

Eleven-year consolidated financial summary

	2022/12	2021/12	2020/12 (9M)	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	2013/3
Operating results (¥ million)											
Net sales	¥1,669,707	¥1,385,930	¥ 839,881	¥1,104,094	¥1,308,893	¥1,221,998	¥1,113,364	¥1,040,524	¥997,256	¥972,968	¥845,184
Gross profit	392,970	321,994	191,323	242,689	232,146	219,315	204,138	183,134	169,492	160,162	141,436
Selling, general and administrative expenses	234,717	208,344	143,862	191,312	182,899	166,294	150,149	153,041	135,498	126,747	116,105
Operating income	158,253	113,651	47,462	51,377	49,247	53,021	53,989	30,093	33,994	33,415	25,330
Recurring income	194,994	137,751	51,293	58,824	51,436	57,865	57,841	30,507	36,424	33,567	26,981
Net income attributable to shareholders of parent / Net income	108,672	87,175	30,398	27,853	29,160	30,135	34,532	9,727	18,572	22,531	15,923
Recurring income (excluding actuarial differences)	187,027	134,491	46,470	61,396	54,846	55,574	52,860	42,038	36,681	34,586	26,630
Financial position											
Total assets	¥1,537,598	¥1,314,226	¥1,091,152	¥1,004,768	¥ 970,976	¥ 899,120	¥ 794,360	¥ 710,318	¥665,538	¥645,197	¥547,973
Working capital*1	578,653	470,909	297,669	273,167	236,047	209,506	190,386	178,215	158,110	120,725	91,335
Interest-bearing debt	348,323	302,763	302,933	268,491	248,885	200,630	163,817	119,069	103,369	92,975	69,229
Net assets	682,554	540,089	399,456	357,064	353,489	345,639	295,857	265,257	260,782	226,078	193,250
Cash flows											
Cash flows from operating activities	¥ 55,276	¥ 91,576	¥ 46,840	¥ 45,724	¥ 40,689	¥ 13,732	¥ 40,337	¥ 45,705	¥ 14,709	¥ 54,057	¥ 45,910
Cash flows from investment activities	(52,385)	(40,254)	(44,635)	(38,874)	(71,659)	(46,250)	(62,350)	(9,972)	(23,575)	(10,476)	(28,662)
Cash flows from financing activities	(32,998)	(7,029)	(6,782)	1,142	11,523	25,156	14,267	1,813	(17,286)	8,511	(5,305)
Cash and cash equivalents at the end of the year	147,373	170,035	122,220	112,565	105,102	125,555	132,707	141,265	103,296	128,343	75,658
Capital investment											
Property, plant and equipment*2	¥ 31,657	¥ 21,844	¥ 18,124	¥ 32,414	¥ 17,071	¥ 17,685	¥ 48,204	¥ 18,042	¥ 12,617	¥ 14,735	¥ 7,058
Intangible fixed assets	5,334	3,892	2,989	3,470	3,173	2,470	2,839	2,006	2,488	2,417	2,890
Others	7,026	2,488	2,834	2,267	2,088	3,792	3,085	400	282	252	343
Total	44,017	28,224	23,946	38,151	22,331	23,947	54,128	20,448	15,388	17,404	10,291
Depreciation and amortization	17,911	16,491	11,503	14,388	13,696	13,727	12,887	11,753	11,453	9,810	8,978
Per share data (¥)											
Net income	¥ 543.80	¥ 457.69	¥ 167.54	¥ 153.54	¥ 160.80	¥ 168.49	¥ 194.95	¥ 54.92	¥ 104.85	¥ 127.20	¥ 89.89
Net assets	3,140.26	2,479.76	2,025.13	1,777.57	1,755.06	1,719.05	1,552.04	1,374.47	1,387.39	1,234.53	1,086.68
Cash dividends	125.0	80.0	35.0	40.0	40.0	40.0	35.0	24.0	21.5	19.0	17.0
Financial ratios (%)											
Gross profit margin	23.5	23.2	22.8	22.0	17.7	17.9	18.3	17.6	17.0	16.5	16.7
Operating income margin	9.5	8.2	5.7	4.7	3.8	4.3	4.8	2.9	3.4	3.4	3.0
Recurring income margin	11.7	9.9	6.1	5.3	3.9	4.7	5.2	2.9	3.7	3.4	3.2
Return on assets (ROA)*3	13.7	11.5	4.9	6.0	5.5	6.8	7.7	4.4	5.6	5.6	5.1
Return on equity (ROE)*3	19.4	20.2	8.8	8.8	9.3	10.3	13.3	4.0	8.0	11.0	8.8
Equity ratio	40.8	37.7	33.7	32.1	32.8	34.7	34.6	34.3	36.9	33.9	35.1
Interest-bearing debt ratio*4	35.7	37.9	45.2	45.4	43.9	39.2	37.3	32.8	29.6	29.8	26.5
Current ratio	217.1	211.9	178.3	175.3	163.2	158.8	158.8	156.9	154.1	137.0	133.1
Interest coverage ratio (times)*5	18.4	39.7	24.9	16.9	20.1	9.6	27.1	43.1	12.6	44.2	34.9

*1 Working capital = Current assets - Current liabilities

*2 From the fiscal year ended March 2009, leased assets have been included among property, plant and equipment in accordance with a change in the accounting standards for lease transactions.

*3 ROA and ROE are calculated using the simple average of beginning and end of term balance sheet figures.

*4 Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity)

*5 Interest coverage ratio (times) = Cash flows from operating activities / Interest payments

*6 In conjunction with the change in fiscal year-end, the fiscal year ended December 2020 is an irregular transition period covering the nine months from April to December 2020 on a consolidated basis.

ESG Information

		2022/12	2021/12	2020/12	2020/3	2019/3
Environment (E)						
Energy consumption (MWh)		2,880,398	2,878,334	2,848,460	2,903,124	3,015,835
Water use volume (thousand m ³)		2,937	2,858	2,851	2,897	2,978
Greenhouse gas emissions (t-CO ₂ e)	Scope 1	239,635	252,833	262,105	265,192	264,011
Greenhouse gas emissions (t-CO ₂ e)	Scope 2	116,292	117,939	108,421	115,449	117,602
Greenhouse gas emissions (ten thousand t-CO ₂ e)	Scope 3	940.0	983.5	911.9	1,025.5	987.7
Renewable energy introduction rate (%)		75.7	74.5	74.1	72.2	73.4
Renewable energy introduction rate in electricity used in the Group overall (%)		17.5	17.2	17.4	15.8	15.0
Sustainability procurement survey rate for imported wood product suppliers (%)		100.0	100.0	100.0	100.0	100.0
Sustainable wood use rate among principal structural materials (%)		100.0	100.0	95.8	80.6	-
Recycling rate at domestic manufacturing plants (%)		99.4	99.1	99.1	99.0	99.1
ZEH order ratio for new custom-built detached houses (%) (order basis)		77.2	67.4	51.5	51.0	40.0
Rate of new custom-built detached houses certified as long-life quality housing (%)		96.3	94.9	94.7	94.4	93.8
Area under forest ownership/management (ten thousand ha)	Domestic	4.8	4.8	4.8	4.8	4.8
	Overseas	24.0	22.9	22.9	21.9	21.9
Carbon storage amount in area under forest ownership/management (carbon dioxide equivalent) (10,000 t-CO ₂)	Domestic	1,373	1,361	1,348	1,330	1,310
	Overseas*1	5,264	5,240	5,212	933	738
Social (S)						
Number of employees (persons)	Non-consolidated	5,139	5,091	5,073	4,914	4,824
	Consolidated	21,948	21,254	20,562	19,332	19,159
Ratio of female employees (%)	Non-consolidated	23.1	22.6	22.0	21.6	21.0
	Consolidated in Japan	33.4	34.4	32.4	32.7	32.0
	Consolidated overseas	28.2	30.0	30.8	30.2	32.0
Ratio of female employees in management position (%)	Non-consolidated	6.3	5.6	4.8	4.2	3.7
	Consolidated in Japan	8.9	8.4	7.1	6.1	6.0
	Consolidated overseas	23.2	20.9	19.5	17.1	16.0
Ratio of newly graduated female recruits (%)	Non-consolidated	33.1	26.9	30.2	26.9	24.8
	Consolidated in Japan	34.6	35.1	43.4	45.7	43.5
	Consolidated overseas	39.5	32.8	38.7	-	-
Employment ratio of persons with disabilities (%)	Non-consolidated	2.40	2.38	2.25	2.40	2.32
	Consolidated in Japan	2.23	2.04	1.85	1.77	1.76
Rate of childcare leave taken by male employees (%) ^{*2}	Non-consolidated	49.0	50.4	46.8	31.3	24.1
	Consolidated in Japan	25.4	28.0	13.2	6.2	4.3
Rate of childcare leave taken by female employees (%) ^{*2}	Non-consolidated	110.3	108.8	84.4	100.0	97.7
	Consolidated in Japan	114.3	118.8	122.0	115.3	104.3
Rate of paid leave taken (%)	Non-consolidated	68.4	64.1	60.7	60.2	53.2
	Consolidated in Japan	66.6	59.6	58.1	63.0	50.5
Training hours per employee (hours)	Non-consolidated	15.5	13.0	10.5	18.0	13.6
Training expenses per employee (thousand yen)	Non-consolidated	105	77	59	102	97
Turnover ratio (%)	Non-consolidated	3.2	2.7	1.8	2.5	2.7
New graduate employee retention rate (three years with the company) (%)	Non-consolidated	82.9	83.3	82.3	84.4	82.0
Employee satisfaction (%)	Non-consolidated	77.0	78.2	80.1	78.8	81.0
Governance (G)						
Number of Board of Directors meetings held		15	16	10	15	16
Number of Directors		9	9	9	8	10
Ratio of Outside Directors (%)		33	33	33	25	20
Attendance rate of Outside Directors at Board of Director meetings (%)		100	100	100	100	100

*1 Overseas conservation forests have been added to the scope of aggregation from the fiscal year ended December 2020.

*2 Rate of childcare leave taken = Number of employees who started childcare leave during the fiscal year / Number of employees who had a child born during the fiscal year.

Major Evaluations and Awards Achieved

In recent years, there has been growing interest in ESG investment, which considers not only financial aspects but also environmental, social, and governance factors as investment criteria. The Sumitomo Forestry Group received the following ESG-related evaluations and awards. (As of March 31, 2023)

External Evaluations

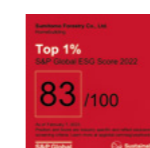
Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



Included as a constituent stock in all six ESG indices selected by the GPIF



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Initiative Participation and Endorsement



Statement of Authenticity



Publication of Integrated Report 2023

Tatsumi Kawata
Director, Senior Managing Executive Officer

This report highlights the Sumitomo Forestry Group's materiality and the initiatives in the Medium-Term Management Plan for realizing the Long-term Vision Mission TREEING 2030.

In preparing this report, we referred to the International Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation and the Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry. In addition, in order to convey the Group's value creation in an easily understood manner, many related departments cooperated and collaborated closely during the preparation. For important non-financial information, we are working to improve reliability by obtaining a limited warranty from a third-party warranty organization. As the officer in charge of preparing the integrated report, I hereby declare that the process of preparing this report is adequate and that the contents of the report are accurate.

We hope that this report will help stakeholders further deepen their understanding of the Group's medium- to long-term growth and enhancement of corporate value. We will continue striving to further enhance information disclosure and deepen dialogue with our stakeholders. We look forward to your continued support as we move forward.

IR FAQ

Question

1

What is your outlook for the future of the single family homes market in the United States?

The United States is characterized by a large young population that includes Generation Z and Millennials, and the population of home buyers is increasing. On the supply side, however, the number of new housing starts has been sluggish for more than a decade since the global financial crisis, and the country's housing supply is said to be short of around four million to six million houses. Normally, 70% to 80% of all the United States home transactions are existing homes, but the inventory of these homes remains at a historically low level. In particular, the cities in the Sun Belt area, where we are making a foray, are expected to require a relatively larger number of houses hereafter than the national average due to the speed of economic expansion and the high rate of population growth. Against this backdrop, we expect demand for new housing to remain stable.

Question

2

How do you plan to grow your housing business in the United States hereafter?

In January 2023, we made Southern Impression Homes Group a consolidated subsidiary. This company engages in land development for single family homes for rent, construction, sales, and rental management operations in Florida, one of the leading housing markets in the United States. In this way, we will continue to strive for expansion based on the organic growth of our existing subsidiaries, including not only the single family homes for sale business but also the single family homes for rent business, as well as consider M&A when opportunities arise.

In addition, we are promoting the Fully Integrated Turn-Key Provider (FITP) business, which provides integrated panel design, manufacturing, delivery, and installation. Toward this end, we started construction of a new plant in December 2022 (it is scheduled to start operations in 2024). In addition to increasing the number of houses sold and supplied in the existing single family homes business, we will also work to solve issues such as soaring labor costs due to labor shortages and prolonged construction periods, thereby boosting earnings and diversifying revenue sources.

Question

3

How will you increase sales and profits of detached houses in the current Japanese market? What is your strategy for the Housing Business?

Our share of the number of houses for sale in the number of owner-occupied housing starts in Japan had been in the high 2% range, but increased to 3.28% in the fiscal year ended December 31, 2022. We aim to increase our share of the total number of housing starts by selling 10,000 custom-built houses, spec homes, and apartments per year by 2030, with the total number of housing starts falling. In the current Medium-Term Management Plan, we are continuously working to propose the design of high value-added products such as ZEH and the installation of environmentally friendly equipment, while marketing a design product called Forest Selection BF, which offers as many as 1,500 floorplans, with the aim of winning orders from a wide range of customers. In addition to appealing to landowners with reconstruction needs, we will continue to aim for more orders from customers who are first-time home buyers, by strengthening alliances with real estate agents and providing land together with the Residential Property Development Department, which engages in the spec homes business.

Question

4

How is the progress of your plan for investments and loans in the Medium-Term Management Plan?

At the end of the first year of the Medium-Term Management Plan, investments and loans totaled about 60 billion yen, compared to the three-year plan of 300 billion yen, which is slightly lower than initially expected. The reason for this is that after careful consideration, there were some M&A projects that we decided not to invest in, and we intentionally postponed these in consideration of future prospects.

As indicated in the Special Feature section (see page 16), the timber industrial complexes we build as timber and wood product manufacturing and processing bases in Japan, with the goal of encouraging cascade utilization of domestic timber, are very important for the promotion of the country's forestry industry. In the case of large-scale timber industrial complexes, we invest between 15 and 30 billion yen. We are also considering an investment in another location following Shibushi in Kagoshima Prefecture, which we have already announced.

Going forward, in addition to the aforementioned timber industrial complexes, we will actively invest in forestry funds and the overseas non-residential wooden building field as decarbonization-related investments.

Apart from the 300-billion-yen investment and loan plan, we will also carefully select and acquire land necessary for the expansion of the single family homes business in the United States, while fully controlling the holding risk.

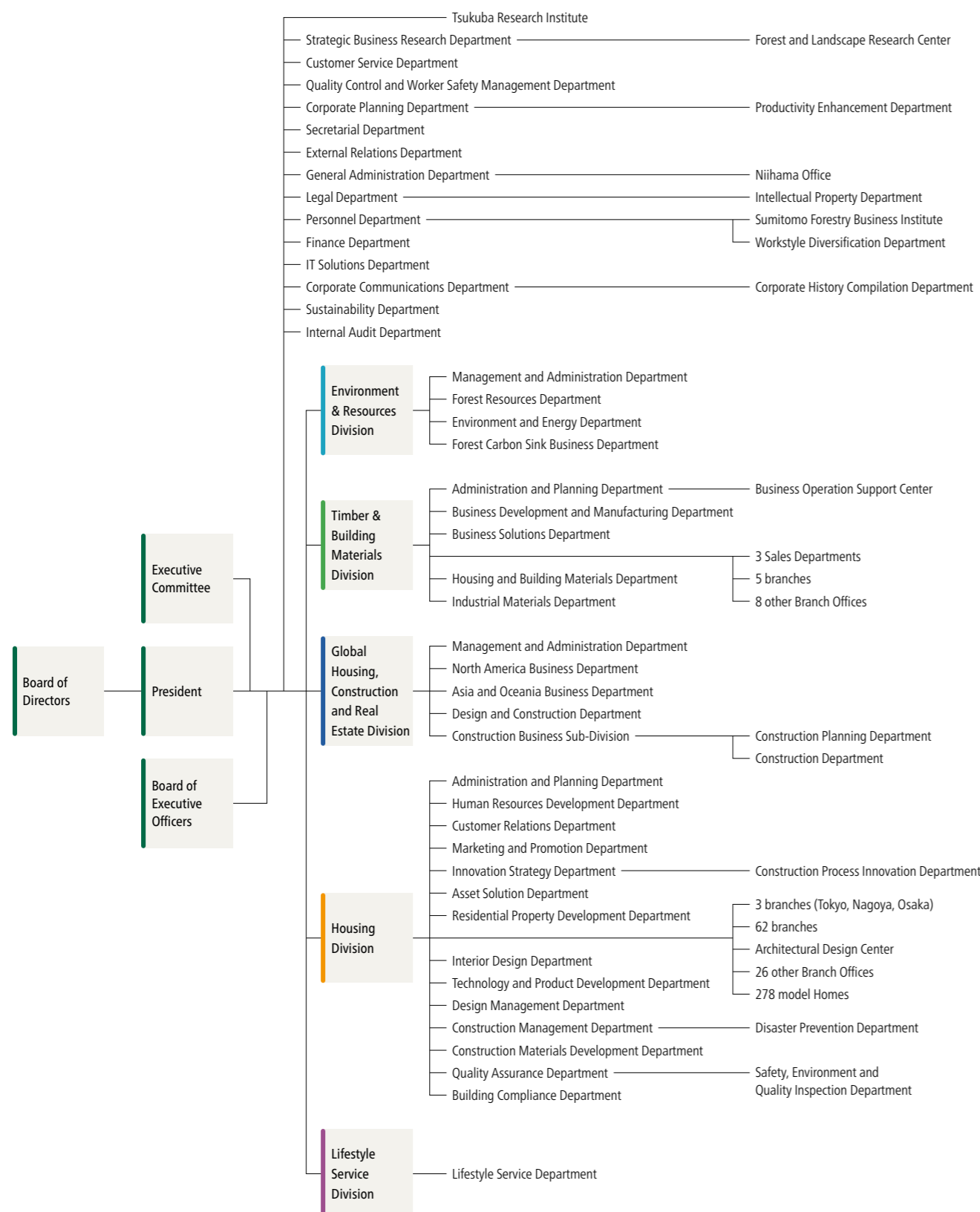
Question

5

What are your thoughts on the balance between financial condition, investments and shareholder returns?

Our basic approach is to conduct operations while maintaining a balance in the business. The Medium-Term Management Plan that runs to the fiscal year ending December 31, 2024 is a phase of investment to achieve our Long-Term Vision for 2030. In this regard, we plan to emphasize investment rather than financial condition to some extent. As for shareholder returns, our basic policy is to pay continuous and stable dividends while taking profits into account.

Organization Chart (As of January 1, 2023)



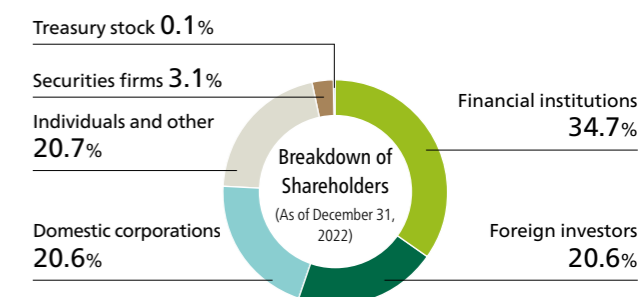
Corporate Profile and Stock Information (as of December 31, 2022)

Corporate profile

Company name	Sumitomo Forestry Co., Ltd.
Founded	1691
Incorporated	1948
Paid-in capital	¥50,074 million
Head office	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Consolidated subsidiaries	348 (Overseas 311)
Affiliated companies	164 (Overseas 153)
Number of employees (consolidated)	21,948
Homepage	https://sfc.jp/english/
Accounting auditor	Ernst & Young ShinNihon LLC
Contacts	Sumitomo Forestry Co., Ltd. Corporate Communications Department IR Group Tel :81-3-3214-2270 Fax:81-3-3214-2272 IR contact https://inquire.sfc.jp/sfc/m/contact/english/

Shareholders & stock information

Stock exchange listing	Tokyo
Total number of authorized shares	400,000,000
Total number of shares issued	201,218,236
Ordinary General Meeting of Shareholders	March
Number of shareholders	63,921



Percentages in breakdown of shareholders are rounded down.

Major shareholders

Shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	24,454	12.1
Sumitomo Metal Mining Co., Ltd.	10,110	5.0
The Iyo Bank, Ltd.	5,849	2.9
Custody Bank of Japan, Ltd. (trust account)	5,710	2.8
Kumagai Gumi Co., Ltd.	5,197	2.5
SMBC Nikko Securities Inc.	4,648	2.3
Sumitomo Corporation	4,383	2.1
Sumitomo Life Insurance Company	4,227	2.1
The Hyakujushi Bank, Ltd.	4,197	2.0
Sumitomo Mitsui Banking Corporation	3,536	1.7

(Note) Number of shares held and shareholding ratio are rounded down. Shareholding ratio is calculated by subtracting treasury stock from the total number of outstanding shares.