

Timber and Building Materials Business



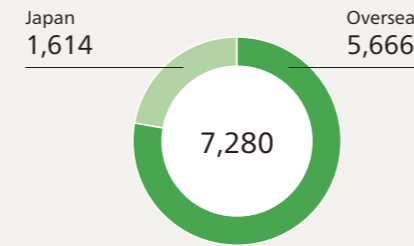
Yoichi Hosoya
Managing Executive Officer
Divisional Manager of Timber and Building Materials Division

As the leading trading company in the domestic timber and building materials distribution markets in terms of volume, we strive to provide a stable supply of high-quality materials and work with customers to find solutions to their issues

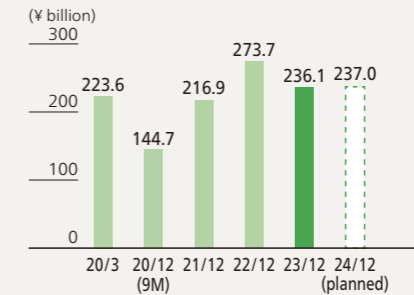
In the Timber and Building Materials Business, our mission is not only to respond to the ever-changing market environment and strive to stably supply and secure high-quality materials, but also to work together to provide solutions to the challenges our customers face, such as the conditions surrounding the industry and productivity improvement. We are also working with various stakeholders to capture the paradigm change that is the advent of a decarbonized society as a business opportunity.

In fiscal 2023, the distribution business continued to focus on strengthening cooperation with business partners, expanding the handling of wood fuel for biomass power generation, utilizing Japanese timber, and expanding sales of plywood and building materials made from sustainable planted forest wood. However, performance was sluggish against the backdrop of a decline in new housing starts. In the manufacturing business, sales of building materials to builders increased in Japan, but performance was sluggish, due in part to weak market conditions in the plywood and particle board businesses in Indonesia. As a result, net sales in the Timber and Building Materials Business amounted to 236,101 million yen, down 13.7% year on year, and recurring income was 11,185 million yen, down 24.8% year on year.

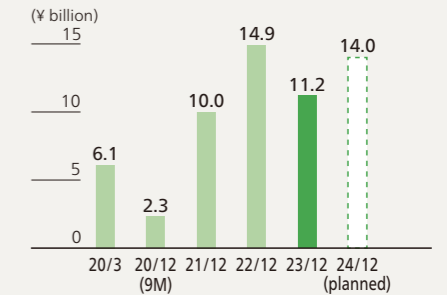
Number of employees
(As of December 31, 2023)



Net sales



Recurring income



* Total of consolidated subsidiaries in the manufacturing business in Japan and overseas.
 * The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. The FY ended December 2020 is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.
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Business Environment and Strengths

Business Environment

- Rising demand for domestic timber amid soaring imported timber prices and other factors
- Expansion of business opportunities contributing to carbon neutrality through utilizing timber

Strengths

- Ability to procure timber resources through our global network
- Possession of in-house manufacturing bases overseas and a system for developing and selling high-value-added products through our integrated production and sales system
- The Group's wide-ranging management resources, from upstream (forests) to downstream (construction)

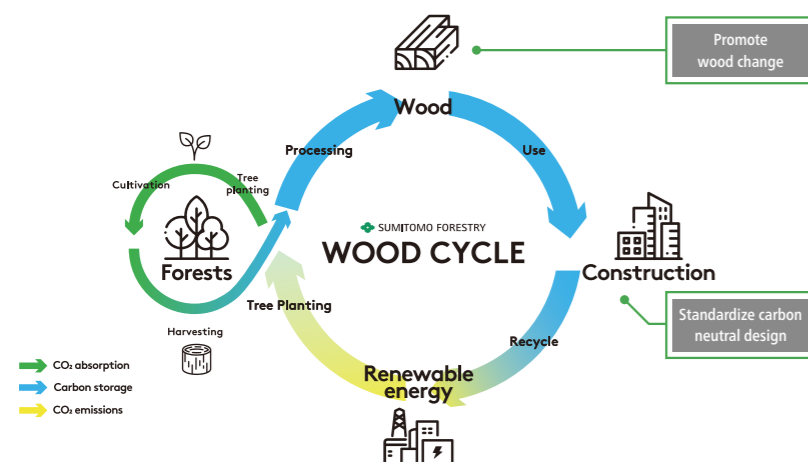
Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

In the Timber and Building Materials Business, under the Long-term Vision Mission TREEING 2030, we are promoting the timber industrial complex business to create a Wood Cycle and building a long-term stable supply system for fuels for biomass power generation. Furthermore, we are working on initiatives in the Japanese market centered on One Click LCA to help promote and standardize carbon

neutral design, as well as streamlining operations and raising productivity through digital transformation (DX) to address labor shortages. In addition, we are strengthening our solution sales activities, such as on-site construction work saving and preliminary work, and structural calculation services, expanding our manufacturing business in Japan and overseas, and developing overseas markets.

Positioning of segments in the Wood Cycle



Initiatives for growth

- Establish timber industrial complexes to improve timber productivity and ensure a stable supply of wood products, thereby strengthening price competitiveness
- Develop new products and services, including the establishment of a long-term stable supply system for biomass power generation fuel
- Accelerate the development of One Click LCA, which contributes to the promotion and standardization of carbon neutral design
- Strengthen solution functions to resolve issues faced by business partners
- Strengthen the manufacturing business in Japan and overseas, and further develop overseas businesses

Encouraging the use of Japanese timber

In our Long-term Vision, we have set forth the establishment of a timber industrial complex that will maximize the added value of wood and encourage the use of Japanese timber. As the first step in this effort, in November 2023, we established KowanoMori Co., Ltd in collaboration with other companies*1. We are building a new plant in Iwaki City, Fukushima Prefecture, to manufacture timber and processed wood products, mainly from Japanese cedar, with operations scheduled to launch in March 2026. KowanoMori aims to actively promote the use of Japanese timber for housing materials, of which a high percentage is generally imported timber, and to grow the share of these materials. With the number of new

housing starts in Japan on a downward trend, we will increase the ratio of Japanese timber use, build a system that can stably supply materials without being affected by external factors such as wood shocks, and promote efforts to create a Wood Cycle that includes replanting. Various project studies are underway with the goal of utilizing 1 million m³ of Japanese timber by 2030.

*1 A joint effort by Koei Shizai Co., Ltd. (headquartered in Shibuya City, Tokyo), Wada Timber Ltd. (headquartered in Iwaki City, Fukushima Prefecture), and Sumitomo Forestry Co., Ltd.

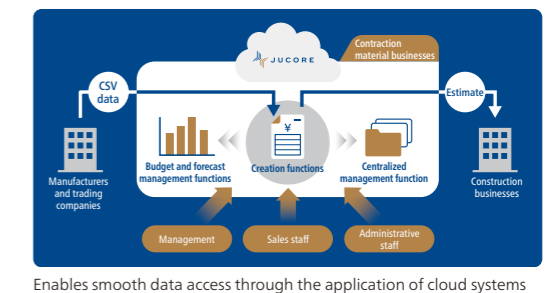
Products and Services

A range of solution businesses helping to resolve issues faced by customers

In September 2023, we launched JUCORE Mitsumori, an estimation streamlining service for building materials distributors. This enables building materials distributors to save manpower, eliminate siloing, and visualize data in their estimate preparation, helping customers in workstyle reform. In addition, JUCORE Logistics, which realizes more efficient construction site delivery, began operations in the Tokyo metropolitan area in January 2024. Going forward, we plan to expand these services to the Chubu and Kinki regions, realizing sustainable construction site delivery through last mile joint site delivery based on the concept of thorough separation of goods and services, local area service, high loading, and high turnover.

Structure Express, a structural design support service, contributes to the spread of quality housing by improving the operational efficiency of builders and precast factories, and by providing a system that makes it easier for builders to obtain seismic resistance grade 3. In addition, we will promote the use of One Click LCA software, which visualizes the environmental impact of buildings, to achieve standardization of carbon neutral design, and develop a wide range of decarbonization initiatives, including support for acquiring EPD certification and LCA calculation services for timber and building materials manufacturers.

Illustration of JUCORE Mitsumori service



Housing Business



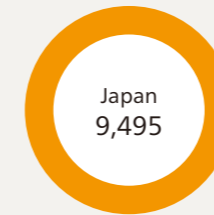
Ikuro Takahashi
Director,
Managing Executive
Officer
Divisional Manager of
Housing Division

Providing Homes Harnessing the Atmosphere and Features only Wood can Offer Growing Orders for Net-zero Energy Consumption Houses (ZEH)

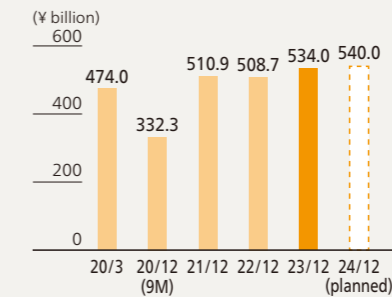
The Housing Business encompasses a broad range of businesses for us, including the custom-built detached housing business, to provide comfortable homes that people want to live in for longer that harness the atmosphere and features only wood can offer.

In the custom-built detached housing business, we have focused our energies on earning orders using the Internet and conducting sales promotions utilizing social media, while working to grow orders for Net Zero Energy Houses (ZEH), which have net zero energy consumption. In the rental housing business, we worked to earn orders, focusing on wood construction apartments for rent that combine design and performance. In the renovation business, we appealed to the benefits of our unique seismic resistance technology and energy-saving renovations to customers. As a result, net sales amounted to 534,028 million yen, up 5.0% year on year, and recurring income was 32,784 million yen, up 112.3% year on year.

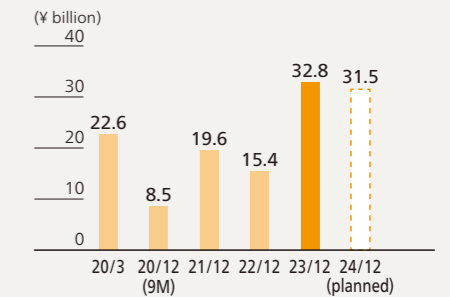
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Net sales



Recurring income



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Business Environment and Strengths

Business Environment

- Changing consumer needs and lifestyles due to population aging and the shift to digital technologies
- Decreasing new housing starts due to the decline in domestic population
- Rising costs for various construction materials

Strengths

- Unique BF construction method, product lineup and technical capability meeting diverse needs, building proposal and construction capabilities which integrate housing exteriors
- Group comprehensive capabilities, network within and outside Japan for procurement of timber and wood components, and cooperative relationships with contractors and construction firms
- Brand strength in wooden construction cultivated over many years
- Relationships with owners of approximately 350,000 homes delivered in Japan (cumulative total)

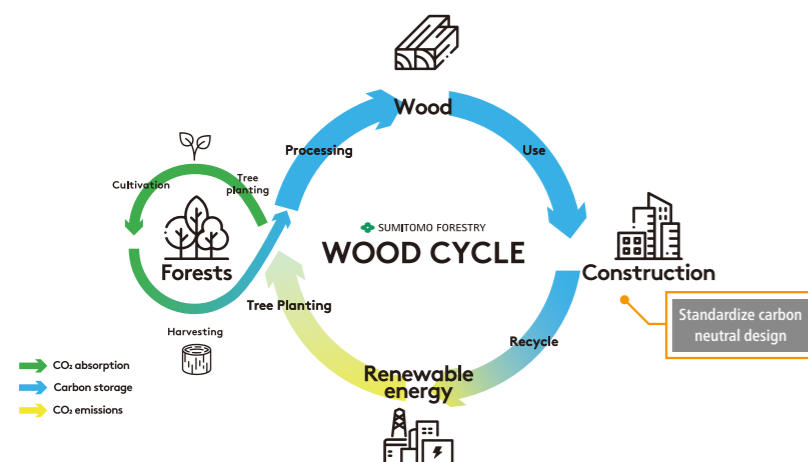
Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

In the custom-built detached housing business, in October 2023, we updated our GRAND LIFE single-story product, capable of adapting to a wide range of needs from multiple generations. This update includes improvements such as integrating the house and garden into a unified design and incorporating efficient housework flow lines. Going forward, we will further focus on improving profitability by increasing orders for ZEH homes and improving construction efficiency by shortening construction time. In the rental housing business, we will continue to focus on

increasing orders for Forest Maison GRANDE, a wood construction apartment for rent. In the for-sale housing business, we will step up acquisition of prime business sites, and in the renovation business, we will propose the Reforest detached house renovation product to customers and strive to increase orders for renovations utilizing our unique seismic resistance technology. In July 2023, the Company also took over the business of Sasazawa Construction and is working to expand its vacation home and other businesses, mainly in the Karuizawa area.

Positioning of segments in the Wood Cycle



Initiatives for growth

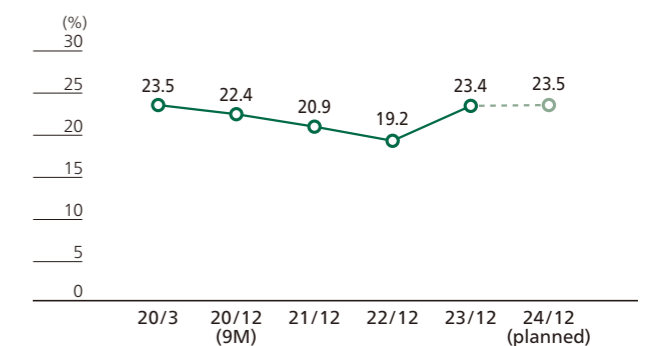
- Transforming business structure and rebuilding earnings base
- Expanding sales of ZEH and LCCM houses
- Further promoting digital marketing
- Strengthening human resource recruitment and training to expand priority businesses
- Accelerating the development of infrastructure and mechanisms to maintain connections with owners

Key business data (FY2023 results)

- Buildings sold and delivered in Japan Custom-built detached houses, rental homes, detached houses for sale **Total: 9,295**
- Ratio of ZEH orders in new custom-built detached houses **79.7%**
- Carbon storage amount*1 **197,247t-CO₂**

*1 The actual amount of wood used in custom-built detached houses, rental homes, detached houses for sale, and construction projects is divided into tree species, and the carbon content is calculated based on the specific weight of each to calculate the amount of CO₂ sequestered.

Trend in Housing Business (sales) gross profit margin (non-consolidated)



* Plan figures are for the initial plan as of February 14, 2024.

ZEH order ratio (%)

	20/3	20/12	21/12	22/12	23/12	24/12 (planned)
ZEH order ratio	51.0	51.5	67.4	77.2	79.7	80.0

* It includes Nearly ZEH and has included ZEH Oriented in narrow areas since FY ended March 2019 and ZEH Oriented in heavy snowfall areas since FY ended March 2020.
* It has included Hokkaido since FY ended December 2020.
* Calculation period: Accounting period (January 2020 - December 2020 for FY ended December 2020 only).

Products and Services

Update of the GRAND LIFE single-story product, aiming for 3,000 houses ordered for each year

In recent years, orders for single-story houses have been growing steadily, thanks to positive reception by busy consumers in child-rearing generations and families of smooth housework flow lines with no vertical movement, among other benefits. Since 2018, these products have demonstrated strong order trends for five consecutive years. It should be noted that 36% of customers entering contracts to build single-story houses between January 2023 and May 2024 were between the ages of 30 and 40.

In October 2023, we updated our GRAND LIFE custom-built single-story house product, with the aim of creating a single-story house that can meet a wide range of needs of multiple generations. In addition to improvements to traditionally popular features such as integrated house and garden design and efficient housework flow lines, our update offers new features such as effective use of attic space for families, aiming to receive orders for 3,000 houses per year.

Single-story house order rate (%)

Year	2018	2019	2020	2021	2022	2023
Order rate	27	28	31	35	39	43



Exterior design harnessing deep eaves and horizontal lines

Global Construction and Real Estate Business

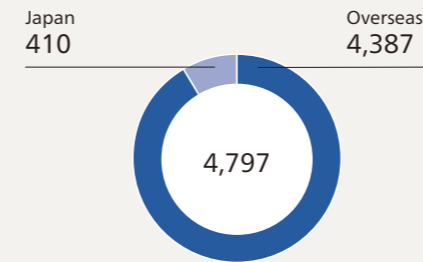


Atsushi Kawamura
 Director, Senior Managing Executive Officer
 Divisional Manager of Global Construction and Real Estate Division

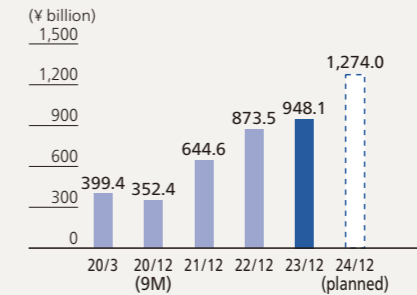
Close to achieving the three-year investment plan for overseas real estate and residential land development In fiscal 2024, we will promote investments that contribute to decarbonization ahead of the next Medium-term Management Plan

In 2024, we changed the segment name of this business from Global Housing, Construction and Real Estate to Global Construction and Real Estate. In fiscal 2023, net sales were ¥948.1 billion, up 8.5% year-on-year, and recurring income was ¥112.5 billion, down 30.4% year-on-year, due to a decline in profit margins owing to the impact of rising interest rates and a decrease in properties sold in the U.S. real estate development business. Of the approximately ¥300 billion in investments and loans planned for in the three-year Medium-term Management Plan, we plan to invest ¥30 billion in decarbonization-related wooden non-residential business and ¥130 billion in real estate and residential land development. In the area of overseas real estate and residential land development, we invested ¥86 billion in 2023, bringing the cumulative total from FY2022 to ¥128.9 billion, or a progress rate of 99%. In FY2024, we will promote investments that contribute to decarbonization, which will form the basis of the next Medium-term Management Plan, such as investments in the wooden non-residential business in Europe.

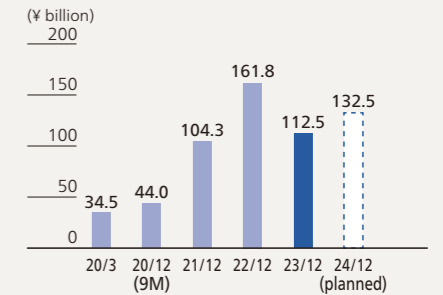
Number of employees
 (As of December 31, 2023)



Net sales



Recurring income



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Business Environment and Strengths

Business Environment

- Increased demand for housing due to economic and population growth
- Rising construction costs due to higher material and labor costs
- Decrease in affordability and fluctuating housing demand due to rising home prices and interest rates
- Differences in ESG-related perspectives among countries and regions

Strengths

- Portfolio built through diverse housing and real estate development-related businesses
- Global network from the Timber and Building Materials Business and Environment and Resources Business
- Experienced business partners who operate business rooted in communities

Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

In the Global Construction and Real Estate Business, with the growth potential of the resilient U.S. single family housing market as a tailwind, our measures tailored to the needs of each area in which we operate proved successful, resulting in a segment recurring profit for the fiscal year ended December 2023 that significantly exceeded the initial plan. In the U.S. single family housing business, the number of orders has been on an upward trend since December 2023, and we expect orders in FY2024 to exceed the previous year.

In the U.S. real estate development business, the JPI Group became a subsidiary in November 2023, and, with this addition, the number of multi-family housing starts for the Group has increased significantly, and our business area has expanded. We will continue to pay close attention to current interest rates and market conditions, while carefully selecting excellent projects from a medium- to long-term perspective and proceeding with commercialization. In addition to the existing single family housing business, we

will aim for further growth in Australia through residential land development and medium- to large-scale wooden

constructions. In Asia, we will focus on promoting existing projects and creating new business opportunities.

United States Single-family homes business

Special Feature 1: Evolving Our Global Expansion P.26

Through the five builders that belong to the Group, we engage in the housing business in 16 states, from the West Coast to the East Coast. Since entering the U.S. market in 2003, we have been accumulating know-how while constantly sharing our management philosophy and other values with the management and employees of local Group companies and valuing the unique lifestyles, climate, and construction methods of each region. In FY2023, the number of units delivered by the Group grew to be the eighth largest in the United States. We have built a unique position that balances our experience and achievements as a local builder who operates businesses rooted in the local

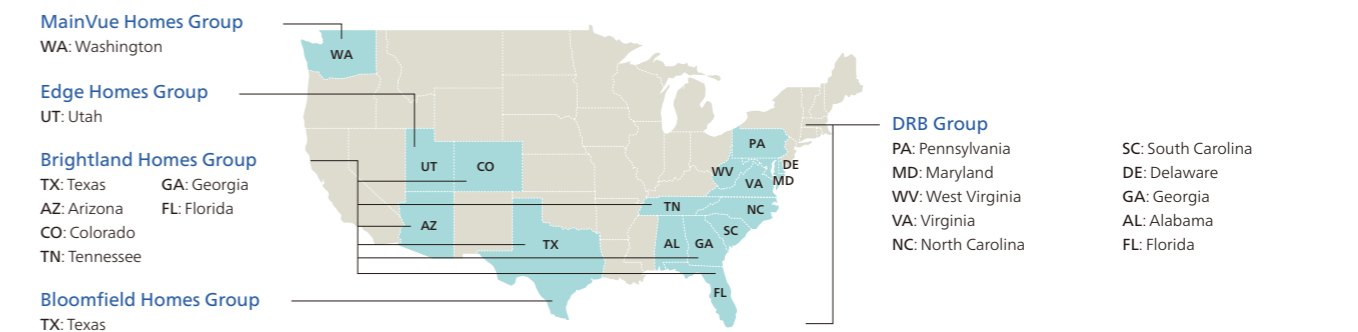
community with the advantages of a national builder such as financial strength, material procurement capabilities, and unified governance. We will strive to improve construction quality, environmental performance, and design, and further expand and develop our business by providing a living environment and sophisticated communities that meet the needs of the market.

Trend in sales of U.S. single-family homes (Units)

Year	21/12	22/12	23/12	24/12 (planned)
Units	11,230	10,244	10,221	11,785

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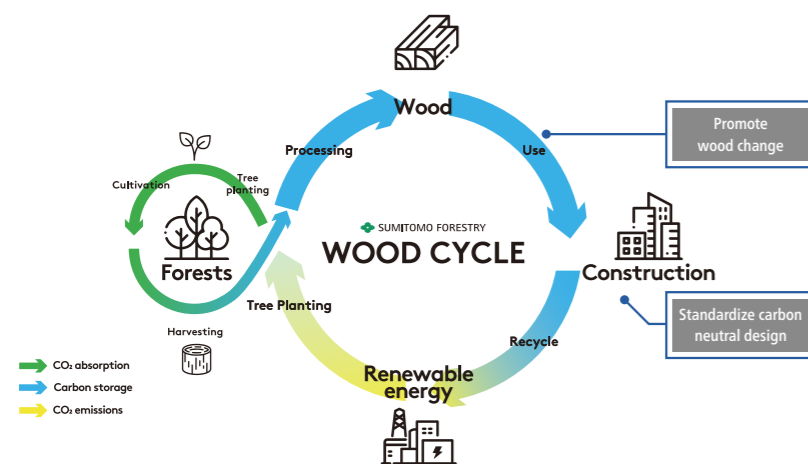
Single-family homes business areas in the United States



Construction works of single family home operating companies



Positioning of segments in the Wood Cycle



Initiatives for Growth

- U.S. Single-Family Homes Business**
 - Development of business infrastructure to achieve 23,000 units delivered by 2030
 - Gradual expansion of the FITP business in the Group's business areas
- U.S. Real Estate Development Business**
 - Business expansion and establishment of a stable earnings portfolio
 - Structuring of projects for multi-family housing, single-family rental homes, logistics facilities, etc.
 - In office projects, formation of mass timber projects that contribute to decarbonization
- Australia**
 - Aiming to achieve single-family home sales of 5,500 units by 2030
 - Stable monetization of landscaping, residential land development, medium- to large-scale wooden constructions, etc.
- Asia**
 - Promotion of initiatives for environmentally friendly housing, such as the acquisition of EDGE certification, etc.

Global Construction and Real Estate Business

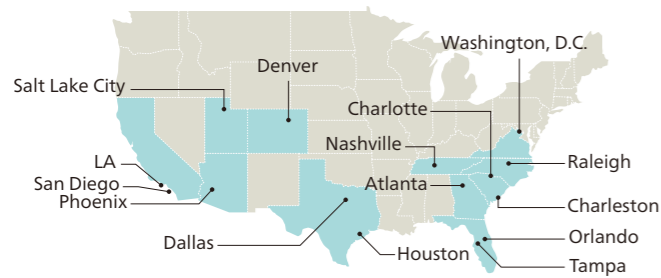
United States Real estate development business Special Feature 1: Evolving Our Global Expansion P.26

Crescent Communities Group, a wholly owned subsidiary of Sumitomo Forestry, is developing multi-family housing, commercial and mixed use complexes, logistics facilities, etc., mainly in the Sun Belt area*1, which enjoys high rates of employment and population growth. In 2022, we formed an ESG friendly real estate opportunities fund with SFC Asset Management, marking our full-fledged entry into the asset management business. In November 2023, we

welcomed JPI Group, a multi-family housing development company based in Texas and California, to the Group, further expanding our business area. SFA MF Holdings is also developing real estate in collaboration with leading local developers such as Trammell Crow Residential and Fairfield.

*1 Sun Belt area: A warm area south of the 37th parallel, spanning from California to North Carolina in the southern United States.

U.S. real estate development business area



A building constructed by Crescent Communities Group

Trend in Development Projects (Construction Starts [As of Fiscal Year End])

	21/12		22/12		23/12	
	Number of projects	Total number of units	Number of projects	Total number of units	Number of projects	Total number of units
Multi family housing	27	8,631	33	10,533	62	20,629
Single-family rental homes	4	398	5	440	5	447
Commercial and mixed use complexes	11	—	16	—	19	—

United States Single-family rental homes business

In 2021, Crescent Communities Group took the lead in our full-scale entry into the U.S. single-family rental homes business. DRB and Brightland Homes procure land and undertake contracted construction, and we have established a business structure that consolidates the Group's know-how in the single-family homes business and real estate development business. In January 2023, through

Brightland Homes, we acquired Southern Impression Homes Group, a developer and rental manager of single-family rental homes in Florida, entering the rental management business in Florida. In the future, we will diversify our business by expanding construction, sales, and management of single-family rental homes in other states.

Australia Housing and real estate development business

In the Australian housing and real estate development business, three Group companies operate in five major cities: Melbourne, Brisbane, Sydney, Adelaide and Perth. Australia is expected to see stable population growth due to its immigration policy. In addition, the country's economy has remained resilient even as interest rates have been hiked to combat inflation, and issues such as rising material

prices and a shortage of craftspeople are being resolved. On the other hand, housing prices are soaring against the backdrop of strong housing demand, and there is an urgent need to supply affordable housing. In March 2024, we participated in a build to rent (BTR) development project, one of the affordable housing promotion projects supported by the Queensland Government. We will work to

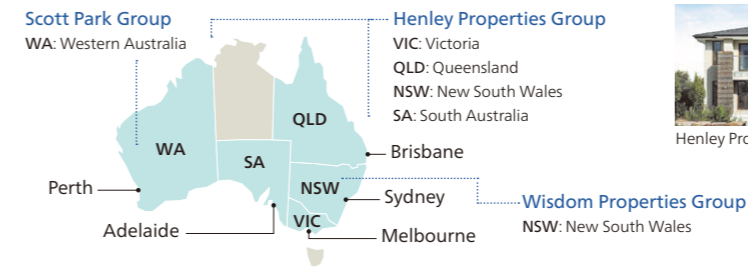
resolve the social issue of the shortage of affordable housing, and at the same time, we will promote ESG-friendly development.

Trend in Single Family Home Sales in Australia (Units)

21/12	22/12	23/12	24/12 (planned)
3,169	2,787	3,402	3,385

* The planned figure represents the initial plan as of February 14, 2024.

Single-family homes business areas in Australia



Construction works of single family home operating companies



Asia Housing and real estate development business

In Asia, we are currently working on condominium development projects and the single family home business in Vietnam, Indonesia, and Thailand in collaboration with local companies. In Asia, economic development and strong demand for housing are expected against the backdrop of population growth, and environmentally friendly housing is also attracting attention due to growing environmental awareness. We will continue to expand the housing and

real estate development business by leveraging our network, focusing on areas where synergies can be expected, and contribute to the realization of a decarbonized society by acquiring environmental certifications such as EDGE certification*2 and supplying homes with low environmental impact.

*2 EDGE (Excellence in Design for Greater Efficiencies): A green building certification introduced in 2014 by the International Finance Corporation (IFC), part of the World Bank Group, and currently used in over 170 countries.



United Kingdom Established joint venture company to enter the real estate development business

In 2022, we started the development of a six-story wooden office building in London in collaboration with Bywater Properties in the U.K., and launched a real estate development business in Europe. In February 2023, we co-founded a property development company with Bywater Properties to make a full-fledged entry into the

U.K. real estate market. In Europe, we will promote environmentally friendly development of wooden and wood-based real estate by utilizing our network, which boasts the highest level of European timber handled by a Japanese company, and by cooperating with European forestry companies.

Contributions to Decarbonized Society

Expanding medium- to large-scale wooden constructions business in Japan and abroad

Demand for medium- to large-scale wooden constructions (mass timber constructions*3) is increasing in Japan and abroad because wooden buildings can store the carbon absorbed by wood for a long period of time and contribute to decarbonization. With the aim of realizing a net-zero carbon building*4, we are promoting a joint development project for a large-scale wooden office building. In October 2023, we completed a 15-story wooden office building in Melbourne, Australia. By 2030, we aim to supply 40,000 housing units overseas annually, including single-family homes, and globally expand our medium- to large-scale wooden constructions business toward the realization of a decarbonized society.

*3 Architecture using mass timber products, such as CLT and LVL, which are engineered woods of relatively large mass and volume and formed by combining multiple layers of timber.

*4 A building that reduces CO₂ (operational carbon) emissions during use to effectively zero.

Environment and Resources Business



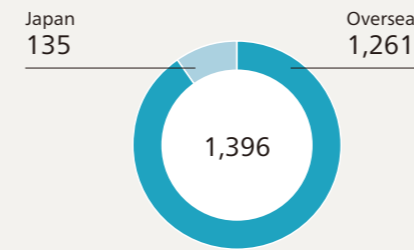
Kazutaka Horita
Managing Executive Officer
Divisional Manager of Environment and Resources Division

Harnessing forest resources for maximum effect and contributing to the decarbonization of society as a whole

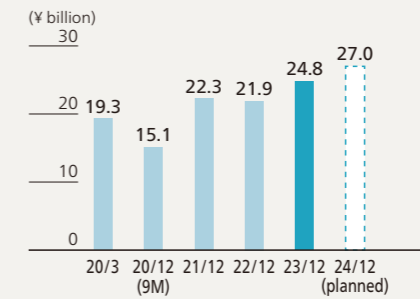
The Environment and Resources Business is engaged in businesses that maximize the use of forest resources. In the forestry business in Japan and overseas, Sumitomo Forestry owns and manages approximately 286,000 hectares of forests, including forests with third-party forestry certification such as FSC®, and manages these forests based on the sustainable forestry approach, contributing to preserving biodiversity and developing local communities. The Group also operates a renewable energy business in Japan that uses mainly wood resources effectively. Furthermore, we will use forestry funds formed through U.S.-based Eastwood Forests, LLC, our forest asset management company, to increase the area of forests owned and managed, thereby contributing to carbon offsetting for society as a whole. (FSC® license code: FSC-C113957)

In fiscal 2023, in the renewable energy business, the joint venture Morinomiyako Biomass Energy (which began commercial operation in November 2023) and five other wood biomass power generation facilities across Japan enjoyed stable utilization, but performance was sluggish due to rising fuel procurement costs. In the forest resources business, performance was stagnant due to sluggish sales prices of logs for China in New Zealand and higher logging and transportation costs due to rising prices. As a result, net sales in the Environment and Resources Business amounted to 24,842 million yen, up 13.6% year on year, and recurring income was 564 million yen, down 59.4% year on year.

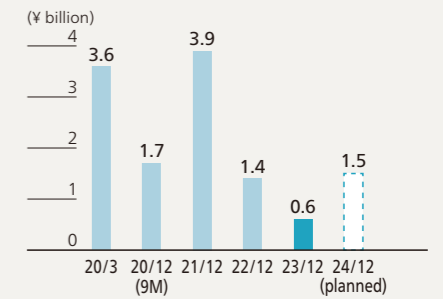
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Business Environment and Strengths

Business Environment

- Increased momentum for reducing greenhouse gas emissions to combat climate change
- Establishment of environmentally friendly consumption behavior toward the realization of a sustainable society

Strengths

- Accumulation of various technologies and knowledge related to forest management
- The world's first successful sustainable tropical peatland management technology
- Expertise in renewable energy power generation and fuel procurement capabilities through the Group's network

Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

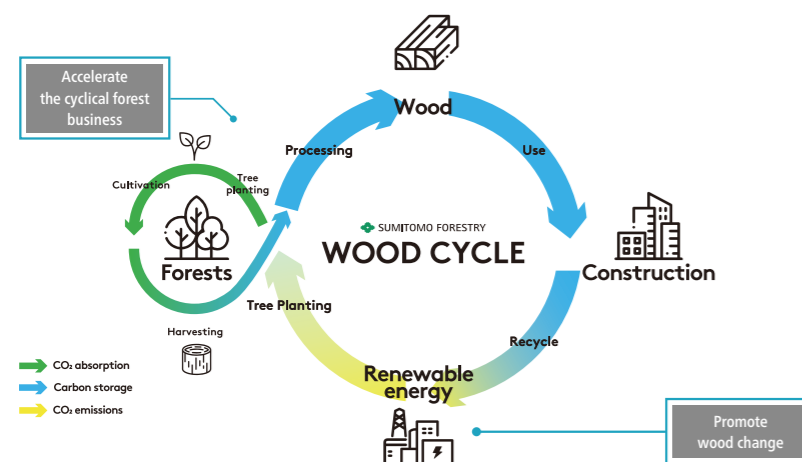
In March 2023, we started a collaboration with NTT Communications Corporation to provide a platform service to vitalize the creation and distribution of forest-derived carbon credits under the J-Credit Scheme.

In June of the same year, we established the Eastwood Climate Smart Forestry Fund I, with a total investment of approximately 60 billion yen from 10 Japanese companies. Currently, we are working to acquire target forest assets through this fund, mainly in North and Central America.

Our aim is to maximize forest value and bring about a decarbonized society through the provision of platform services and the formation and operation of forestry funds.

In the renewable energy business, we will continue to strive for stable operation of each power plant through reliable fuel procurement and other measures. In the forest resources business, we will work to expand our pool of target customers, among other measures.

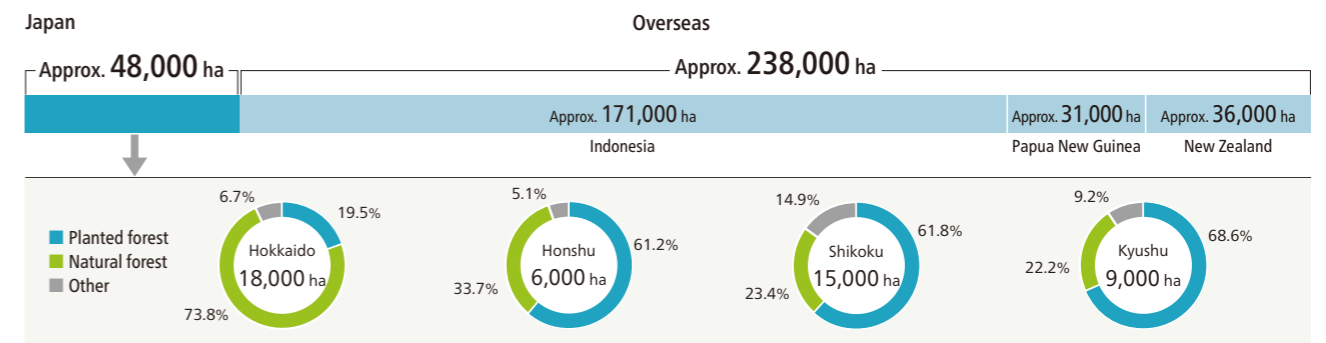
Positioning of segments in the Wood Cycle



Initiatives for growth

- Increase the value of forests by expanding the area of forest management and strengthening cooperation with other Group businesses
- Improve productivity and safety of operations by advanced forest management technology and strengthening human resource development
- Establish stable operation of power sources against the background of the feed-in tariff (FIT) system and develop new biomass fuels in anticipation of the end of FIT period
- Expand business by creating new forest value centered on a carbon sink business

Area of forest owned and managed (as of end of December 2023)



Sumitomo Forestry's wood biomass power plants (as of end of December 2023)

	Kawasaki	Mombetsu	Tomakomai	Hachinohe	Kanda	Morinomiyako
Service areas	Kawasaki City, Kanagawa Prefecture	Mombetsu City, Hokkaido	Tomakomai City, Hokkaido	Hachinohe City, Aomori Prefecture	Miyako District, Fukuoka Prefecture	Sendai City, Miyagi Prefecture
Start of operations	February 2011	December 2016	April 2017	April 2018	June 2021	November 2023
Sumitomo Forestry's investment ratio	34%	51%	20%	52%	41.5%	15.0%
Power generation capacity	33 MW	50 MW	6.2 MW	12.4 MW	75 MW	75 MW
Fuel	Construction waste and others	Unused forest resources and others	Unused forest resources and others	Unused forest resources and others	Imported wood pallets and others	Imported wood pallets and others

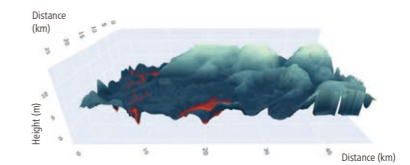
Contributions to Decarbonized Society

AI-based prediction of groundwater levels in tropical peatlands

NeXT FOREST Corporation*1, a joint venture between Sumitomo Forestry and IHI Corporation, has collaborated with AI startup Recursive Inc. to build an initial AI model (AI hydraulic model) that can predict groundwater levels, which is essential for managing tropical peatlands*2. Implementing this new technology has unlocked the AI-based prediction of groundwater levels, which until now could only be done by experienced engineers at Sumitomo Forestry. Going forward, NeXT FOREST will use this AI model to help limit CO2 emissions and mitigate forest fires in tropical peatlands around the world, including in Indonesia.

*1 Established in February 2023 to provide consulting services for the proper management of tropical peatlands.

*2 Peatlands are locations with high deposits of peat, created by plant remains that have not decomposed in water. Groundwater level management is extremely important in peatlands because when the groundwater level drops and the land dries out, the carbon-rich peat not only decomposes and is lost, but also becomes highly flammable.



3D topographic map showing AI-based groundwater level predictions

Lifestyle Services Business



Koji Tanaka
Managing Executive Officer
Divisional Manager of Lifestyle Service Division

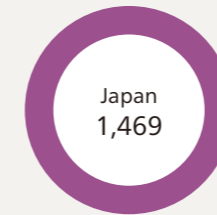
Doing business to solve social issues and catering to diverse lifestyles and values, such as elderly care and accommodation businesses

In the Lifestyle Services Business, we provide a wide range of services to support people's daily lives, centering on the elderly care business, such as private nursing homes and in-home care. We are also working to revitalize local economies by participating in the development of commercial and mixed use complexes in collaboration between industry, government, and academia. With this, we are solving social issues and providing secure and affluent lifestyles at all stages of life. In the accommodation business at VISON, a commercial and mixed use complex in the town of Taki, Mie Prefecture, which was launched as a business linked to local joint development and regional revitalization, Sumitomo Forestry will continue to work with commercial facilities to expand earning power and achieve stable operations. As a result, net sales for fiscal 2023 in the Lifestyle Services Business amounted to 26,038 million yen, up 6.0% year on year, and recurring income was 2,193 million yen, up 13.2% year on year.

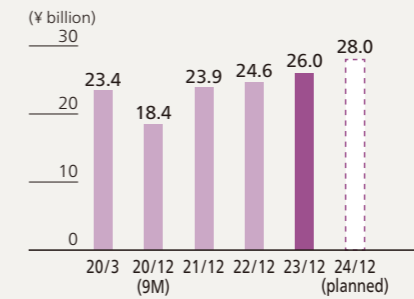


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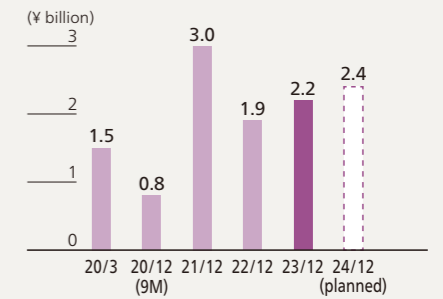
Number of employees
(As of December 31, 2023)



Net sales



Recurring income



* The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. The FY ended December 2020 is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.
 * The other segment includes the elderly care business as well as various service businesses such as housing-related insurance agency. Recurring income includes investment loss (profit) on equity method related to Kumagai Gumi Co., Ltd.
 * The planned figure represents the initial plan as of February 14, 2024.
 * For more information about performance for the FY ending December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>

Business Environment and Strengths

Business Environment

- Diversified housing and living needs in line with social changes such as aging
- Soaring energy prices and escalating labor costs due to labor shortages

Strengths

- The Sumitomo Forestry Group's high brand power and external assessment, and a nationwide name recognition and solid customer base
- Resources and expertise to develop services centered on the elderly care and accommodation businesses that contribute to solving social issues such as aging and regional revitalization
- Possession of fields which make use of the effects of trees and greenery, as well as various technologies and research results, with a focus on the elderly care and accommodation businesses

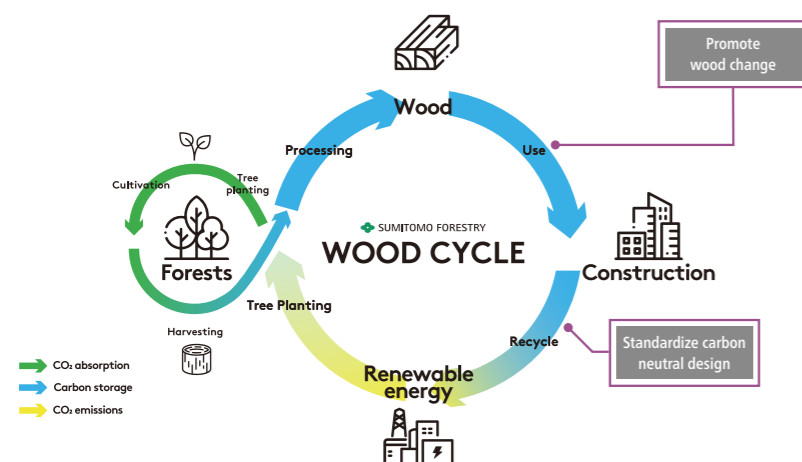
Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

In order to deliver the Sumitomo Forestry Group's high-quality services to as many customers as possible, we have set the goal of expanding the number of rooms offered under Material Issue 5: "To improve the livelihood of the local communities where we operate." In 2020, we opened Elegano Nishinomiya, one of the largest comprehensive service-oriented residences for the elderly in Japan, with a total of 309 units. In fiscal 2022, the total number of rooms provided by Sumirin Fill Care and Sumirin Care Life was

1,764, and with the opening of a new facility in the Denenchofu area of Tokyo by Sumirin Fill Care, the number of rooms provided in fiscal 2023 was 1,842. Going forward, we will maintain and improve the living environment and health of facility users by providing spaces filled with the warmth of wood, and by introducing advanced systems utilizing ICT and the guidance of specialists based on these systems.

Positioning of segments in the Wood Cycle



Initiatives for growth

- Enhance services and promote DX, particularly in the elderly care and accommodation businesses
- Strengthen human resource recruitment and training, including by hiring foreign employees, to expand businesses
- Promote initiatives to reduce environmental impact (electricity, water, energy, etc.) in the elderly care business, accommodation business, golf course management business, etc.
- Promote RE100 initiatives through the use of Sumirin Denki

ICT-powered monitoring services

In the Lifestyle Services Business, our plan is to increase the number of facilities with sensor equipment installed in the elderly care business to 19 by fiscal 2024. The introduction of sensor equipment has enabled us to visualize residents' sleep and activities, leading to prompt responses to changes in physical condition and the maintenance and improvement of health. In addition, by switching nighttime patrols to monitoring systems, we allow our staff to concentrate on caring for those with greater needs and reduce the burden our staff face. The use of ICT systems therefore creates a win-win for both staff and residents. As of the end of December 2023, Sumirin Fill Care has completed installation at all 17 of its nursing homes, and as

of May 2024, Sumirin Care Life has completed installation at all four of its nursing homes. Going forward, we will continue to strive to provide ICT-powered health support.



Installing sensor devices enables remote monitoring

Services

A New Private Nursing Home Bringing Together the Group's Technologies

Grand Forest Denenchofu opened in October 2023, becoming the 17th private nursing home operated by Sumirin Fill Care, member of the Sumitomo Forestry Group. The building showcases the best of the Group's technologies, both in interior and exterior design, to provide comfortable spaces that also take biodiversity and the environment into consideration*1.

In addition, construction of Grand Forest Noborito, another private nursing home, began in May 2024. In addition to ICT monitoring systems, this facility utilizes Sumirin Fill Care's operational expertise and experience in providing safe and comfortable elderly care space and flow lines, as well as high-quality elderly care services and recreation. It is scheduled to open in the fall of 2025.

*1 This building has acquired the ABINC Certification from the Association for Business Innovation in harmony with Nature and Community (ABINC), which certifies the results of biodiversity conservation efforts to encourage companies to promote harmony between nature and people.



Grand Forest Denenchofu exterior



Grand Forest Noborito exterior (rendering)

Sumirin Fill Care (As of end of December 2023)

Number of private nursing homes operated: 17
Number of senior daycare services business facilities operated: 3

Sumirin Care Life (As of end of December 2023)

Number of private nursing homes operated: 3
Number of private nursing homes (assisted living) operated: 1

Research and Development

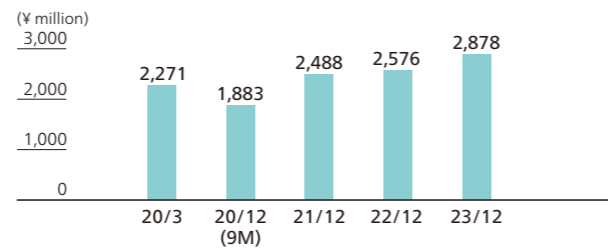
Policy on Research and Development

Trees have great potential for both the sustainability of the global environment and the development of our society and economy. One of the business policies in our Long-term Vision Mission TREEING 2030 is “Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy.” In the field of research and development, we are also working to create a more vibrant environment for people, from the global environment to the living environment, based on our basic policy of increasing the value of trees.

Research and Development Expenses

In fiscal 2023, research and development expenses for the entire Group were 2,878 million yen. We are promoting research and technological development comprehensively covering trees from upstream to downstream areas, from resources and materials to housing and construction.

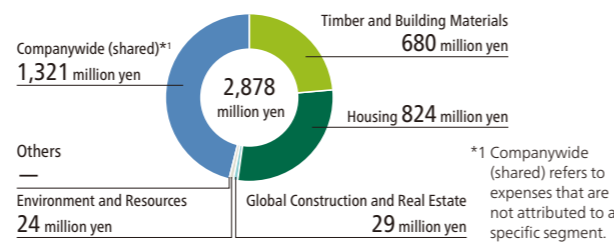
Research and Development Expenses



* Includes research and development expenses for Tsukuba Research Institute which are not allocated to any segment.

* The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. This FY is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.

Research and Development Expenses by Segment in FY2023



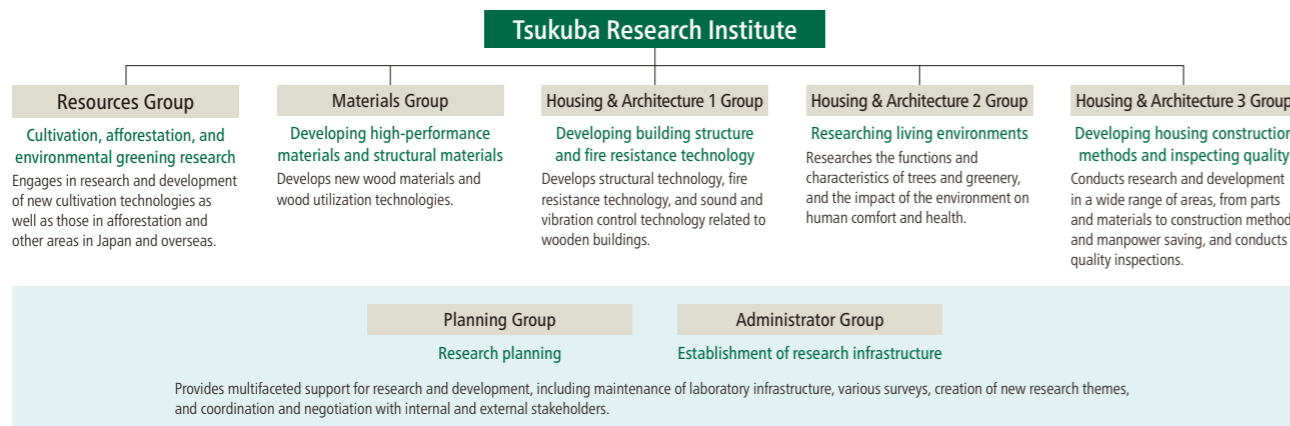
*1 Companywide (shared) refers to expenses that are not attributed to a specific segment.

Research and Development

The Tsukuba Research Institute, the core driver of the Group's research and technological development, was established in 1991. Since then, it has supported the Sumitomo Forestry Group with its advanced research and technological development capabilities related to trees.

The Tsukuba Research Institute consists of a total of 7 groups, split between two main activities: research and development linked to business divisions, which is based in our business strategies, and corporate research and development, which seeks to create new business opportunities and value. In January 2023, the existing Architecture Group, Wood Innovation Group, and Housing Technology and Product Development Center were

reorganized into the Housing & Architecture 1, 2, and 3 Groups to provide flexibility in the domestic and international housing, building, and real estate businesses. Each group engages in research and technological development comprehensively covering trees from upstream to downstream areas, from forest resources and wood materials to housing and construction, and conducting new value-creating research to enhance the value of “trees” and “greenery.” In addition, we are not only focusing on in-house research and technology development, but also promoting research and development in collaboration with external parties, such as in close collaboration with universities and public research and development institutions.



Technologies for increasing the resilience of large-scale wooden constructions

Case 1

Shake table experiment and post-tension earthquake resistance technology in the United States

Post-tension earthquake resistance technology increases the degree of fixation between members by applying a tensile force to high-strength steel rods and wire ropes passed through load-bearing members. If seismic energy is absorbed by the hardware of the column base and damages are incurred due to the application of more force than expected, the original seismic performance can be restored by replacing the hardware. We participated in a full-scale shake table experiment of a 10-story wooden building in California and between July and August 2023, we renovated the test specimen to our original post-tension specifications and verified it according to Japan's earthquake resistance standards. As a result, it was proven to have high earthquake resistance, withstanding multiple shakings on the scale of the Great Hanshin-Awaji Earthquake. In the future, we will promote the introduction of this design in medium- to large-scale wooden constructions in Japan and overseas. This technology received the Excellence Award in the corporate and industrial category at the Japan Resilience Award 2023*2.

*2 Organized by the Association for Resilience Japan, a general incorporated association established with the aim of building a resilient nation through an all-Japan effort involving industry, academia, government, and the private sector.



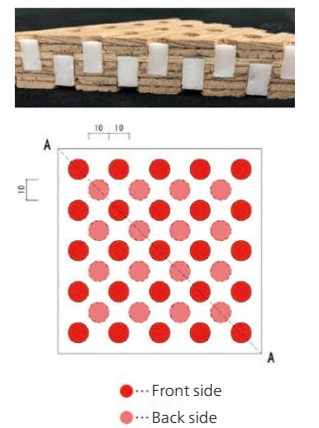
Specimen used for the experiment

Case 2

Joint development of fire-resistant plywood embedded with a tablet-shaped chemical agent

In September 2023, we launched Taika-Guynar, a plywood jointly developed with Shin-Etsu Chemical Co., Ltd., which is filled with a tablet-shaped chemical agent to make it fire-resistant. Sumitomo Forestry was in charge of the shape of the plywood and Shin-Etsu Chemical was in charge of developing a tablet-shaped chemical agent consisting of a siloxane*3 and a flame retardant. When this product is used as a cladding material for columns and beams, it can be delivered to the job site after being coated at a laminated wood factory, eliminating the need for on-site work after construction, so the construction period can be shortened. In addition, there is no need for a drying process after filling the chemical agent, which is indispensable for the treatment of flame retardant chemicals by pressurizing the injection of chemicals, etc., reducing the environmental impact during manufacturing and leading to shorter delivery times and cost reduction. By replacing inorganic fire-resistant claddings such as gypsum board with Taika-Guynar, we aim to reduce the environmental impact by expanding the amount of wood used in medium- to large-scale buildings.

*3 A compound with a siloxane bond of silicon-oxygen-silicon that is used in various industrial fields such as electrical and electronics, automobiles, construction, cosmetics, healthcare, and chemicals.



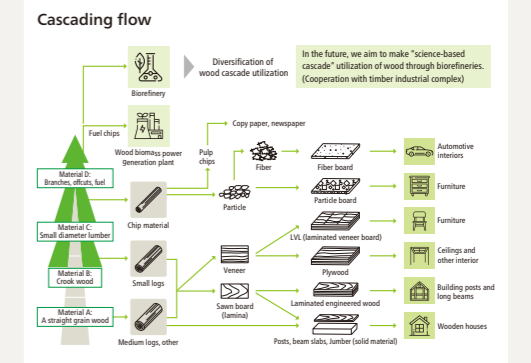
Taika-Guynar: Tablet-shaped chemical agent filled from both the front and back sides of domestically made plywood

Alliance to promote the biorefinery business and start of research and development of wood biomass chemicals

In November 2023, Sumitomo Forestry signed a business and capital alliance agreement with Green Earth Institute Co., Ltd. (GEI) to promote a biorefinery*4 business using wood biomass as a raw material. Sumitomo Forestry will provide the results of research on wood accumulated at the Tsukuba Research Institute, and GEI will provide the biorefinery technology that the company researches and develops. If commercial production of wood biomass chemicals can be established, the utilization of domestic forest resources will progress, which will lead to a reduction in greenhouse gases, including CO2. First, we will start research and development of wood biomass chemicals, and in the future, we aim to realize commercial production of chemicals with wood biomass as a raw material using highly productive bacteria and production processes*5 developed by GEI at our timber industrial complex.

*4 A technology that produces chemicals and fuels from biomass such as plants and crops. It is expected to provide an alternative to petrochemicals.

*5 A technology that uses the power of microorganisms to produce chemicals using biomass as a raw material.



Conceptual image of the chemical cascade utilization of wood by biorefinery