

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: 8,290,000m³
- Water usage: 2,937,000m³

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 CO₂ absorption and carbon storage not only for the Group but also for society as a whole.

Business activities

Mid-Term Management Plan Basic Policy

- Efforts to address decarbonization challenges using wood resources
- Promotion of a more resilient earnings base
- Acceleration of global expansion
- Strengthen management base for sustainable growth
- Further integration of business operations and ESG

Forests

Environment and Resources Business > P.52

Owned/managed forest area (As of December 31, 2022)

Japan	approx. 48,000 ha
Overseas	approx. 240,000 ha

Wood

Timber and Building Materials Business > P.44

Volume of wood and wood products (Fiscal 2022)

Manufacturing	1,712,000 m ³
Distribution	5,533,000 m ³

Construction

Housing Business > P.46

Global Housing, Construction and Real Estate Business > P.48

Annually supplied houses (Fiscal 2022)

Japan	9,416
United States	10,244
Australia	2,787
Others	3,405

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

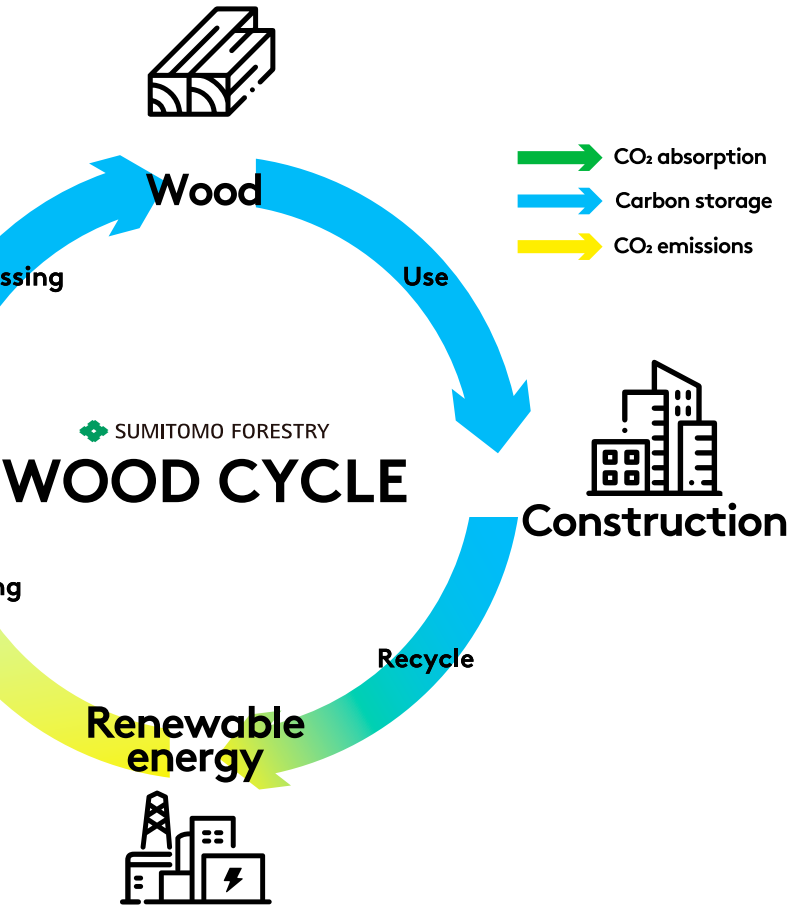
1,669.7 billion yen

50% 31% 16% 1% 1%

Recurring income

195.0 billion yen

83% 8% 8% 1% 1%



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)

Through business activities implementing the Wood Cycle value chain centered on trees, the Sumitomo Forestry Group aims to promote decarbonization not only within the Group but also for society as a whole, and to contribute to resource recycling. Below, the Group has marshaled the related capital, stakeholders, business activities in which capital is used, and the issues for each of the three fields of forests, wood and construction.



Forests

Investment amount during Medium-Term Management Plan Mission TREEING 2030 Phase 1


Forestry fund related investments (~2024)	12.0 billion yen
2030 target	
Owned/managed forest land area target	500,000 ha

Accelerate the cyclical forest business


The Group will increase the amount of CO₂ by forming forestry funds and expanding the area of owned and managed forests and peatlands around the world including in Asia, thereby contributing to the offsetting of carbon emissions from other companies and society.

- Establishment of Eastwood Forests LLC, a forest asset management operating company, and formation of a global forest fund through this company to contribute to the offsetting carbon emissions from other companies and society > P.16, 52
- Promotion of NeXT FOREST, a consulting service that combines the world's first sustainable tropical peatland forest management technology with IHI Corporation's observation technologies using satellites > P.16, 52
- Appropriate evaluation of the value of natural capital, such as the value of carbon absorption in forests and soils, the conservation of biodiversity and the water cycle, and contribution to local communities to create higher quality carbon credits. > P.16, 52


Related capital




Natural capital




Human capital




Intellectual capital



Social capital



Financial capital



Wood

Investment amount during Medium-Term Management Plan Mission TREEING 2030 Phase 1


Timber industrial complexes investment amount (~2024)	20.0 billion yen
2030 target	
Timber industrial complexes domestic timber usage volume	1.0 million m ³ per year

Promote "wood change"


We will establish timber industrial complexes to improve the efficiency of the domestic forestry and timber manufacturing industries and revitalize local communities. This will also increase carbon storage volume by substituting with wood-derived materials.

- The domestic leader in timber and building materials trading in terms of trading volume > P.44
- Global network from procurement of timber and building materials to product manufacture and distribution > P.44
- Contributing to a decarbonized society by increasing the trading and production volume of Harvested Wood Products (HWP) and promoting carbon storage > P.22
- Establishment of timber industrial complexes the cascade utilization of domestic timber > P.17
- As a ripple effect from the establishment of timber industrial complexes, the Group aims to contribute to decarbonization by increasing the carbon storage period, improve the added value of timber (shift from production of low-grade to high-strength timber among other measures), create employment for forestry workers, and strengthen the stable supply of domestic timber and price competitiveness. > P.17


Related capital




Natural capital




Manufactured capital




Human capital




Intellectual capital



Social capital



Financial capital



Construction

Investment amount during Medium-Term Management Plan Mission TREEING 2030 Phase 1


Overseas non-residential wooden building investments (~2024)	30.0 billion yen
2030 target	
Annual housing units supplied	50,000 (Japan and overseas)

Standardize carbon neutral design


We will contribute to the decarbonization of other companies and other people by spreading ZEH (Net Zero Energy Houses), ZEB (Net Zero Energy Building), LCCM (Life Cycle Carbon Minus) housing, and Net Zero Carbon Buildings and establishing decarbonized design (One Click LCA x EPD).

- Reduction of CO₂ emissions (operational carbon) during living through the spread of ZEH, ZEB, LCCM housing, and Net-Zero Carbon Buildings > P.18, 46
- Significant decrease in CO₂ emissions (embodied carbon) during construction compared to building with steel or concrete > P.18
- Expansion of use of timber for structural frames of medium- to large-scale buildings > P.18
- Promotion of mass timber construction > P.20, 48
- Strengthening of the Group's entire value chain in the United States by establishing the Fully Integrated Turn-Key Provider (FITP) business that provides panel design, manufacturing, delivery, and construction in an integrated process in the United States > P.21, 48
- Expansion of projects for the acquisition of ISO-compliant environmental labeling EPD (Environmental Product Declaration), which visualizes CO₂ emissions throughout the entire life cycle of products > P.18, 44
- Promotion of commissioned calculation business as the sole Japanese agent of One Click LCA, a piece of software that visualizes CO₂ emissions and other indicators over the life cycle of a building. > P.18, 44


Related capital




Natural capital




Manufactured capital




Human capital



Intellectual capital



Social capital



Financial capital

