

Messages from Outside Directors

Message from Outside Director Izumi Yamashita



In addition to the diverse backgrounds of the members of the Company's Board of Directors, I believe that the transparent and skillful management of the proceedings by Chairman of the Board Mr. Ichikawa, who chairs the meetings, is fostering lively discussions that are uninhibited and constructive. The Company's roots in forestry and its management philosophy based on Sumitomo's Business Spirit "Benefit self and benefit others, private and public interests are one and the same," lead to discussions characterized by an emphasis on sustainability and a long-term time horizon, which is typical of a company that creates "Happiness Grows from Trees."

Regarding the current Medium-term Management Plan, despite the negative factor of the downturn in the United States housing and real estate markets due to the sudden shift to a tight monetary policy implemented by the Federal Reserve, both net sales and recurring income remained strong, and the Company expects to generally achieve the plan. In the past two years, the Company has made various efforts to achieve the goals of the Long-term Vision and is commendably yielding positive results at the cornerstones of the vision such as the forestry asset fund and the first project of the timber industrial complex, both of which have been launched with the cooperation of a number of companies.

It should be noted, however, that progress in many of these projects has been slower than originally planned, due in part to the fact that many of them are innovative new projects with a high degree of difficulty that could be described as "Sumitomo Forestry's version of Project X*." During this final year of Phase 1, the Company must clarify the causes of these delays and take appropriate measures to catch up, thereby solidifying the foundation for achieving the Long-term Vision. To this end, it is increasingly important to secure and develop diverse human resources to support the expansion of new business fields, such as decarbonization-related businesses and non-residential medium- to large-scale wooden construction businesses, to promote DX and utilize AI more actively, and to create a vibrant workplace where people can continue to take ownership of these challenging issues.

* PROJECT X -Challengers-: A documentary program produced by NHK (The Japan Broadcasting Corporation) that covers people involved in projects that have left their mark on Japan's industrial and modern history.

Message from Outside Director Mitsue Kurihara



In 2022, the Company launched its Medium-term Management Plan (Phase 1) under the Long-term Vision Mission TREEING 2030, and 2024 marks the final year of this plan. I view the Company's performance during this period as generally steady, while it responded to various internal and external changes in the operating environment, such as the impact of the wood shock, the shift to the post-COVID-19 era, rising and high interest rates overseas, and the changing tides in the domestic economy. The Company's business operations in North America, which drive its earnings, have been affected by high interest rates, but the Company is expanding from housing to upstream businesses based on good relationships with local partners. In addition, the domestic housing business is also picking up, and from a financial perspective, the Company is expanding M&A and other investments while maintaining a sound financial position.

As these plans progress, the Company is creating forest value, returning it to society and contributing to the realization of "carbon negative" society as a whole through the unique business model of the Wood Cycle, which is the source of the Company's corporate value. Currently, in addition to the development of carbon fixation measurement technology using satellites and "One Click LCA" and the standardization of carbon neutral design, the Company is making progress in the advancement of forest management in Japan and overseas and in the forest fund established in the United States. The achievement of such decarbonization is linked to executive compensation, and the Sustainability Committee's monitoring of the sustainability budget is reported to the Board of Directors, thereby integrating ESG and business.

For long-term growth in the future, on the business side, it is important to put new decarbonization businesses on a growth trajectory while promoting structural reforms in the Housing and Timber and Construction Materials businesses to make them value-added businesses even in a shrinking market. On the management infrastructure side, the Groupwide human resources strategy, the development of IT infrastructure and data utilization are of course important issues, but the Company should also consider the balance between the expansion of investments for growth and capital efficiency.

As an Outside Director, I will contribute to the enhancement of corporate value through the realization of social value by reflecting the challenges for long-term growth in the next Medium-term Management Plan and incorporating diverse perspectives into management through dialogue with various stakeholders.

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Message from Outside Director Yuko Toyoda



The diverse businesses of the Group are positioned within the Wood Cycle as outlined in Mission TREEING 2030. I believe that exercising the Company's strength in contributing to decarbonization will lead to further enhancement of corporate value. While keeping in mind the fundamental social significance of the business as a whole, which is increasing the absorption of CO₂ by forests through forest management, promoting the fixation of carbon inside wood, and prolonging this fixation by using the wood in construction materials and furniture, along with supplying energy from biomass power generation, the Board of Directors is expected to navigate the Company's management toward the future by paying close attention to the individual efforts of each business unit, considering the appropriate allocation of management resources to realize synergies, and examining methods of risk management.

The launch of the forestry fund in fiscal 2023 was significant in realizing global-scale value through forest management and establishing a new sustainable business model by generating credits, while utilizing funds not only from the Company but also from other participating companies. The Board of Directors discussed the elaboration of the mechanism, how to respond to possible risks, and other issues. Another important theme is the utilization of the Company's peatland management expertise in Indonesia and its strategy to expand the medium- to large-scale wooden construction business.

Furthermore, I will seriously consider the development and revitalization of human resources to support these efforts. Management must take the lead in addressing issues such as coping with the declining birthrate and aging population in Japan, strengthening international talent to expand overseas business, promoting the active participation of women, expanding mid-career recruitment, and facilitating communication. The Company must also reaffirm that the vibrant and proper execution of day-to-day duties by each employee is the foundation of trust in the Group and supports corporate value, and should create an environment in which this can happen. As an Outside Director, I will consider the ways in which I can contribute to this effort and put them in practice.

Message from Outside Director Toshio Iwamoto



In just two months since ChatGPT, a leading example of generative AI, debuted at the end of November 2022, it had surpassed 100 million active users worldwide. The latest digital technologies have a shadowy side, but they have the power to transform the world in a short period of time. In addition to technologies, there have been a series of events in recent years that have forced a paradigm shift in social structure and values, such as the COVID-19 pandemic, Russia's invasion of Ukraine, and conflict in the Middle East.

I took office as an Outside Director of the Company in 2024. In April, I visited the site of the former Besshi Copper Mine, the birthplace of Sumitomo Forestry, and learned about its history up to the present day. I was deeply impressed by the fact that Sumitomo's predecessors, with their strong determination, planted trees in the surrounding forests that had been devastated by excessive logging and smoke pollution over a long period of time, and finally restored the lush green mountains to their original state after more than 100 years of reforestation.

While GX (Green Transformation) has become a buzzword representing the shift from a fossil energy-centered industrial and social structure to a clean energy-centered one, the power of forests is being reevaluated. Digital technologies can visualize carbon dioxide emissions, which can then be used to implement concrete measures. The use of AI, IoT, and other digital technologies, not only in Japan but around the world, will accelerate efforts to address GX.

Companies, like plants, animals, and other living creatures, have growth genes. By contributing to society, a company can be accepted, respected and grow significantly. Combining digital technologies and the know-how of corporate management that I have practiced on a global scale, I would like to think together with people in the Company about how this Company with a 330-year history can fulfill its role imposed in today's world and create social value.