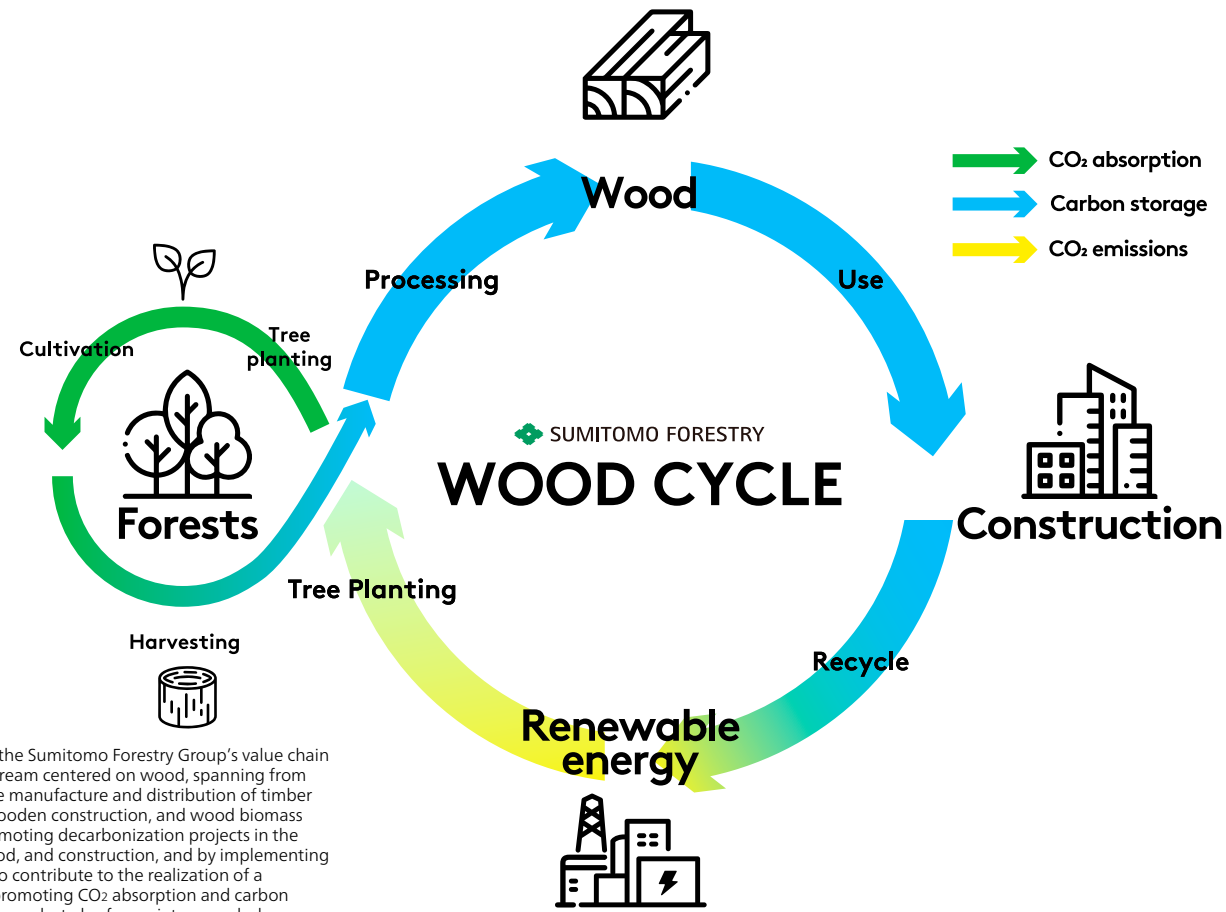


# Value Creation Process

## Corporate Philosophy

The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.



## Inputs (Fiscal 2022) > P.32

### Natural Capital

- Energy inputs: 12,046TJ
- Volume of timber and timber products: 8,290,000m<sup>3</sup>
- Water usage: 2,937,000m<sup>3</sup>

### Manufactured Capital

- Wood biomass power plants: 5 in Japan
- Sawmills (Timber and Building Materials): 4 in Japan and 9 overseas
- FITP business\*1 sites: 1 in the United States

\*1 Fully Integrated Turn-Key Provider (FITP) business providing integrated services from panel design to manufacturing, delivery and construction

### Human Capital

- Employees on a consolidated basis: 21,948 (9,037 overseas)
- Training costs per employee: 105,000 yen (non-consolidated) and 35,000 yen (subsidiaries in Japan)
- First-class Architects: 1,035 (non-consolidated) and 405 (subsidiaries in Japan)
- Second-class Architects: 1,348 (non-consolidated) and 1,419 (subsidiaries in Japan)

### Intellectual Capital

- R&D spending: 2,576 million yen

### Social Capital

- Accumulated number of homes delivered: approx. 340,000 units (in Japan) and approx. 90,000 units overseas

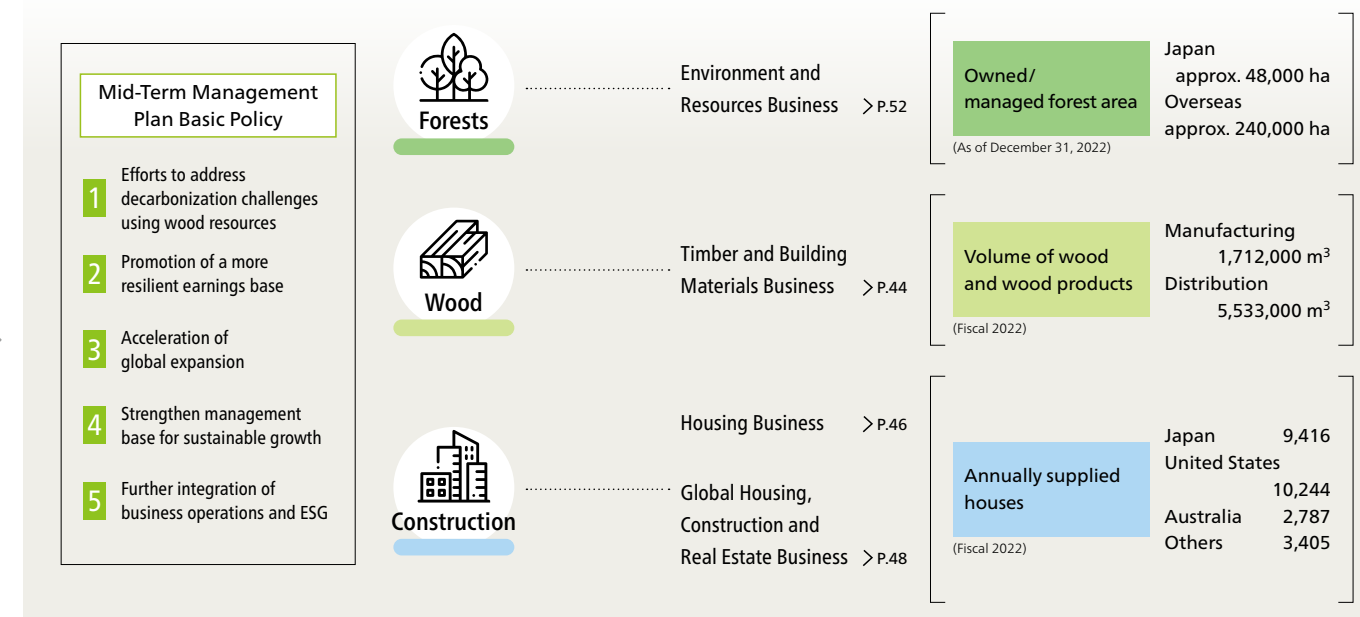
### Financial Capital

- Shareholders' equity: 526.3 billion yen
- Interest-bearing debt: 348.3 billion yen
- Loans and investments: 62.6 billion yen

## The Wood Cycle

The Wood Cycle refers to the Sumitomo Forestry Group's value chain from upstream to downstream centered on wood, spanning from forest management to the manufacture and distribution of timber and building materials, wooden construction, and wood biomass power generation. By promoting decarbonization projects in the three fields of forests, wood, and construction, and by implementing the Wood Cycle, we aim to contribute to the realization of a decarbonized society by promoting CO<sub>2</sub> absorption and carbon storage not only for the Group but also for society as a whole.

## Business activities



## Outputs (Fiscal 2022)

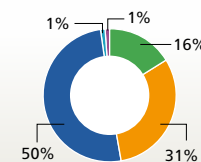
### Breakdown by Segment\*2

- Timber and Building Materials
- Housing
- Global Housing, Construction and Real Estate
- Environment and Resources
- Others

\*2 In January 2023, the segment names were changed from Housing and Construction to Housing, and from Overseas Housing and Real Estate to Global Housing, Construction and Real Estate. In addition, the Construction business was transferred to the Global Housing, Construction, and Real Estate segment. Figures for net sales and recurring income for the fiscal year ended December 31, 2022 are those of the previous segments.

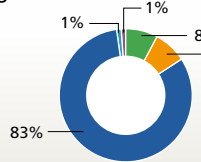
### Net sales

1,669.7 billion yen



### Recurring income

195.0 billion yen



## Outcomes (Fiscal 2022)

### Value for our planet

- Carbon stock of forests: 66.37 million t\*3
- HWP\*4 existing carbon stock: 24.357 million t
- Sustainability procurement survey implementation rate for imported wood product supplier: 100% (Timber and Building Materials segment)
- Sustainability procurement survey implementation rate in the supply chain: 97.2% (Housing segment)
- Percentage of sustainable timber and wood products handled in the distribution business: 100% (Timber and Building Materials segment) > P.76
- Percentage of sustainable wood used as primary building material of detached houses: 100% (Housing segment)
- ZEH order ratio: 77.2% (Housing segment)

### Value for people and society

- Employee satisfaction level: 77.0% (non-consolidated basis), 58.9% (subsidiaries in Japan)
- Ratio of female employees: 23.1% (non-consolidated basis), 33.4% (subsidiaries in Japan)
- Childcare leave acquisition rate\*5 (male): 49.0% (non-consolidated basis), 25.4% (subsidiaries in Japan)
- Childcare leave acquisition rate\*5 (female): 110.3% (non-consolidated basis), 114.3% (subsidiaries in Japan)
- Ratio of Certified as Long-life Quality Housing\*6: 96.3%
- Questionnaire at the time of moving in (Non-consolidated NPS value\*7): 53.2 pt

### Value for the market economy

- Annual dividend per share: 125 yen
- Total shareholder return (TSR; annualized): 10.4% for trailing one year and 13.1% for trailing 10 years

\*3 Method to calculate carbon stock of forests: Cumulative amount x Bulk density x Biomass magnification factor x (1+ratio of underground area as a ratio of above ground area) x Carbon content (utilizing the specific number of each tree species)

\*4 Harvested Wood Products (HWP)

\*5 The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

\*6 Limited to private house and applicable floor area or more

\*7 Net Promoter Score (NPS) NPS is an index used to measure customer loyalty (the amount of trust and affinity for the company and brand)