

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 2023)

Natural Capital

- Energy inputs: 10,302 TJ
- Volume of timber and wood products: 8,050,000 m³
- Water usage: 2,916,000 m³

Manufactured Capital

- Wood biomass power generation plants: 6 (Japan)
- Sawmills (Timber and Building Materials): 4 (Japan) and 9 (overseas)
- Number of plants in operation in the FITP business*1: 5 (overseas)

*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: 24,815 (including 11,315 overseas)
- Training costs per employee: 117,000 yen (non-consolidated) and 42,000 yen (subsidiaries in Japan)
- First-class architects: 1,052 (non-consolidated) and 406 (subsidiaries in Japan)
- Second-class architects: 1,376 (non-consolidated) and 1,484 (subsidiaries in Japan)

Intellectual Capital

- R&D spending: 2,878 million yen

Social Capital

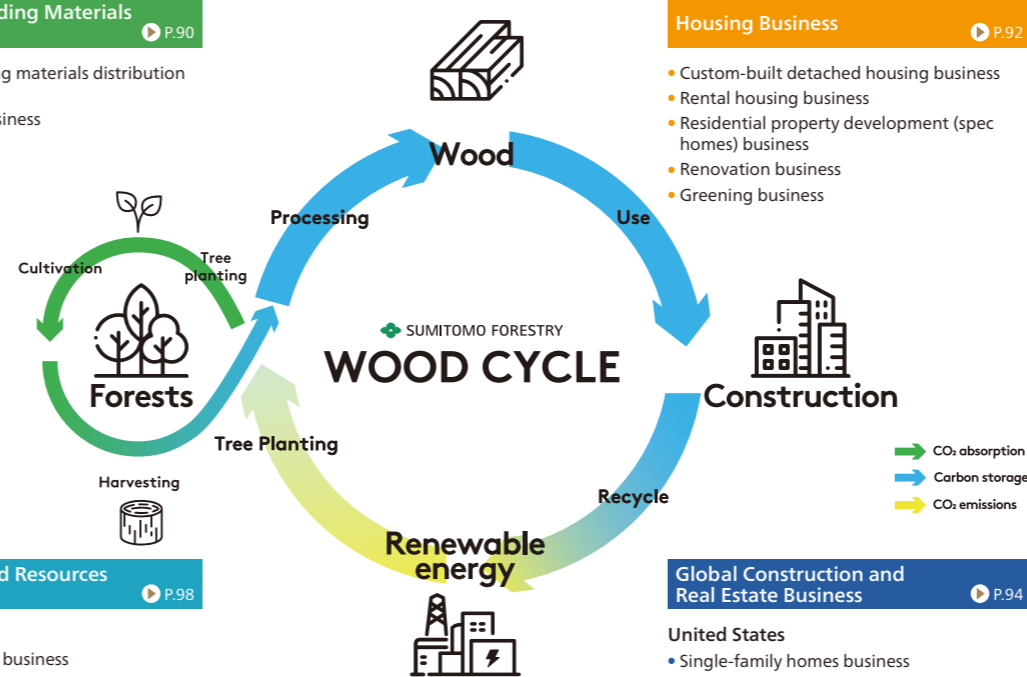
- Accumulated number of homes delivered: approx. 350,000 units (Japan) and approx. 110,000 units (overseas)

Financial Capital

- Shareholders' equity: 613.4 billion yen
- Interest-bearing debt: 423.9 billion yen
- Loans and investments: 116.1 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.



Timber and Building Materials Business

- Timber and building materials distribution business
- Manufacturing business

Housing Business

- Custom-built detached housing business
- Rental housing business
- Residential property development (spec homes) business
- Renovation business
- Greening business

Environment and Resources Business

- Forestry business
- Renewable energy business

Global Construction and Real Estate Business

- United States**
- Single-family homes business
 - Real estate development business
 - Medium- to large-scale wooden construction business
 - FITP business
- Australia**
- Single-family homes business
 - Medium- to large-scale wooden construction business
 - Greening business

Business activities

Medium-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

Environment and Resources Business		Timber and Building Materials Business		Housing Business				Global Construction and Real Estate Business			
Owned/managed forest area		Volume of timber and wood products		Annually supplied houses							
(As of December 31, 2023)		(Fiscal 2023)		(Fiscal 2023)							
Japan	Overseas	Distribution	Manufacturing	Japan	United States	Australia	Others*2				
approx. 48,000 ha	approx. 238,000 ha	5,152,000 m ³	1,658,000 m ³	9,295	10,221	3,402	1,501				

*2 Total for multi-family housing/single family homes business, etc. in real estate development in the U.S., Australia, Europe, and Asia, including those via JVs.

Outputs

Breakdown by Segment*3 (Fiscal 2023)

Segment	Percentage
Timber and Building Materials	1%
Housing	2%
Global Construction and Real Estate	13%
Environment and Resources	54%
Others	30%

Net sales: 1,733.2 billion yen

Recurring income: 159.4 billion yen

Segment	Percentage
Timber and Building Materials	0%
Housing	1%
Global Construction and Real Estate	71%
Environment and Resources	21%
Others	7%

*3 The composition by segment excludes inter-segment eliminations (net sales of -35.9 billion yen, recurring income of 0.2 billion yen).

Outcomes

(Fiscal 2023)

Value for our planet

- Carbon stock of forests: 65,744 thousand tons*4
- HWP*5 existing carbon stock: 25,300 thousand tons
- 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: 97.0% (Housing segment)
- Percentage of sustainable timber and wood products handled in the distribution business: 100% (Timber and Building Materials segment)
- Percentage of sustainable wood used as the principal structural member of detached houses: 100% (Housing segment)
- ZEH order ratio: 79.7% (Housing segment)

Value for people and society

- Employee satisfaction level: 76.3% (non-consolidated basis) 59.3% (subsidiaries in Japan)
- Ratio of female employees: 23.8% (non-consolidated basis) 36.1% (subsidiaries in Japan)
- Childcare leave acquisition rate*6 (male): 70.0% (non-consolidated basis) 28.0% (subsidiaries in Japan)
- Childcare leave acquisition rate*6 (female): 81.4% (non-consolidated basis) 96.8% (subsidiaries in Japan)
- Ratio of Certified as Long-life Quality Housing*7: 95.9%
- Questionnaire at the time of moving in (Non-consolidated NPS value*8): 53.5 pt

Value for the market economy

- Annual dividend per share: 125 yen
- Total shareholder return (TSR; annualized): 85.5% for trailing one year and 14.6% for trailing 10 years

*4 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)

*5 Harvested Wood Products (HWP)

*6 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

*7 Limited to private house and applicable floor area or more

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