

# GREEN FOREST

Sumitomo Forestry Group News Letter



## 20 Years Since Entering the Market

### An In-depth Breakdown of the U.S. Housing & Real Estate Business!

Ever since we first started offering spec homes in Seattle, Washington in 2003, the Sumitomo Forestry Group has been steadily building its track record through the acquisition of shares in leading local builders and other means. With this year marking the 20th anniversary of our entry into the U.S. market, this issue introduces our housing and real estate business in the U.S., where we are developing not only in the single-family homes business, but also in a wider range of other domains.



#### Interview with Management

### Riding the Dynamic Wave for Further Expansion

Sumitomo Forestry Group established a joint venture with a local builder in Seattle in 2002 after seeing an opportunity in the U.S. market, which is the world's largest wooden house market where strong housing demand is predicted over the long term. This decision was motivated by the fact that the housing market in the U.S. had a promising outlook given its growing population and steady economic growth, while it was shrinking in Japan due to the country's declining birthrate and aging population.

The early years were not a smooth start. The annual sales volume reached 99 units in 2007, then the business struggled partly due to the impact of the Global Financial Crisis. The U.S. economy began to recover around 2013 and we acquired shares in Bloomfield Homes, with a sales volume exceeding 500 units. Since then, we have been expanding our business through M&A and other means, and with the five builders, we have achieved a sales volume of 11,230 units in 2021. In 2018, we launched a full-scale real estate development business to further diversify our business.



Seattle subdivision (2005)



Seattle construction site (2002)

### Pursuing Sustainable Growth through Long-lasting Partnerships

The U.S. business environment is characterized by its dynamic changes. Non-metropolitan cities that are under the radar can experience rapid growth 10 years later, making it necessary to accurately predict the areas with potential to grow. It is also vital to invest appropriately and partner with builders who are experts on the regional characteristics of their markets in order to expand in an increasingly competitive and growing market. I believe that we have been able to demonstrate great strength in the U.S. housing business, which has strong regional

characteristics, precisely because we share each other's management philosophies and policies and have built amicable relationships with local management and employees as partners who work together. We have reached the 20-year milestone, and our U.S. housing & real estate business is standing at the start of a new cycle. We will continue to build stronger trust in our relationships with partners and continue to take on the challenges of expanding into new areas and entering new fields in order to further expand our business.



Atsushi Iwasaki  
Representative Director  
Sumitomo Forestry America, Inc.

#### Timeline

- 2002 Established a joint venture with a local homebuilder in Seattle, Washington, a former distribution hub for timber and building materials.
- 2003 Began sales of spec homes in Seattle, Washington.  
**The beginning of the Sumitomo Forestry Group's overseas housing and real estate business!**
- 2007 The U.S. subprime mortgage crisis
- 2008 The Global Financial Crisis
- 2010 Established Henley USA LLC.
- 2013 Acquired shares in Bloomfield Homes Group based in Texas as a foothold to launch housing business in the state.

- 2014 Acquired shares in Gehan Homes Group based in Texas.
- 2015 Reorganized Henley USA LLC and established MainVue Homes Group.
- 2016 Acquired shares in DRB Group. Expanded into the East Coast area. Gehan Homes Group became a wholly-owned subsidiary.
- 2017 Acquired shares in Edge Homes Group. Expanded into Utah. Bloomfield Homes Group became a consolidated subsidiary.
- 2018 Acquired shares in Crescent Communities, LLC to diversify business. Acquired Mark III, a land development company.
- 2020 DRB Group expanded into the Atlanta area.
- 2021 Gehan Homes Group expanded into Colorado.

## Interview with Management

# Many New Initiatives! Present and Future of the U.S. Business

We interviewed Divisional Manager Kawamura about the future of the overseas housing and real estate business, with a focus on the U.S. market.

Sumitomo Forestry Group has made "advancing globalization" one part of its Long-Term Vision for 2030 Business Policy. Our aim for the U.S. market is to supply 23,000 housing units in 2030, doubling the 2021 figure. By expanding into promising, untapped areas, and with the collective efforts of our U.S. homebuilder subsidiaries, the Group's management team, and our representatives in the U.S., we believe that this is a target that is well within our capabilities.

We will also pursue real estate development business in order to diversify our revenue streams. Crescent Communities, LLC ("Crescent"), a company engaged in a number of real estate development projects in the U.S., became a member of the Group in 2018. SFA MF Holdings, LLC ("SFA MF") engages in the development of multi-family housing and office buildings, etc. We have also made a full-scale entry into the asset management business, with the aim of establishing diversified revenue streams.

We are also accelerating our efforts in the medium- to large-scale wooden construction business. We are developing ESG-friendly wooden offices with mass timber structures in the suburbs of Dallas and Atlanta. We will contribute to a decarbonized society through the use of carbon-storing wood, and promote the construction of high-quality wooden buildings widely around the world.

In addition, we are working toward creating a fully integrated turn-key provider (FITP) business, in which all processes ranging from material procurement to construction are handled within the Group. We expect that it will enhance construction efficiency and ensure a stable supply of materials.

The growth of our housing and real estate business in the U.S. is based on the experience and knowledge that our Group companies in Japan have accumulated over the years. Going forward, let's all work together toward the goal of becoming



**Atsushi Kawamura**  
Divisional Manager of Global Housing, Construction and Real Estate Division  
Sumitomo Forestry Co., Ltd.

a company capable of global business development by sharing feedback from the experience gained in the U.S. with our domestic operations, and by facilitating the communication between personnel both domestically and internationally.

Our overseas housing and real estate business, which began in the U.S., has expanded to Australia and Asia. In Melbourne, Australia, a 15-story wooden office building is being developed, and in Asia, various new projects are underway. We will continue to contribute to the Sumitomo Forestry Group through global business development.



## Asset Management Business

In February 2022, Crescent and group company SFC Asset Management Co., Ltd. formed and began managing an ESG-friendly real estate opportunities fund\* with total assets of approximately USD 580 million. We are developing four rental multi-family housing properties (totaling approximately 1,000 units) in prominent metropolitan areas of the Sun Belt, and the management of these properties over

a five-year period. This project incorporates ESG friendly aspects such as obtaining environmental certifications and development based on dialogue with the local community.

\*A form of real estate investment fund investing funds collected from investors in real estate, in which funds are raised from a specific or small number of institutional investors.



## Medium- to Large-scale Wooden Construction Business

We are promoting medium- to large-scale wooden construction with low environmental impact in order to realize a decarbonized society. As part of our efforts, we are developing a seven-story ESG-friendly office near Dallas and a three-story office near Atlanta making use of wood to store carbon for an extended period of time. Mass timber will be used to

ensure a large space and create interiors with the abundant use of wood. In addition to environmental certification, we also take into consideration the health of office workers, such as by acquiring wellness certification. We expect the medium- to large-scale wooden construction business to grow from the medium- to long-term.



## Promotion of FITP Business

We are promoting the FITP business, which provides an integrated service that covers processes from panel design to manufacturing, delivery, and construction. We have established a stable and efficient supply system by completing the entire

process from material procurement to sales of houses within the Sumitomo Forestry Group. We aim to reduce costs, standardize construction safety management, shorten construction times, and reduce waste generated at construction sites.



## Sumitomo Forestry Participates in COP27 to Exchange Opinions with Top World Leaders

Sumitomo Forestry participated in COP27 (held in Egypt from November 6 to 18) and gave a presentation, together with Hokkaido University and IHI Corporation (a comprehensive heavy-industry manufacturer), at METI's Japan Pavilion session. Sumitomo Forestry presented the Group's forests and peatlands management technologies, the achievements of our scientific data collection, and the significance of "NeXT FOREST," a joint project with IHI. We also exchanged opinions with top leaders from around the world.



● A photo of Japan Pavilion

In the presentation, Sumitomo Forestry described the challenges of tropical countries such as Africa, where there is not enough ground data on forests and peatlands, and as a result, the loss of forests and peatlands and its impacts are underestimated. We explained that in order to solve the problem, a new innovation is necessary that combines ground data and remote sensing to analyze and verify data at high-accuracy, low-cost, and in real-time. IHI then introduced NeXT FOREST's vision and efforts and explained its initiative to develop sustainable forest and peatland management more quickly and widely by combining Sumitomo Forestry's knowledge and ground data with the latest technology.

Participants from various countries gathered for the seminar, and there were many questions during the 20-minute Q&A session.

In addition to the seminar at the Japan Pavilion, we had discussions with the Minister of Environment and Tourism of the Republic of Congo Arlette Soudan-Nonault, who visited PT Mayangkara Tanaman Industri in 2018, and Dianna Kopansky, a key figure in peatland management and the Coordinator of UNEP's peatland initiative. The two expressed a desire to visit our peatland management site and exchanged information on the possibility of future cooperation with our Group.



● Niken Andika Putri, Sumitomo Forestry's staff member serving as a moderator in Japan Pavilion seminar (on left)



### About NeXT FOREST

"NeXT FOREST" is a project by Sumitomo Forestry Group and IHI, which is working on providing consulting services to countries, regions, and companies working to curb deforestation and peatland degradation. The project achieves this by bridging the Group's tropical peatland management technologies it developed in Indonesia, the only successful example in the world, with IHI's satellite observation and weather forecasting technologies.

## Seminar Held to Spread One Click LCA in Japan



● President Mitsuyoshi (left) and CEO Panu Pasanen at the One Click LCA briefing



● The seminar on One Click LCA

The mandatory disclosure of greenhouse gas (Scope 3) emissions, including supply chains, is progressing around the world. The construction sector, which accounts for about 37% of the world's CO<sub>2</sub> emissions, needs to be aware of it and reduce CO<sub>2</sub> emissions when constructing buildings. Outside of Japan, regulations in the construction sector have been formulated mainly by governments, and decarbonization is progressing. On the other hand, in Japan, calculation tools that comply with international standards are not widespread, and the awareness and reduction of CO<sub>2</sub> emissions is lagging behind.

To solve this problem, Sumitomo Forestry is working to popularize One Click LCA\*1, a software that visualizes CO<sub>2</sub> emissions during construction. The company held a seminar on One Click LCA on November 7 to publicize the initiative, and a total of 240 people participated, including online participants, from the construction industry and the press. The company explained the features of the software and how EPD\*2 is indispensable for visualizing the CO<sub>2</sub> emissions of products. Panu Pasanen, CEO of One Click LCA, explained the state of CO<sub>2</sub> regulations in the European construction industry

and the efforts of companies, and then suggested the Japanese construction sector to take immediate action on decarbonization.

As part of the Group's decarbonization efforts, NPIL, which manufactures MDF and LVL in New Zealand, has acquired EPD using One Click LCA's "EPD generator." EPD generator is a supportive software for EPD acquisition, that automates the processes of verification and publishing of EPDs. Starting in 2023, Sumitomo Forestry will start marketing EPD generators to domestic manufacturers, encourage them to acquire EPD certification, and promote the visualization of CO<sub>2</sub> emissions during construction.

\*1 Effectively calculates CO<sub>2</sub> emissions and such arising from raw material procurement to processing, transportation, construction, retrofitting, and demolition based on data on materials used in buildings. In November 2021, Sumitomo Forestry signed a One Click LCA sole distributor contract in Japan, and in August 2022, sales of the Japanese version of the software began.

\*2 An environmental label with quantitative environmental data evaluated and certified by a third-party organization to serve as an indicator for consumers and users when choosing environmentally friendly products.