

Integrated Report **2023**

 **SUMITOMO FORESTRY CO.,LTD.**

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Editorial policy

The Sumitomo Forestry Group publishes an Integrated Report every year to inform shareholders, investors, and all other stakeholders about its yearly performance and medium to long-term initiatives for corporate value enhancement. It is issued with the aim of sparking opportunities for further dialogue. This Integrated Report for 2023, a report on performance for the fiscal year ended December 2022, was compiled with the primary focus of specific progress reports with regard to our long-term vision and medium-term management plan, one year after the start of initiatives for each. These reports are approached from the three angles of Sumitomo Forestry’s value creation, business portfolio and strategy, and practicing value creation.

Among the business policies in our long-term vision, special emphasis is placed on initiatives for maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy and advancing globalization. In the area of ESG, we have further expanded information on climate change and biodiversity, which are deeply related to the Group’s philosophy and fundamental to our business. We hope this report will serve as a basis for deeper discussions with our shareholders, investors, and all of our stakeholders.

Scope of reporting

Reporting period

Fiscal year ended December 2022
(January 1, 2022 to December 31, 2022)

* The report also includes some activities from outside the reporting period.

Scope of reporting

Sumitomo Forestry Co., Ltd. and Group companies

Framework and guidance referred to

- “The International Integrated Reporting Framework” issued by the IFRS Foundation
- “Guidance for Collaborative Value Creation 2.0” issued by the Ministry of Economy, Trade and Industry



Regarding change of fiscal term

The Sumitomo Forestry Group is changing the end of its fiscal year from March 31 to December 31, beginning after the fiscal year ended December 31, 2020. As a result of this change, fiscal 2020 refers to the irregular nine-month fiscal period that starts on April 1, 2020 and ends on December 31, 2020.

Information disclosure

Sumitomo Forestry proactively discloses information to enhance the transparency of management. Since the fiscal year ended March 2017, the Sumitomo Forestry Group has published the Integrated Report with the objective of improving the disclosure of financial information about its initiatives to increase corporate value, as well as non-financial information related to ESG. Our ESG initiatives are available in both Japanese and English on the Company’s website. Sumitomo Forestry also publishes on its website Japanese and English translations of its business activity reports and Notices of Convocation of the Ordinary General Meeting of Shareholders, among other documents.

Corporate, IR, Sustainability information
<https://sfc.jp/english/>



Third-party assurance regarding ESG information

With the aim of ensuring the appropriateness and objectivity of non-financial information disclosed, some environmental and social performance indicators that are disclosed on the Sumitomo Forestry sustainability report website have been assured by a third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. Please refer to the Company’s sustainability report website to view the independent third-party assurance report.

https://sfc.jp/english/sustainability/editorial/pdf/2023_csr-report_third-party_en.pdf



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Message from the Chairman



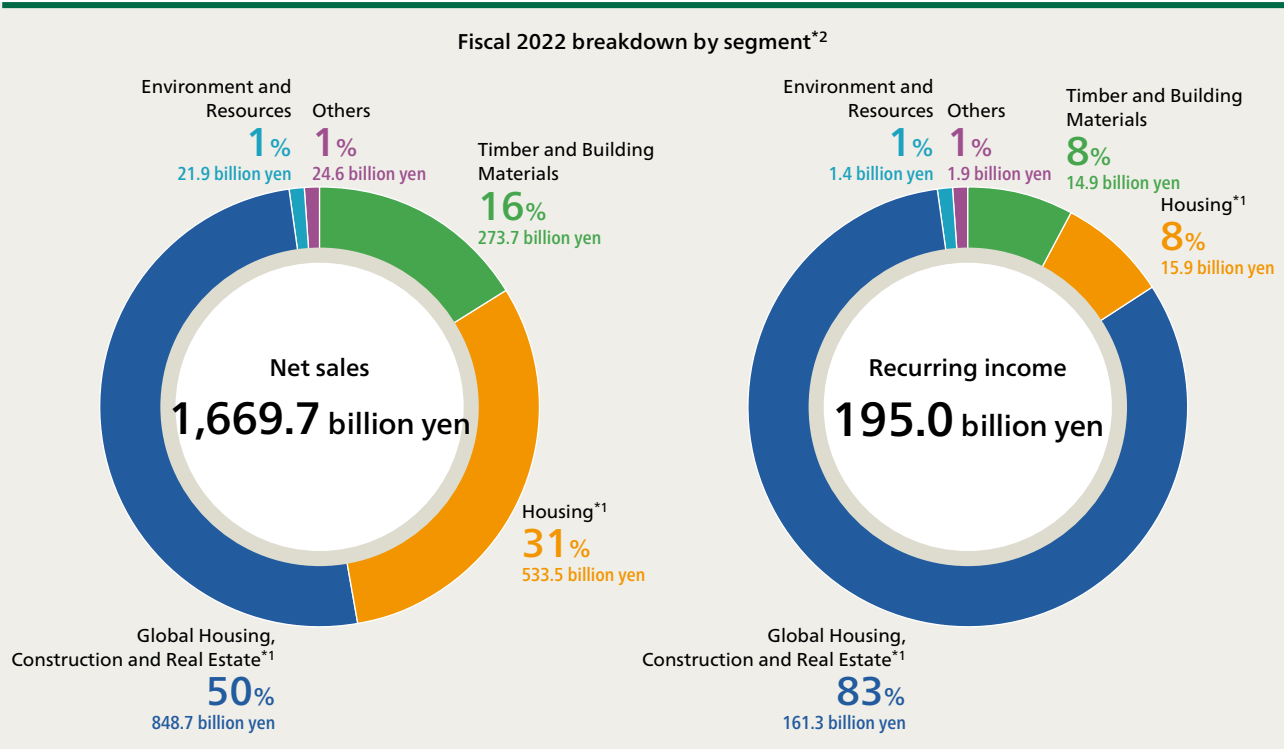
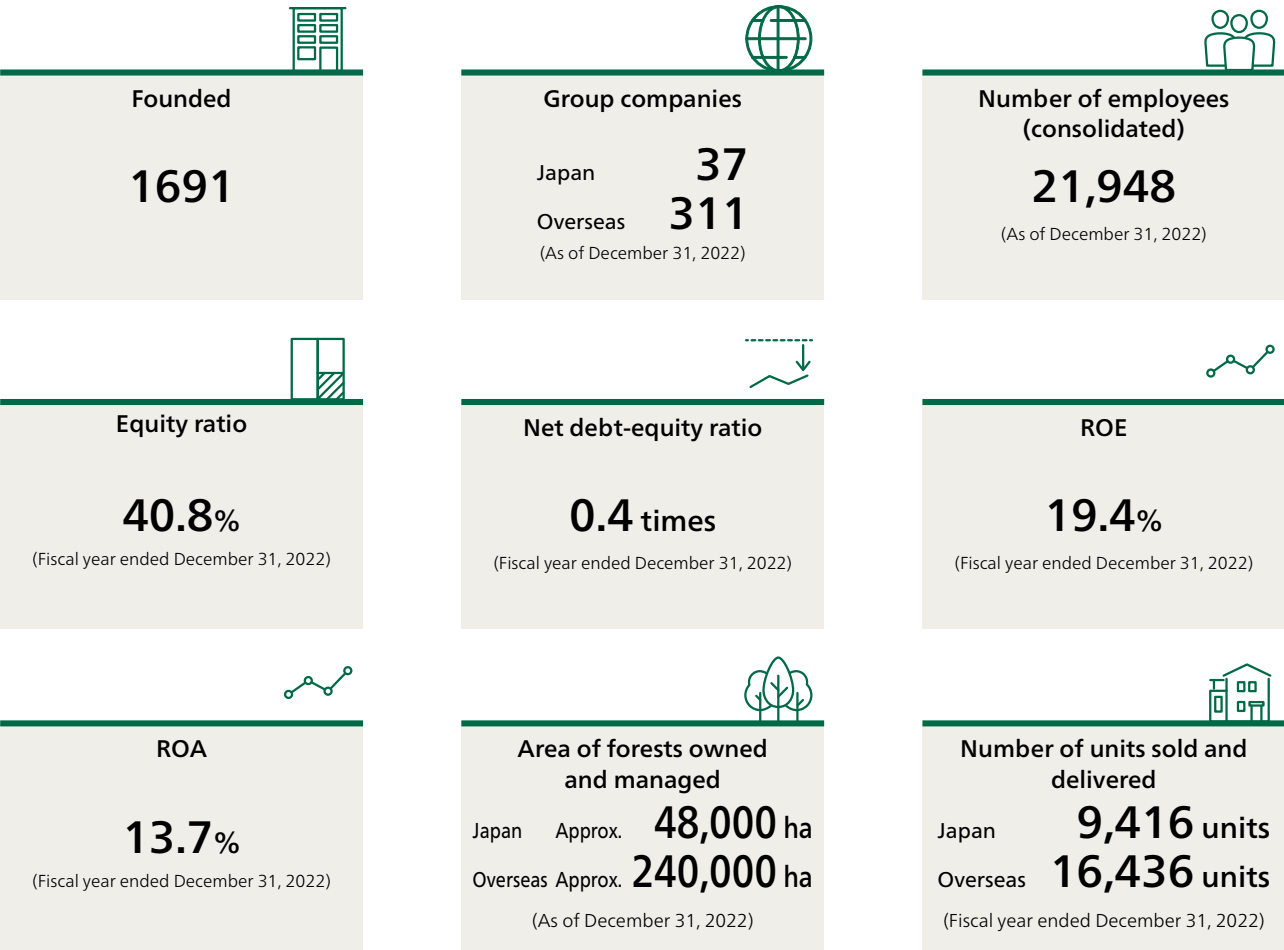
The upheaval of socioeconomic activities caused by the COVID-19 pandemic is finally normalizing. Nevertheless, energy and raw materials prices continue to surge amid the protraction of geopolitical risks and in Japan, which imports most of its resources, this is beginning to have a major impact on people's daily lives. Additionally, there are growing concerns of a slowdown of economic growth worldwide caused by financial turmoil in Europe and the United States brought on by the bankruptcies of financial institutions in the United States.

In this time of uncertainty, in 2022 the Sumitomo Forestry Group formulated Mission TREEING 2030, our Long-Term Vision leading up to 2030, taking the first steps toward new value creation. Over the past year, we have steadily made progress with growing our existing businesses as well as such initiatives as "maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy" and "advancing globalization." The Sumitomo Forestry Wood Cycle seeks to establish a forestry fund to produce high quality carbon credits, put in place timber industrial complexes that encourage the utilization of domestic timber, and standardize carbon neutral design to facilitate the push toward decarbonization across the entire construction industry. This value chain has been embraced by many of our stakeholders and we once again strongly feel the importance of our responsibilities to society.

The Sumitomo Forestry Group's origins date back to 1691 with the opening of the Besshi Copper Mine where we managed forests to procure wood for fuel and mine posts. In the more than 330 years since, we have operated our businesses for the good of society emphasizing trust and avoiding the pursuit of easy gains, as our core values. In the late 19th century, we formulated the Great Afforestation Plan that took nearly 100 years to rejuvenate the surrounding forests of Besshi Copper Mine that had been damaged from mining and smelting. In this manner, Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society as well as ourselves, has been passed down in our DNA in the form of our Group's Corporate Philosophy and Our Values today.

In times of uncertainty especially, we must faithfully uphold the spirit of harmony with the public interest, a tenet valued by our predecessors. The Sumitomo Forestry Group engages in a broad range of business operations utilizing the renewable resource of trees. Going forward, while flexibly responding to the changing times, we will resolve various social issues, work to create new value together with stakeholders, and contribute to a sustainable and prosperous society.

Akira Ichikawa
Representative Director, Chairman of the Board



*1 In January 2023, the Housing and Construction segment was changed to the Housing segment and the Overseas Housing and Real Estate segment was changed to the Global Housing, Construction and Real Estate segment.
In addition, the Construction segment was transferred to the Global Housing, Construction, and Real Estate segment.
*2 The composition by segment excludes inter-segment eliminations (net sales 32.7 billion yen, recurring income 0.4 billion yen).



Timber and Building Materials Business > P.44

Based on a global network built up over years of developing operations worldwide, the timber and building materials distribution business sources stable supplies of high-quality timber from responsibly managed forests. The Business engages in a wide range of operations from the manufacturing of timber and building materials to their distribution, as the leading timber and building materials trading company in Japan in terms of business volume.



Housing Business > P.46

Utilizing the design and technical capabilities cultivated in our mainstay detached custom-built housing business, we are developing rental housing business, for-sale housing business, renovation business, greening business, etc. that propose the comfort unique to wood.



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

In addition to building and selling single family homes and condominiums mainly in the United States, Australia, and Southeast Asia, we are also involved in the development of commercial and mixed-use complexes. In order to realize a decarbonized society, we are participating in medium- to large-scale wooden construction projects in the United States, Australia and the United Kingdom. In the 21 years since we entered the market in 2003, our operations in the United States have grown into a business that supports the Sumitomo Forestry Group.



Environment and Resources Business > P.52

In addition to forest management and forest asset management in Japan, Oceania, and Southeast Asia, we also operate renewable energy businesses in Japan that make effective use of primarily wood resources.



Lifestyle Services Business > P.54

We offer a wide range of services that support people's lives, with a focus on the nursing care business that includes private nursing homes and in-home care. We are also working to revitalize local economies by participating in the development of commercial resort facilities opened as collaborative projects involving industry, government, and academia.

The Sumitomo Forestry Group's Corporate Philosophy and Our Values

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.

Our Values

We provide high-quality products and services that bring joy to our customers.

We create new businesses that lead to happiness for generations to come with a fresh perspective.

We promote a free and open-minded corporate culture that respects diversity.

We set and strive to achieve ambitious goals through ongoing effort.

We do work that wins us the trust of society with fair and honest conduct.

The Sumitomo Forestry Group Code of Conduct

Purpose and scope of application

Based on its Corporate Philosophy and Our Values, the Sumitomo Forestry Group shall manage its operations, including the supply chain, in accordance with this Code of Conduct.

Fair and transparent corporate activities

- | | |
|--|--|
| 1.Strict adherence to laws and regulations | 8.Relationships with companies we do business with |
| 2.Prevention of corruption | 9.Protection of intellectual property rights |
| 3.Fair business transactions | 10.Protection of personal information |
| 4.Fair accounting procedures | 11.Responsible advertising/promotional efforts |
| 5.Communication with stakeholders | 12.Healthy relationship with the government |
| 6.Maintaining confidentiality | 13.Stance on organized crime |
| 7.Information security | 14.Establishment of a whistleblowing mechanism |

Ethical conduct


- | | |
|--|---|
| 15.Avoidance of a conflict of interest | 18.Appropriate gift giving and entertainment |
| 16.Prohibition of misappropriation of company assets | 19.Prohibition of political or religious activities |
| 17.Prohibition of insider trading | |

A respectful, healthy workplace

- | | |
|---|-----------------------------------|
| 20.Respect for human rights | 25.Work/life balance |
| 21.Prohibition of discrimination and the promotion of diversity | 26.Occupational health and safety |
| 22.Prohibition of forced labor and child labor | 27.Human resources development |
| 23.Freedom of association and collective bargaining rights | 28.Prohibition of harassment |
| 24.Appropriate working hours and wages | 29.Protection of privacy |

Business activities that respect society and the environment

- | | |
|--------------------------------------|--|
| 30.Customer satisfaction and safety | 32.Contribution to the local community |
| 31.Co-existence with the environment | |

 The Sumitomo Forestry Group Code of Conduct
<https://sfc.jp/english/corporate/philosophy/code.html>



Message from the President



Toshiro Mitsuyoshi
President and Representative Director

The Sumitomo Forestry Group's Wood Cycle value chain contributes to the realization of a prosperous society and a sustainable global environment

In the fiscal year ended December 31, 2022, Sumitomo Forestry achieved record high profits. When I became President in April 2020, the COVID-19 pandemic was spreading worldwide, but now three years later, restrictions on social and economic activities are finally being lifted as Japan, too, transitions to a post-COVID-19 world. However, global energy and food supply crises caused by geopolitical risks and the resulting inflation and economic slowdown are major elements of concern. We understand that this will be a truly critical juncture for the Group to enhance its corporate value over the medium to long term.

Achievement of our Long-Term Vision goes hand in hand with contributing to a decarbonized society

Using the Wood Cycle to provide environmental, social and economic value

I had been passionate about mountain climbing in my university days and I joined Sumitomo Forestry after graduation because I was attracted by the greatness of nature and the allure of mountains. In my eighth year with the company, I was assigned to our office in Seattle, Washington in the United States, where I was mainly in charge of importing timber from natural forests owned by Indigenous Alaskans to Japan. Around that time, Mio Ogawa, a palace carpenter I met, told me that “trees, even if cut down, can continue to live on as buildings for 1,000 years when used carefully,” and I also learned that the funds obtained from the sale of timber enrich local communities. This experience provided a major foundation for Mission TREEING 2030, our Long-Term Vision that aims to pass on our planet as a comfortable home to all people and all living things, including future generations, by utilizing the value of forests and trees to provide value for our planet, for people and society, and for the market economy.

In February 2022, we announced Mission TREEING 2030, which incorporated the Group's long-term vision in anticipation of 2030, the target year of the SDGs. The plan's initial three-year period beginning in 2022 has been positioned as Mission TREEING 2030 Phase 1 in order to establish a solid footing, and initiatives are now underway. The first business policy in our Long-Term Vision is

“Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy.” We aim to realize a circular society by promoting the decarbonization of not only our own company but also society as a whole through business activities that implement the Wood Cycle, which is a value chain of the Sumitomo Forestry Group centered on wood. With forests, wood and construction as the three pillars, we will stimulate demand for Harvested Wood Products (HWP) that function to increase CO₂ absorption and carbon storage in forests. Simultaneously, we will implement the Wood Cycle from forest management to timber building material manufacturing and distribution, contracting for detached houses and medium- to large-scale wooden buildings, real estate development, and wood biomass power generation. Spreading such high-quality wooden constructions results in carbon storage over the long-term.

The three cornerstones of our decarbonization business are the acceleration of cyclical forest business, the promotion of “wood change,” and standardization of carbon neutral design, and we are making progress in each of these initiatives as we enter the second year of the Medium-Term Management Plan.

[Long-Term Vision > P.14](#) [Value Creation Process > P.30](#)

Progress of our Medium-Term Management Plan

Increasing the area of owned and managed forests and contributing to a decarbonized society with our forestry fund

With regard to the acceleration of cyclical forest business, we have set a goal of increasing the area of owned and managed forests from 277,000 ha when the Medium-Term Management Plan was first formulated to 500,000 ha by 2030. In December 2022, we acquired a company which owns and manages 9,738 ha of mangrove forests*1 in Indonesia. We aim to generate carbon credits by managing these mangroves, which are globally valuable ecosystems, as conservation forests and reducing CO2 emissions by storing it in the mangroves.

In addition, in order to further expand forest area, we established a forest asset management operating company in the United States in October 2022 and set up Forestry Fund I in June 2023 through this new company. Forestry funds began as an alternative investment for pension funds in the United States about four decades ago, but the appetite for such funds is now growing, along with the need for decarbonization. In particular, forest-derived credits are attracting attention from many companies mainly in the energy and transportation industries with large amounts of CO2 emissions, as a means of offsetting CO2 emissions, and we plan to expand the size of assets under management of our Forestry Fund to 100 billion yen by 2030.

In February 2023, we established NeXT FOREST

Corporation, a joint venture with IHI Corporation, with the aim of commercializing the creation of high-quality carbon credits. By combining our management techniques for tropical peatlands*2, the world’s first successful case which we built up in Indonesia, with IHI’s observation technology using satellites, we will conduct advanced forest management to prevent peat fires by managing water levels with high accuracy. Going forward, by providing consulting services through NeXT FOREST, we will strive to disseminate appropriate management methods for tropical peatlands, and work to establish a system to appropriately evaluate the value of natural capital, such as biodiversity, preservation of the hydrologic cycle, and contribution to local communities, through accurate measurements of CO2 absorption and carbon storage in forests and soil.

Increasing the self-sufficiency rate of domestic timber with “wood change”

In the wood field, we are working to promote the use of wood and wood-derived materials in construction and other areas and to promote the replacement of other materials with trees through “wood change” initiatives. In addition, we are promoting the establishment of timber

*1 A general term for plants that grow in brackish water area in tropical and subtropical regions. It is said that there are more than 110 species of mangroves.
*2 Land consisting of peat deposits which are formed plant debris not decompose in water. When the groundwater level drops and peatland dry out, the peatland can be lost and emit large amount of CO2 by forest fires or peat decomposition. As such, groundwater level management is critical.

industrial complexes that will enable cascade use utilizing every part of timber. Japan’s timber self-sufficiency rate is only 40%, and during the 2021 wood shock, it was difficult to source and transport imported timber to Japan due to the tight supply and demand for timber worldwide caused by increased demand for housing construction in the United States, as well as container shortages. Therefore, from the perspective of resource security, too, there is a growing momentum to promote the use of domestic timber. In addition, the use of wood for high-quality homes and furniture leads to long-term carbon storage, which also makes the wood and building materials processing business very important for decarbonization. Currently, we are conducting detailed studies and verifications, such as the early establishment of manufacturing technology for high-strength structural materials using low-strength ones. With Shibushi City, Kagoshima Prefecture as the first project, we are considering candidate sites for timber industrial complexes nationwide. With this approach, we will revitalize the domestic forestry industry and strengthen the competitiveness of domestic timber, including by creating jobs for forestry workers.

Reducing two types of CO2 emissions – operational carbon and embodied carbon – with standardization of carbon neutral design

In the construction field, we plan to increase the annual number of homes sold in Japan and overseas from 27,000 units in 2021 to 50,000 in 2030. Timber is used in wooden buildings and furniture to store carbon for a long period of time. In addition, CO2 emissions (embodied carbon) during construction can be greatly reduced compared to steel or reinforced concrete structures. Furthermore, we will expand the supply of net Zero Energy Houses (ZEH), which reduce CO2 emissions (operational carbon) during daily living to zero by adopting energy-saving and energy-creating technologies and net Zero Energy Buildings (ZEB). In Australia, Group company Henley Properties Group became the first major Australian builder to install solar panels as standard in all custom-built wooden single-family homes. In addition, with the aim of expanding the use of wood for structural framework of medium- to large-sized buildings, we are developing wooden offices using mass timber construction*4 in Atlanta and Dallas in the United States, following Japan, Australia, and the United Kingdom. Looking ahead, we will work to acquire environmental certification (LEED*5) and wellness certification (Fitwel*6) to provide ESG-conscious tenants with high environmental and social added value.

In addition, we have launched sales of One Click LCA, software that visualizes CO2 emissions during construction, in Japan, and are promoting initiatives across the

construction industry. We are accelerating the standardization of carbon neutral design in conjunction with a support project to promote the acquisition of Environmental Product Declaration (EPD) certification for wood and building materials. We will now promote the spread of wooden construction and reduce CO2 emissions during both construction and living.

*4 A structure built using mass timber, an engineered wood of relatively high mass that is formed by combining multiple pieces of wood.
*5 An environmental performance evaluation system for building and site use developed and operated by the US Green Building Council (USGBC).
*6 A system to evaluate and certify the health, working environment, etc. of building users, developed by the U.S. Federal Government’s General Services Administration (GSA) and the Centers for Disease Control and Prevention (CDC).

Results in the first fiscal year of the Medium-Term Management Plan and future outlook

In terms of business performance, we aim to achieve recurring income of 250 billion yen by 2030. In the current Medium-Term Management Plan, the recurring income target for the fiscal year ending December 31, 2024, which is the final year of the plan, is 173 billion yen. However, recurring income for the fiscal year ending December 31, 2022, the first year of the Medium-Term Management Plan, was already 195 billion yen, exceeding the target for the final fiscal year. This was largely attributable to the growth of the single-family homes and real estate development businesses in the United States. In addition, we have achieved the targets of the Medium-Term Management Plan, such as ROE of 19.4% (target of 15% or more), equity ratio of 40.8% (40% or more) and net D/E ratio of 0.4 times (0.7 times or less), and we have been able to maintain a high level of financial soundness. From the middle of 2022, interest rate hikes to control inflation in the United States put a brake on orders in our housing business there, but the market environment has been improving from the beginning of 2023. Since the announcement of our Long-Term Vision and Medium-Term Management Plan in February 2022, the business landscape has changed significantly, including heightened geopolitical risks and financial instability, but we will continue to strive to realize our Long-Term Vision by strengthening the business foundation we have cultivated previously and maximizing the management resources of the entire Group.

Special Feature > P.16 Medium-Term Management Plan > P.34

Mission TREEING 2030

~Making our planet safer and more secure for future generations~

2030 recurring income target 250.0 billion yen

Current Medium-Term Management Plan		Mission TREEING 2030 Phase 1		
		Fiscal year ended December 31, 2022 to Fiscal year ending December 31, 2024		
Results in the First Year of the Medium-Term Management Plan		Fiscal 2021 results	Fiscal 2022 results	Fiscal 2024 targets*3
	Net sales	1,385.9 billion yen	1,669.7 billion yen	1,770.0 billion yen
	Recurring income	137.8 billion yen	195.0 billion yen	173.0 billion yen
	Net income attributable to shareholders of the parent company	87.2 billion yen	108.7 billion yen	116.0 billion yen

*3 Excludes actuarial differences.

Driving force behind our strengths in the overseas housing business 21 years after our market entry

Promoting business together with partners who share the same values

The year 2023 marks the 21st year of Sumitomo Forestry's entry into the housing business in North America. Both the United States and Australia have a culture of wooden homes, and they have a strong affinity with Sumitomo Forestry, which is why we decided to enter these markets. On the flip side, since the housing business is a local industry, it is very important to have an in-depth understanding of the characteristics of the communities and the ability to procure land closely in tune with the local community. In terms of M&A, during due diligence, including local competitiveness, we began by exploring local management's roles, strengths and weaknesses, and management philosophy, and eventually we spent a considerable amount of time sharing our values and discussing the importance of sustainable corporate growth, and the fact that employee employment should be protected at all costs. By carefully following through with these processes, we can get on the same page and move forward with corporate management as one.



Further growth of the Global Housing, Construction and Real Estate segment

When the Global Financial Crisis struck in 2008, the values of Sumitomo Forestry's inventory of housing and land in the United States at the time fell sharply, and we recorded a substantial loss. Business continuity was discussed internally, but management at the time saw the growth potential of the North American market and decided to continue the business. By remaining in the market, we were able to respond quickly to the subsequent growth of the United States housing market and rebuild our business while accumulating management know-how. Since then, we have continued to expand our business through M&A and organic growth in the Sun Belt area, and in 2022, the Group sold the ninth most housing units in the United States. In January 2023, we added Southern Impression Homes, Inc., a single-family rental housing business in Florida, to the Group to further expand our business footprint. In addition, we are promoting the Fully Integrated Turn-Key Provider (FITP) business, which provides integrated services for homes from panel design to manufacturing, delivery, and construction, and by establishing a panel and truss manufacturing plant in North Carolina, which is scheduled to commence operations in 2024, we aim to build an integrated material and engineering system that can shorten the construction period and streamline construction.

Going forward, we will continue to strengthen our resilience to change in the business landscape and pursue further growth while diversifying revenue sources and expanding synergies between businesses, such as the single-family rentals business, asset management business, medium- to large-scale wooden construction business, and FITP business, centered on the single family homes business and real estate development business.

Special Feature > P.20

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

diverse human resources can maximize their abilities. In 2022, we expanded the scope in an effort to improve frontline capabilities by having each individual maintain a high sense of ownership as well as autonomously discover issues and build upon efforts to solve them.

On the other hand, we are only halfway through our process of promoting a more active role of women. The ratio of women in management positions was 6.3% (non-consolidated) in 2022, compared to the target of 8.1% or more in 2024. In 2023, women will account for about 30% of new employees on a non-consolidated basis, but at Group companies in the renovation business the ratio of women in new employees is even higher than that of men, with a number of women active as sales supervisors or branch managers. Utilizing diverse sensibilities and ideas in

business operations is also very beneficial for the company. We are also focusing on encouraging male employees to take childcare leave, and strengthening our programs that make it easier for both men and women to combine childcare or nursing care and work. In addition, thanks to the success of work style reforms and COVID-19 countermeasures, the use of telework and flextime systems is progressing. As a result, we have seen a culture of greater work flexibility for all employees begin to take root.

In order to achieve our Long-Term Vision, we believe that it is important for employees of diverse backgrounds to work with a sense of security and to link up innovation generated from the expertise and values of our diverse human resources to new challenges and growth.

Human Resources Strategy > P.72

Integrating ESG and business for the benefit of all stakeholders

Sumitomo's Business Spirit provides a nucleus for governance

Sumitomo Forestry is a company with a Statutory Board of Auditors. Outside directors account for one-third of all directors, and two of them are women. The Nomination and Remuneration Advisory Committee, which discusses the appointment and dismissal of directors and executive officers and succession plans, consists of three outside directors, three outside Statutory Auditors, the Chairman of the Board and myself, so most members are outside officers. The chair is also an outside director. Discussions are held on a regular basis. For example, in 2022, we changed the remuneration of officers to a system linked to stock price and sustainability indicators as part of our management's commitment to sustainable growth. In addition, in the rapidly growing Global Housing, Construction, and Real Estate segment, overseas representatives posted to business corporations after acquisitions participate in business operations as directors and verify that operations are conducted according to a stipulated decision-making process. In addition, we are gradually increasing the number of companies that have introduced a business process control system under the internal control reporting system to develop and strengthen our management structure.

When it comes to strengthening governance, simply creating rules and regulations does not go far enough. It is of utmost importance that each and every employee internalizes the Sumitomo Spirit that has been passed down since our founding along with the management philosophy based on it, and act in accordance with Our

Core Values and the Code of Ethics. The Sumitomo Spirit emphasizes that a business can only be successful if it brings benefits not only to the company's own interests but also to society and others. We believe that a company is a public institution and must never pursue short-term gains. We believe that abiding by and embodying the Sumitomo Spirit represents a critical component of our management and business sustainability.

Corporate Governance > P.80

Vision for the Future of Sumitomo Forestry

Based on the Sumitomo's Business Spirit, I would like to make Sumitomo Forestry a company that further integrates ESG initiatives with business. Our Long-Term Vision sets the goal of achieving three values: value for our planet, value for people and society, and value for the market economy, which is exactly what can be achieved by integrating ESG and business. We have abundant management resources to keep the Wood Cycle in motion continuously. We believe that by utilizing these management resources and steadily engaging in business activities based on the Sumitomo Spirit, we will be able to contribute to the sustainable growth of the company and the decarbonization of society even in times of unpredictable and drastic changes.

I ask for your continued support and understanding of the Group's initiatives to draw out the potential of forests and trees and enhance the sustainability of society as we move forward.

Fostering a liberal and broad-minded culture where each and every employee can show their true value

With regard to human resources, we have set "to create a vibrant environment for all workers" as one of our material issues, and we are promoting initiatives toward this end. As

for human resource development, we launched a project in 2021 to transform our corporate culture with the aim of fostering a liberal and broad-minded culture in which

Mission TREEING 2030

~Making our planet safer and more secure for future generations~

By providing value for our planet, for people and society, and for the market economy, we at the Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.



Our Long-Term Vision Mission TREEING 2030 contains detailed business concepts for realizing the Sumitomo Forestry Group’s vision with an eye toward achieving a decarbonized society in 2050. To elevate our commitment to achieving this vision, we have set the target year for our Long-Term Vision to 2030, which is the same as the Sustainable Development Goals (SDGs). Additionally, we organized the Group’s value proposition into “Value for our planet,” “Value for people and society,” and “Value for the market economy,” and then identified nine material issues

linked to each. As the first step toward creating a foundation for contributing to future growth and decarbonization, we are now implementing our Medium-Term Management Plan called Mission TREEING 2030 Phase 1, covering the three-year period ending in fiscal 2024. (See page 34.) Simultaneously increasing the value associated with our “Value for our planet,” “Value for people and society,” and “Value for the market economy,” while keeping them intact, will position us to achieve our Long-Term Vision.

Nine material issues and related SDGs

Value for our planet

- 1 To enhance the value of forests and wood through sustainable forest management
- 2 To realize carbon neutrality by leveraging forests and wood resources
- 3 To realize a circular bioeconomy by leveraging forests and wood resources

Value for people and society

- 4 To provide comfortable and secure spaces for society at large
- 5 To improve the livelihood of the local communities where we operate
- 6 To create a vibrant environment for all workers

Value for the market economy

- 7 To create new markets with forests and wood
- 8 To transform markets through DX and innovation
- 9 To establish a robust business structure

Business policy for achieving Mission TREEING 2030

1 Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy

2 Advancing globalization

3 Striving for transformation and the creation of new value

4 Transforming our business foundation for growth

Financial performance target

2030 recurring income target

250.0 billion yen

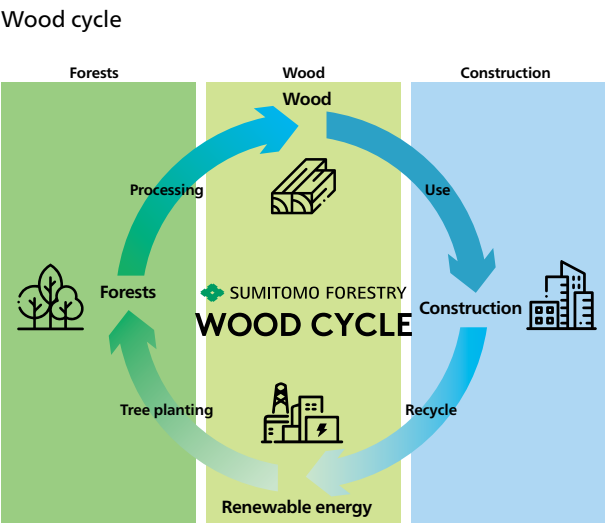
The Sumitomo Forestry Group’s Wood Solutions

	Forests	Wood	Renewable energy	Construction
Summary	Accelerate the cyclical forest business We will promote zoning forest management to expand conservation forests, which absorb CO ₂ , and accelerate harvesting/replanting of working forests, which encourage carbon storage. With carbon offsets, we want to contribute to the decarbonization of other companies and society and realize a sustainable business.	Promote “wood change” We will enhance the competitiveness of domestic timber while pursuing the value of wood in carbon storage. We want to promote the use of wood throughout society to contribute to decarbonization.		Standardize carbon neutral design We will promote carbon neutral buildings by popularizing LCCM houses both in Japan and abroad, and by establishing and standardizing carbon neutral design methods to contribute to decarbonization of other companies and entities.
Concept	We will create a global forestry fund to expand forest area worldwide, with an emphasis on Asia. Through carbon offsets, we will contribute to other companies and society.	We will make Japanese forestry and wood product manufacturing more efficient with timber industrial complexes and promote the transition to wood-derived alternatives that increase carbon storage amounts.		We will popularize ZEH, ZEB and LCCM housing and net-zero carbon buildings and establish carbon neutral design (One Click LCA*1 x EPD*2) to contribute to the decarbonization of other companies and entities.
Beneficiaries	New customers who are seeking the value of CO ₂ absorption	Supply chain partners		Building owners (general consumers, companies)
Contributions	CO ₂ absorption	CO ₂ reduction (Scope 3 – Category 1)		CO ₂ reduction (Scope 3 – Category 11)
2024 investments*3	2024 Forestry fund related investments (~2024) 12.0 billion yen	2024 Timber industrial complexes investments (~2024) 20.0 billion yen		2024 Overseas non-residential wooden building investments (~2024) 30.0 billion yen
2030 targets	2030 Owned/managed forest area 500,000 ha	2030 Timber industrial complexes domestic timber usage 1.0 million m ³ /year		2030 Number of housing units supplied yearly 50,000 units

*1 A software that visualizes CO₂ emissions during construction. Our Company signed an exclusive agency agreement for Japan.
*2 An environmental labeling system based on quantitative environmental data evaluated and certified by a third party.
*3 Total investment from FY2022/12 to FY2024/12.

Moving toward a decarbonized society using the wood cycle

One unique aspect of the Group can be found in its business activities around the wood cycle, the upstream to downstream value chain for the sustainable natural capital of wood. With our operations focused on the three pillars of accelerating the cyclical forest business in the forests area, promoting “wood change” in the wood area, and standardizing carbon neutral design in the construction area, we will provide unique wood solutions in Japan and abroad harnessing all of these businesses that lead to a carbon neutral society, from forestry management to procurement and manufacturing of timber and construction materials, wooden construction, and wood biomass power generation. We have set quantitative targets for each of the above three pillars, and by actively promoting initiatives to achieve these targets, we will contribute to the realization of a sustainable and prosperous society as well as our own business growth.



Special Feature Harnessing the Value of Forests and Trees



Accelerate the cyclical forest business



In addition to absorbing CO₂, forests have a variety of public benefits, including biodiversity conservation, water source recharge, soil conservation, and prevention of sediment disasters. In order to ensure perpetual use of these timber resources while maintaining these forests' public benefits, the Group is promoting sustainable forest management in Japan and overseas under proper management by firmly zoning conservation forests and working forests.

2030 targets	Forestry fund assets under management
	100.0 billion yen
Investment plan	Owned/managed forest land area target
	277,000 ha ▶ 500,000 ha As of December 31, 2021 (formulation of our long-term vision)
Investment plan	Forestry fund related investments (~2024)
	12.0 billion yen

To Accelerate the Cyclical Forest Business Formation of Forestry Funds

Our long-term vision includes accelerating the cyclical forest business as a pillar of the forestry area. By utilizing expertise from NeXT FOREST and forestry fund mechanisms, we plan to expand the global land area of owned and managed forests to 500,000 hectares by 2030. This increases CO₂ absorption and contributes to carbon offsets for other companies and society, making sustainable business a reality. The target size of assets to be included in forestry funds is 100.0 billion yen by 2030, with related investments of 12.0 billion yen by 2024.

Launch of Mangrove Conservation Project in Indonesia

In December 2022, Sumitomo Forestry made PT BINA OVIVIPARI SEMESTA a wholly owned subsidiary. This company owns and manages 9,738 hectares of mangrove forest in West Kalimantan, Indonesia. Proper management and conservation of mangroves, themselves an ecosystem with great value worldwide, as conservation forests will lead to a reduction in CO₂ emissions. We aim to create blue carbon*¹ credits through mangrove conservation projects and engage in other ecosystem conservation projects over



A mangrove forest

a wide area, including peatlands and rainforests.

*1 As coined by the United Nations Environment Programme (UNEP) in 2009, carbon embedded in the marine ecosystems of seagrass beds, seaweed beds, wetlands and tidal flats, and mangrove forests. The blue carbon of the acquired mangroves is estimated to be about 66 million t-CO₂.

Established NeXT FOREST, a Joint Venture with IHI Corporation.

In February 2023, we established NeXT FOREST Corporation, a joint venture with IHI Corporation, launching a consulting service for the proper management of tropical peatlands by combining our established tropical peatland*² management technology with IHI's satellite and drone-based observation technology. We will work to create high-quality credits by accurately measuring the amount of CO₂ absorption and carbon storage in forests and soil, and by properly assessing the value of natural capital.

*2 Land consisting of peat deposits which are formed plant debris not decomposed in water. When the groundwater level drops and peatland dry out, the peatland can be lost and emit large amount of CO₂ by forest fires or peat decomposition. As such, groundwater level management is critical.

Diagram of sustainable tropical peatland for promotion by NeXT FOREST

Balancing economic benefit and the social environment by dividing areas into working forests, conservation forests, and local resident areas



The Creation of Forestry Funds

In October 2022, we established the forest asset management company Eastwood Forests, LLC in the United States. The company will manage forest assets through the forestry funds it sets up, returning profits from timber sales and other activities and carbon credits generated by the forests to investors, thereby contributing to carbon offsetting for society as a whole. The Group is identifying the needs of mainly domestic companies and sourcing forests in North America, Asia, and Oceania, and has formed its inaugural Eastwood Climate Smart Forestry Fund I, launched in 2023 through the new company.

*3 This content is not intended to solicit corporations to participate in this fund.



Promote "wood change"



In the area of wood, we are promoting the substitution of wood for other materials ("wood change") while appealing to society for the various values that wood possesses, such as its carbon storage function. Through the establishment of timber industrial complexes, we are also working to maximize wood's added value and encourage the use of domestic timber.

2030 targets	Timber industrial complexes Domestic timber usage volume
	1 million m³/year
Investment plan	Timber industrial complexes investment amount (~2024)
	20.0 billion yen

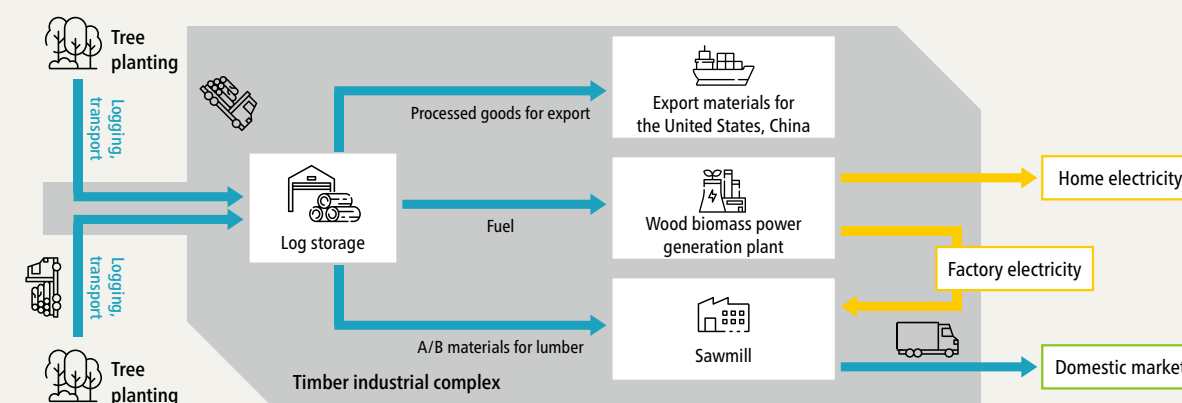
The Role of the Timber Industrial Complex

Japanese housing (for the wooden post-and-beam construction method) relies on imported timber for 90% of its horizontal timbers and 50% of its post timber. In order to diversify and mitigate the risk of relying on imports for the majority of structural members and raw materials, and to realize a stable supply chain, timber industrial complexes are important for building a supply system for domestically produced structural members.

The timber industrial complexes help realize long-term carbon storage through value-enhancing wood utilization, from use in timber, to energy, to chemicals. Specifically, we are working to launch timber processing

business, among others, to maximize the value of low-grade timber and offcuts, as well as cascade use of all logs from sustainable forests. By encouraging substitution for wood-derived materials in various fields such as detached housing, non-residential construction, and bio-chemicals, we aim to build a circular business, improve the value of forests, and expand the use of domestic timber. By collaborating with business partners in each area and complementing each other's functions, we will realize the wood cycle and contribute to improving Japan's wood self-sufficiency rate and to local communities.

Timber industrial complex overview



Toward the Establishment of Timber Industrial Complexes



Image from a PR video about global expansion by the Shibushi Port, published to Kagoshima Prefecture's official YouTube channel

In February 2022, Sumitomo Forestry signed a letter of agreement with Shibushi City, Kagoshima Prefecture, establishing the location for construction of a new plant. Currently, we are developing a business plan and selecting equipment with the aim of building a plant that can process exported logs and produce high-strength structural members that can be used not only for residential buildings but also for non-residential buildings. We will continue to consider projects in multiple locations throughout Japan, focusing on areas with abundant wood resources.

Special Feature **Harnessing the Value of Forests and Trees**



Standardize carbon neutral design

In the area of construction, we have established the pillar of standardizing carbon neutral design. By helping to spread ZEH, ZEB, life cycle carbon minus housing, and net-zero carbon buildings in Japan and abroad, we are striving to cut operational carbon (carbon during occupancy), which accounts for 70% of CO₂ emissions in the construction sector. At the same time, we are working to cut the remaining 30% from embodied carbon (carbon during construction) in construction, with the aim of establishing carbon neutral design through the dissemination of CO₂ emissions visualization software and other means.

Progress in Cutting Embodied Carbon

Global energy-based CO₂ emissions in 2021 were 36.3 billion tons, 37% of which came from the construction sector, making decarbonization of the construction sector a top global priority. We will strive to reduce CO₂ emissions during occupancy (operational carbon) through technological innovation and diffusion of ZEH, ZEB, and others. Still, it is expected that the world's building area will double its current size by around 2060 due to economic development in emerging countries and other reasons. In the future, reducing CO₂ emissions during construction (embodied carbon) is expected to become even more important. To support this, the Sumitomo Forestry Group is also focusing on the development and dissemination of life cycle carbon minus (LCCM) housing, which reduce CO₂ emissions throughout the house's life cycle, and is promoting decarbonization at both the construction and occupancy/operation stages.

Supporting Emissions Reductions with CO₂ Emissions Visualization Software

To reduce embodied carbon, it is necessary to consider the environmental impact of a building over its entire life cycle and calculate the embodied carbon from the procurement of raw materials for construction to disposal. One Click LCA (Life Cycle Assessment) software, for which we became the

sole distributor in Japan in January 2022, is used in 130 countries around the world to support businesses in reducing CO₂ emissions by precisely calculating embodied carbon. The software is ISO compliant and supports more than 50 types of environmental certifications worldwide, including European standards.

In Europe, regulations are currently being tightened to reduce CO₂ emissions in the construction industry, and it is expected that greenhouse effect coefficient data disclosure will be mandated for all timber and building materials by 2030. In February 2023, we launched a project to promote acquisition of the EPD*² environmental certification label for timber and building materials manufacturers in order to support this carbon neutral design throughout the construction industry. By providing and supporting the Japanese version of EPD Generator, which is support software for acquiring EPD labeling, we aim to help manufacturers achieve labor savings and reduced acquisition costs. In addition, we launched a One Click LCA calculation contract business for developers, general contractors, and design firms. We contribute to the decarbonization of society by supporting the construction industry as a whole in reducing CO₂ emissions.

*2 EPD (Environmental Product Declaration): An ISO-compliant environmental certification label that visualizes CO₂ emissions over the entire product life cycle, from resource extraction to disposal.



A Wooden Campus to Turn a Town into a Forest

The Sophia University Yotsuya Campus Building No. 15, completed in 2022, is a three-story fire-resistant wooden structure designed and constructed by Sumitomo Forestry. Compared to similar facilities built with standard reinforced concrete or steel frames, it reduced CO₂ emissions during material production for the structural framework by 15% and 20%, respectively. The structural framework uses 111.85 m³ of wood and stores about 84 tons of carbon (on a CO₂ basis), which is equivalent to the carbon storage of about 280 40-year old Japanese cedar trees. The facility will help turn its town into a forest, contributing to the achievement of the SDGs and the realization of a decarbonized society. By increasing the number of environmentally conscious buildings like these, we aim to contribute to the decarbonization of society as a whole.



This building also contributes to local production for local consumption by cedar from the Tama area for the exterior

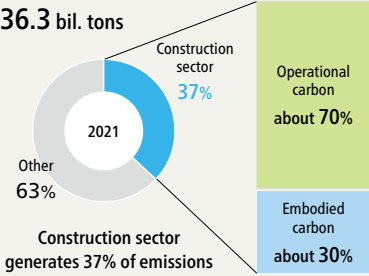
The “with TREE” Medium- to Large-scale Wooden Construction Brand

In March 2021, Sumitomo Forestry and Kumagai Gumi Co., Ltd. launched the “with TREE” brand of medium- to large-scale wooden construction, which adopts the concept is “architecture good for both the environment and your health.” Its brand name is derived from “creating wooden buildings with high value and positive effects in cooperation with customers, with community, and with trees.” In June 2022, construction began on a 10-story fire-resistant wood-frame building with one basement floor under the same brand name in Sapporo, Japan, through a joint venture with Kumagai Gumi Co., Ltd. The upper floors are made of hybrid laminated engineered wood, which contributes to the decarbonization of the city through the carbon storage action of wood. Going forward, we will make contributions toward the realization of a decarbonized society through the conversion to wooden structures and woodification of medium- to large-scale buildings.



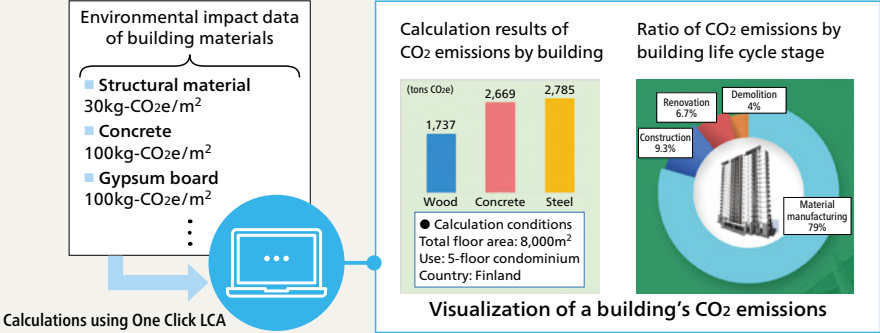
Fire-resistant engineered wood with built-in steel frame protects steel from heat

Global CO₂ Emissions from Energy



Source: Global Alliance for Buildings and Construction (2022)

Illustration of One Click LCA in Use



One Click LCA Partner Voice



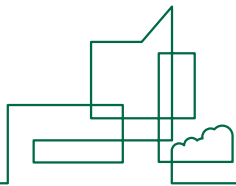
Ms. Aditi Chitnis
Eastern Europe, Asia & Middle East Team Lead
LCA & EPD Business Development

Toward Greater Environmentally Conscious Construction in Japan and Decarbonizing the Construction Industry

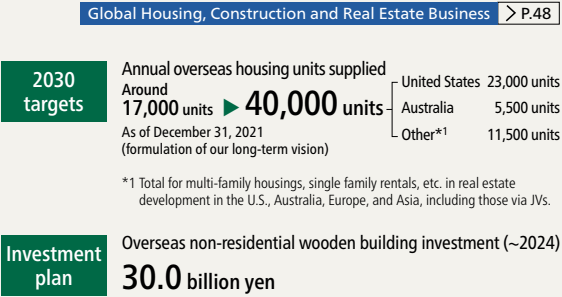
One Click LCA is a Finland-based company in the building and manufacturing life cycle assessment (LCA) calculation software and platform business. We globally provide One Click LCA software for visualizing and calculating CO₂ emissions in the construction industry, and are continuously developing the software to comply with regulations, standards, etc. in Europe and other parts of the world.

Our mission is to help people achieve carbon neutrality. While awareness of the need to reduce embodied carbon is growing in Europe, countries around the world, including Japan, tend to have their concerns slanted more toward operational carbon. Through this partnership with Sumitomo Forestry, we expect to provide enhanced customer support to users in Japan, and through the use of One Click LCA, we hope to promote the spread of environmentally conscious construction in Japan and the decarbonization of the construction industry.

Special Feature **Harnessing the Value of Forests and Trees**



Under Mission TREEING 2030, our long-term vision through 2030, we aim to accelerate our decarbonization efforts overseas as well by advancing globalization as one of our business policies.



Progress in Medium- to Large-Scale Wooden Construction Business in the United States, Australia, and Europe, Targeting Greater Decarbonization in Japan and Overseas

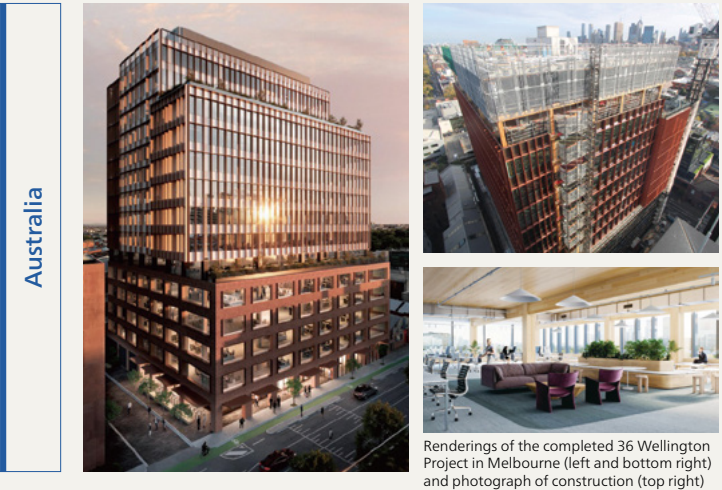
The market for medium- to large-scale wooden construction buildings is expanding in response to the global trend toward ESG investment. In our long-term vision, we have identified the creation of new markets for forests and wood as one of our key challenges, and are promoting the medium- to large-scale wooden construction business in the United States, Australia, and Europe.

Wooden construction has the potential to make significant contributions to decarbonization by storing carbon absorbed by wood over a long period of time. Compared to steel or reinforced concrete construction, wood can greatly reduce CO₂ during construction (embodied carbon), and therefore demand for medium- to large-scale wooden construction (mass timber construction*²) is increasing both in Japan and overseas. With the aim of realizing net zero carbon buildings*³, Sumitomo Forestry is pursuing joint development projects for large-scale wooden office buildings. Construction is currently underway in Melbourne, Australia, for a mixed structure of reinforced concrete and timber with 15 floors

above ground and two floors below (over six floors will be wooden). This building is scheduled for completion in September 2023, and is expected to be the tallest wooden office building in Melbourne*⁴. Sumitomo Forestry is also developing a six-story wooden office building in London, United Kingdom. This project is the first entry of Sumitomo Forestry's housing and real estate business in Europe. In addition, we are developing a seven-story wooden office building in Dallas, Texas, and a three-story wooden office building near Atlanta, Georgia, both in the United States.

With an eye to 2030, the target year of our long-term vision, we aim to supply 40,000 housing units per year overseas and contribute to the realization of a decarbonized society by providing new value to people's lives, society, markets, and economic activities through the broad, global spread of high-quality wooden buildings.

*2 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.
*3 A building that emits virtually zero CO₂ (operational carbon) during use.
*4 Per research by Wood Solutions, an Australian government-affiliated organization (as of June 2021).



Renderings of the completed 36 Wellington Project in Melbourne (left and bottom right) and photograph of construction (top right)



Advancing our FITP Business to Resolve Issues and Generate Synergies in the United States Single Family Homes Business

The United States housing industry faces structural problems including a shortage of craftsmen, rising costs due to higher labor costs, and longer construction times. To combat these issues, the Sumitomo Forestry Group is advancing its Fully Integrated Turn-Key Provider (FITP) business, which provides integrated services from panel design to manufacturing, delivery, and installation. In September 2022, the Company entered the component manufacturing business near Washington, D.C., with the acquisition of Structural Group, a manufacturer of component products for homebuilders. In December of the same year, construction began on a plant in North Carolina to manufacture wall panels and roof and floor trusses for single-family and multi-family housing. Through these

efforts, we have been able to establish a system that enables us to provide a full range of services on the east coast of the United States, from procurement of materials to housing sales. By advancing the FITP business, we will shorten construction times, reduce costs, improve quality, and reduce waste at construction sites by promoting streamlined construction and creating new value (value engineering). In the United States, we aim to supply 23,000 housing units per year, and we will develop our business structure in anticipation of future labor shortages in the United States construction industry. By establishing the FITP business, we aim to strengthen the Group's overall value chain in the United States, diversifying our revenue sources and building a stable portfolio.

Employee Voices

Advancing the FITP Business to Contribute to the Environment and Local Communities

Builder Solutions Group (BSG)*⁵ acquired a manufacturing company that handles trusses, panels, and other components in the northern portion of the United States east coast in 2022, bringing the manufacturing and installation functions of housing components in-house. The FITP business overseen by BSG streamlines the entire process and provides integrated delivery, thereby shortening construction times and reducing costs, as well as reducing waste at construction sites. In February 2023, the Company announced the establishment of a wall panel and truss manufacturing plant (in North Carolina) that it will operate. This plant is expected to begin production in the first quarter of 2024. Going forward, we will also look to collaborate with Group builders throughout the United States to strengthen our supply system of components and construction capabilities, aiming to stabilize the foundation of our housing and real estate business in the United States and to develop the FITP business. We also hope to contribute to the local community by creating employment opportunities, among other benefits.

*5 Builder Solutions Group: A wholly owned subsidiary of Sumitomo Forestry in the United States that oversees and promotes the FITP business.



Satoshi Fujita
Director and President
Builder Solutions Group, LLC

The First Major Australian Builder to Install Solar Panels as Standard on Order Homes

In October 2022, the Australian subsidiary Henley Properties Group became the first major Australian builder to make solar panel installation standard on all its order homes. Henley Properties will promote ZEH in Australia with order homes that uses energy generated by solar power generation to cover daily energy consumption. In addition, full electrification is now the standard specification, saving up to 75% of utility costs together with solar power generation. These initiatives will reduce Scope 3*⁶ CO₂ emitted during daily life by up to 100%. The Australian government has set the goal of achieving net zero greenhouse gas (GHG) emissions by 2050, and is expected to revise the NCC (National Construction Code), to take effect in October 2023 and place more emphasis than ever before on lower environmental impact and energy conservation. We will contribute to the decarbonization of society through the reduction of CO₂ emissions during occupancy by promoting environmentally conscious housing with solar panels and ZEH/ZEB not only in Australia but also in Japan and other countries.

*6 Scope 3: Greenhouse gas emissions in the supply chain.



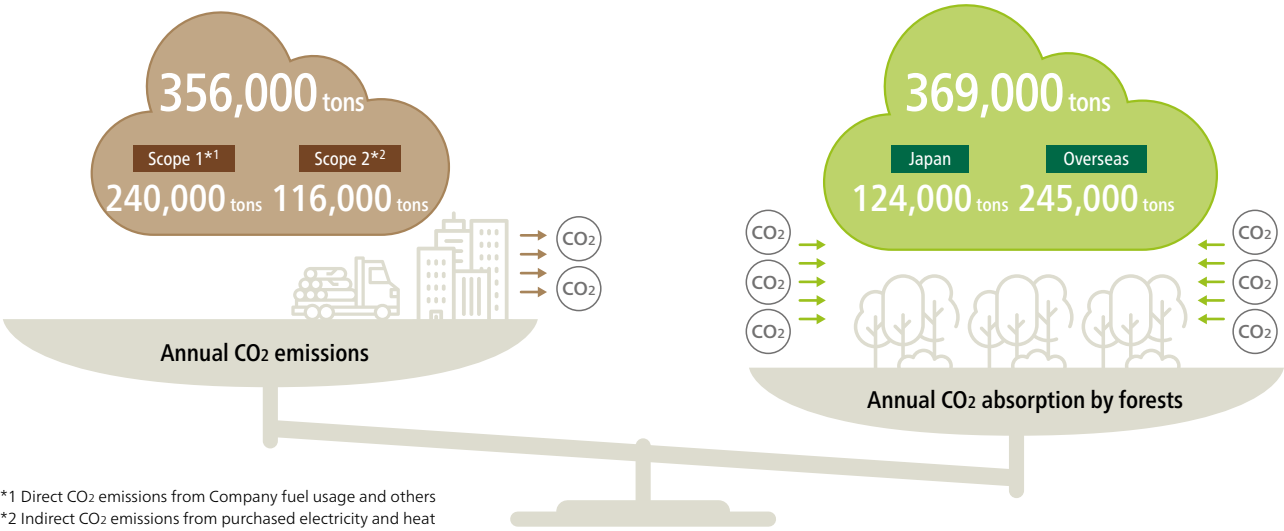
Solar panels to be installed as standard

Contributions to Decarbonized Society

The Sumitomo Forestry Group is working to reduce greenhouse gas emissions from its business activities, increase the CO2 absorption volume of forests, promote carbon storage through increased use of timber, and achieve long-term carbon storage through wooden construction. Through its business activities, the Group contributes to the construction of a decarbonized society.

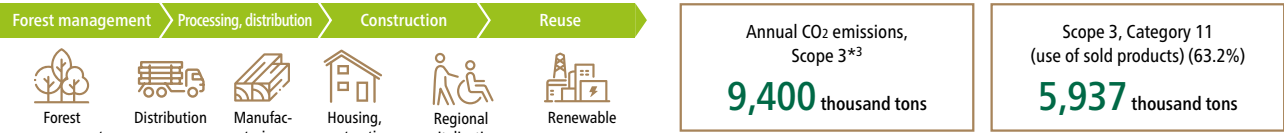
The Sumitomo Forestry Group’s CO2 emission and absorption volumes
(Data collection period: January to December 2022)

The Group’s CO2 emission and absorption volumes (annual)
Thanks to the CO2 absorption volume of the forests it owns and manages, the Group is carbon negative (Scope 1, Scope 2)



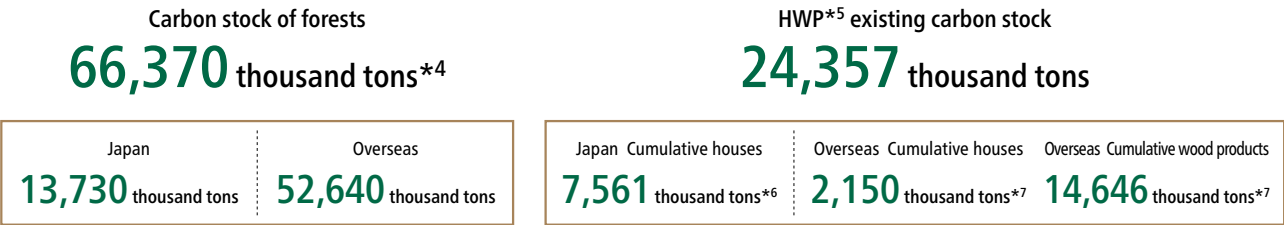
CO2 emissions in the value chain

For Scope 3, Sumitomo Forestry aims to reduce CO2 by actively proposing products and services that lead to decarbonization for its customers and business partners.



The Sumitomo Forestry Group’s potential carbon stock (as of December 2022)

Carbon stock of owned and managed forests and currently standing wooden buildings and HWP (Harvested Wood Products)



Sustainable forest management
<https://sfc.jp/english/sustainability/environment/forest/>



Indicators and data on each of the forests, wood, and construction fields

* Data collection period: January to December 2022



Our sustainable business model
draws out the potential of trees

The Sumitomo Business Spirit which started it all,
passed down through generations

The Monjuin Shiigaki left by Masatomo Sumitomo (1585-1652), founder of the House of Sumitomo. The preamble of this brief explanation of philosophical business rules states, "Do your best prudently and meticulously, not only in business, but in every aspect of your life." He emphasizes that care should be exercised in all matters and everything should be done with consideration and respect. Sumitomo also left behind writings such as "Value trust and make certainty a principle" advocating the importance of trustworthiness, "Refrain from the pursuit of easy gains" which warns against being blinded by thirst for quick profits, and "Harmony between your interests and those of the public" with which Sumitomo urges harmony with the public interest - between the individual, the nation and society. These words through which our predecessors have kept the company marching forward throughout its long history, as well as the thoughts behind them, are devotedly observed as the Sumitomo Spirit even in the present day.



Picture scroll depicting the Besshi Copper Mine in Iyo Province (stored among Sumitomo Historical Archives)

1691
Founding of Sumitomo Forestry

Besshi Copper Mine opened by the Sumitomo family
Started management of the forests around Besshi Copper Mine used for procuring wood for mine construction and fuel for smelting



Teigo Iba (stored among Sumitomo Historical Archives)

Sumitomo Forestry's origin in the copper mine forestry business

Sumitomo Forestry was established back in 1691 with the opening of the Besshi Copper Mine in present-day Niihama, Ehime Prefecture. It began with the management of forests surrounding the Besshi Copper Mines in order to procure timber for fuel and wood to support mine walls, which was essential to the copper smelting business, and also timber and other materials for the construction of housing for people who lived and worked in mining and smelting.

1865
Saihei Hirose appointed manager of Besshi

1882
Rules of Governing the House of Sumitomo established

1894
Teigo Iba appointed manager of Besshi. Launched the Large-Scale Reforestation Plan

1899
Masaya Suzuki appointed manager of Besshi. Established the sustainable forestry approach



The Besshi Copper Mine was in a state of degradation during the Meiji era due to the effects of mining operations (stored among Sumitomo Historical Archives)



Mount Besshi in the present day

Start of the Large-Scale Reforestation Plan and sustainable forestry

In the late 19th century, the forests surrounding the Besshi Copper Mine were in danger of being devastated after a long period of excessive logging and smoke pollution. With the advocacy of Teigo Iba, manager of the Besshi Copper Mine, in 1894 the company prepared a forestation plan for restoring forest that had been lost due to mining activities. As a result of large-scale forestation exceeding two million trees annually at its peak, the area's mountains regained their verdant green landscapes. Afterwards, Sumitomo Forestry established conservation and sustainability minded forestry, a hallmark of sustainability management, by focusing on forest upkeep and development, harvesting, and timber manufacturing.

1909
House of Sumitomo's mountain forestry business transferred to Sumitomo Sohonten upon its establishment

1919
Forestry Section established at Sumitomo Sohonten

1948
Six companies formed (established) from the Forestry Department of Sumitomo under the government's zaibatsu dissolution order
After two mergers, they became two companies: Toho Agriculture and Forestry (Toho Norin) and Shikoku Forestry (Shikoku Ringyo)

Evolution as a timber trading company and manufacturer

In the 1950s, Japan arrived at a period of rapid economic growth, and driven by dramatic growth in new housing starts, demand for timber increased sharply. However, the domestic forestry business at the time faced shortages of timber supply in the marketplace because the trees planted soon after the end of World War II were still immature.

Amid this, Sumitomo Forestry began importing timber from abroad ahead of its peers in Japan. The company established timber manufacturing, distribution and sales systems in Japan and abroad and became the largest timber and building material trading company in Japan in terms of volume.

1955
Toho Norin Co., Ltd. and Shikoku Ringyo Co., Ltd. merged to form Sumitomo Forestry Co., Ltd., and established a nationwide network to procure and sell domestic timber.

1956
Import business for foreign timber started

Starting with the handling of Philippine lumber in 1955, the company expanded its business to Malaysia and Indonesia, and in 1958 began handling timber from the United States and New Zealand.



Waterfront at the Port of Vancouver
Sumitomo Forestry employees performing inspections at timber yard facility

1964
Established full-scale plywood manufacturing company in Japan

1970
Started manufacturing business overseas
Established a joint venture, P.T. Kutai Timber Indonesia (KTI), in Indonesia and launched a full-scale building materials business based on plywood manufacturing that would serve as a springboard for its overseas manufacturing business.

1975
Started the custom-built wooden housing business



Custom-built wooden housing

1977
Entry into the greening business

1986
Full-scale operation of MDF production plant by Nelson Pine Industries Ltd. (NPIL) in New Zealand

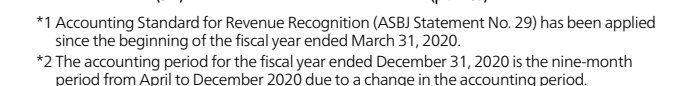


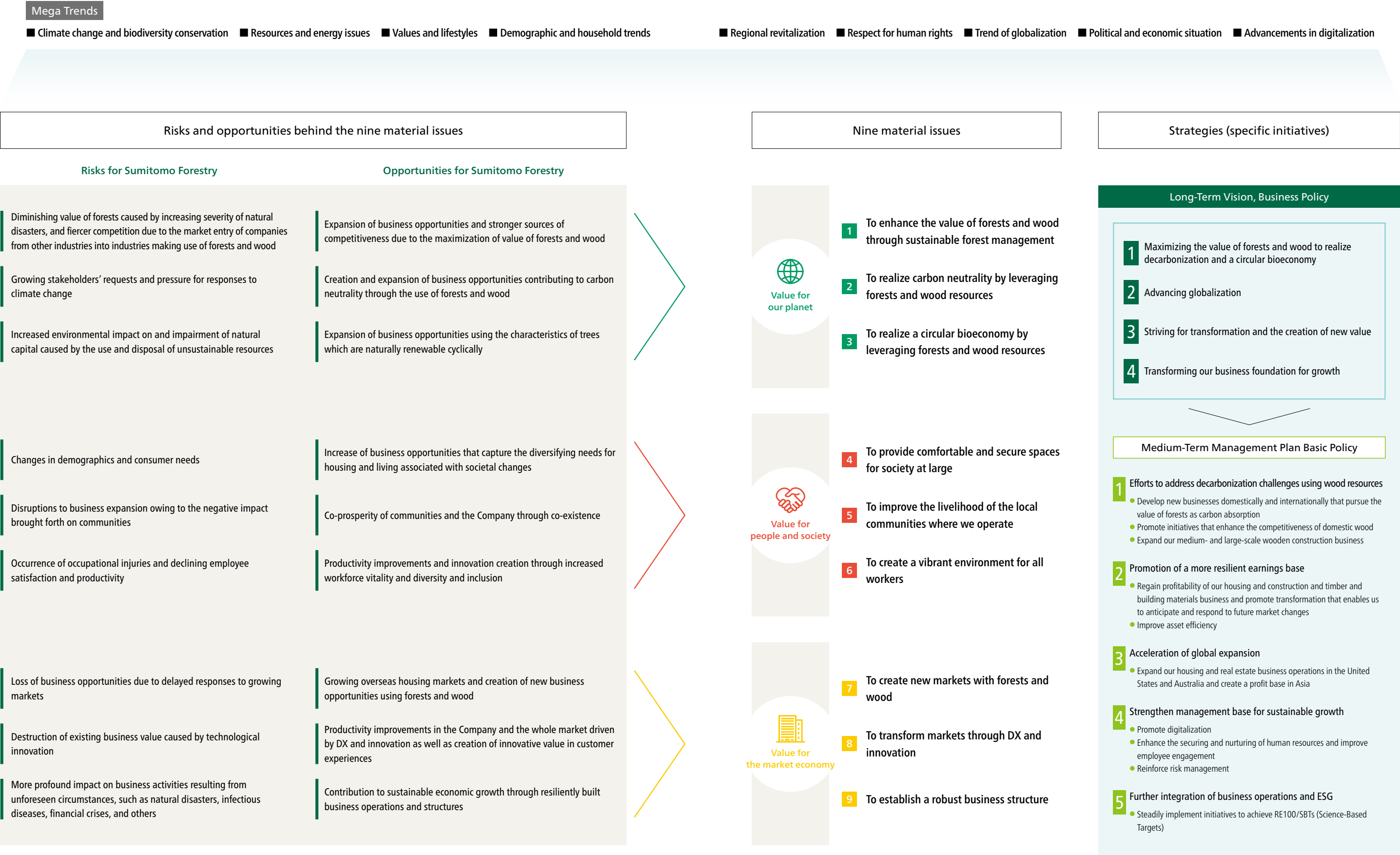
NPIL plant

In 2007, we officially entered the elderly care services business. As Japan becomes a super-aged society, our private elderly care facilities as well as our service-added homes for the elderly and day care business aim to help each resident live independently while offering them high-quality services tailored to their individual needs.

In Japan, planted forests usable as a resource are not fully maintained, raising concerns about the loss of the multifaceted functions of forestland. Faced with the urgent task of using trees to maintain forests and revitalize forestry, in 2010 Japan passed a law encouraging the use of timber in public buildings.

In 2011, the Group entered the renewable energy business after reaffirming the value of forest resources. The company has built several wood biomass power generation plants which use construction waste and unused timber from forestland as fuel.





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

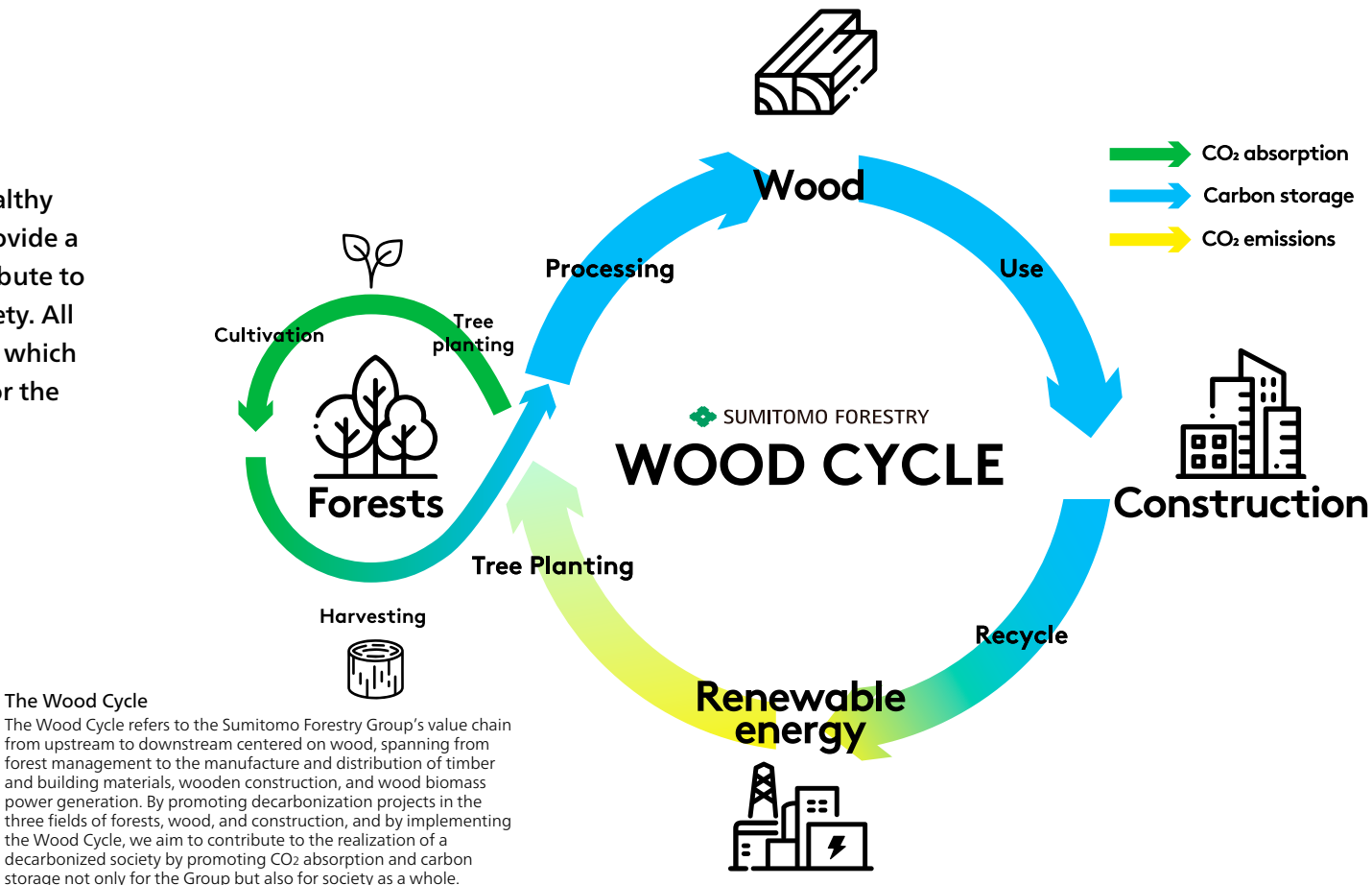
- R&D spending: 2,576 million yen

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



In the fiscal year ended March 31, 2016, the Sumitomo Forestry Group's net sales surpassed 1 trillion yen for the first time. Since then, our Group has continued to expand the scale of the business in Japan and overseas, with overall performance driven by M&A and business growth in the Global Housing, Construction and Real Estate Business. Under the Medium-Term Management Plan "Mission TREEING 2030 Phase 1," our Company is building a foundation for future growth and contributing to decarbonization.

Review of Previous Medium-Term Management Plans

	2018 Medium-Term Management Plan Fiscal year ended March 2017 to fiscal year ended March 2019	2021 Medium-Term Management Plan Fiscal year ended March 2020 to fiscal year ended December 2021
Basic Policies	<p>Promoting change for a new stage</p> <p>Also implementing reform of corporate climate to further solidify business foundation</p> <p>Pursuing a strategy that anticipates societal changes</p> <ul style="list-style-type: none">Expansion of the overseas businessUtilization of (domestic) timberExpansion of the elderly care businessExpansion of the resources/energy business <p>Diversifying revenue sources in the global market</p> <ul style="list-style-type: none">In the housing/real estate business, establish a structure for a total of 8,000 houses, 5,000 in the United States and 3,000 in Australia, including via new region entry and M&A.Development of a sustainable afforestation business that takes biodiversity conservation and local communities into account while keeping an eye on global timber demand. <p>Transforming the value of wood</p> <ul style="list-style-type: none">Creation of new wood value	<p>Promoting creation and growth of new businesses based on future-oriented business strategies</p> <p>Promoting future-oriented business strategies for further growth</p> <ul style="list-style-type: none">Acceleration of the development and creation of businesses serving as pillars of Group profits by rolling out strategies that anticipate the times and customer needs. <p>Strengthening the management base for sustainable growth</p> <p>Improvement of the financial standing</p> <ul style="list-style-type: none">Tie previous investments to results.Generate free cash flows over three-year period (cumulative). <p>Improvement of organizational capabilities</p> <ul style="list-style-type: none">Engage in thorough risk management by strengthening governance.Promote diversity management and also focus on work style reform and human resources development. <p>Accelerating R&D and technological innovation utilizing timber</p> <p>Achievement of W30 Plan (30m wooden high-rise buildings)</p> <ul style="list-style-type: none">Aim for achievement by end of FY21/12. <p>Business labor saving and efficiency</p> <ul style="list-style-type: none">Utilization of ICT, including BIM and robotics. <p>Acceleration of technological innovation</p> <ul style="list-style-type: none">Increase in number of personnel in IT Solutions Division by 20% compared to March 31, 2019. <p>Promoting further integration of business operations and ESG initiatives</p> <ul style="list-style-type: none">Promotion of integration with business, including further consideration for the environment and strengthening of governance, along with enhancement of disclosures from a medium- to long-term perspective.
	<p>Review</p> <ul style="list-style-type: none">Recurring income for the fiscal year ended March 31, 2018 was 55.6 billion yen*1, achieving the target for the fiscal year ended March 31, 2019 ahead of schedule.Although recurring income for the fiscal year ending March 2019 was slightly below the initial plan, performance is on track to build a business structure facilitating consistent recurring income of 55 billion yen.<ul style="list-style-type: none">Net sales: 1,308.9 billion yen (+138.9 billion yen vs. target)Recurring income: 54.8 billion yen*1 (-0.2 billion yen vs. target)Growth in renewable energy businesses, such as wood biomass power generation.Created the W350 Plan, a research and technology development concept for the construction of a wooden high-rise building 350 meters above ground.M&A and subsequent business growth in the Overseas Housing and Real Estate Business drove overall performance.	<ul style="list-style-type: none">Achieved all numerical targets for the fiscal year ended December 2021, exceeding the plan in all target areas.<ul style="list-style-type: none">Net sales: 1,385.9 billion yen (+125.9 billion yen vs. target)Recurring income: 134.5 billion yen*1 (+49.5 billion yen vs. target)Net income attributable to owners of parent: 87.2 billion yen (+39.2 billion yen vs. target)Steadily expanded business areas in single family homes in the United States and Australia.Actions in the United States' real estate development business led to expansion of business scale and diversification.Worked to develop businesses with the potential to become pillars for the next generation through the expansion of wood biomass power generation facilities and the construction of new large-scale residential facilities for the elderly with living support services.Implemented capital increases through public offering and private placements to improve financial standing.
	2018 Medium-Term Management Plan Fiscal year ended March 2017 to fiscal year ended March 2019	2021 Medium-Term Management Plan Fiscal year ended March 2020 to fiscal year ended December 2021

*1 Excluding the effect of actuarial differences

Long-Term Vision

Mission TREEING 2030

~Making our planet safer and more secure for future generations~

Target for recurring income in 2030: 250.0 billion yen

Current Medium-Term Management Plan

Mission TREEING 2030 Phase 1

Fiscal year ended December 2022 to fiscal year ending December 2024

Basic Policies	Three years for creating a foundation aimed at future growth and contribution to decarbonization	
	<ul style="list-style-type: none">Further growth of the Overseas Housing and Real Estate business, now a major earnings pillar, and recovery of earning power in JapanThree years to invest in the Environment and Resources business, at the core of decarbonization, and solidify our foothold, heading toward our long-term vision	
	<p>Efforts to address decarbonization challenges using timber resources</p> <ul style="list-style-type: none">Expand new businesses in Japan and abroad marketing the value of forests as a CO₂ sinkPromote measures to boost competitiveness of domestic timberExpand medium- and large-scale wooden architecture business <p>Promotion of a more resilient earnings base</p> <ul style="list-style-type: none">Restore earning power of the Housing and Construction business and the Timber and Building Materials business as well as promote reforms based on future market changesBoost asset efficiency <p>Acceleration of global expansion</p> <ul style="list-style-type: none">Expand the housing and real estate business operations in the United States and Australia and create a profit base in Asia	<p>Strengthening of the management base for sustainable growth</p> <ul style="list-style-type: none">Promote digitalizationSecure human capital and enhance HR development, and increase employee engagementReinforce risk management <p>Further integration of business operations and ESG</p> <ul style="list-style-type: none">Steadily implement measures aimed at the achievement of RE100/SBT (Science Based Targets)
Targets by Business Division	Timber and Building Materials	<ul style="list-style-type: none">Rebuild overseas manufacturing businessInvestment in new businesses that can become future business pillars (domestic timber manufacturing including timber industrial complex, decarbonization business, promotion of DX, etc.)
	Housing	<ul style="list-style-type: none">Increase market share and streamline construction in custom-built housing businessExpand the for-sale residential business, the non-residential business, the renovation business, etc.
	Global Housing, Construction and Real Estate	<ul style="list-style-type: none">Continue to grow the housing and real estate development business in the United States, Australia, and AsiaCommercialize medium- and large-scale wooden construction business in non-residential segments in all markets including Europe
	Environment and Resources	<ul style="list-style-type: none">Expand forest management area in Japan and overseas
	Lifestyle Services	<ul style="list-style-type: none">Continue stable operation of nursing care business, etc.

* Effective January 2023, segment names were changed as follows: the Housing and Construction Business was changed to the Housing Business, and the Overseas Housing and Real Estate Business was changed to the Global Housing, Construction and Real Estate Business. In addition, the Construction Business has been transferred to the Global Housing, Construction and Real Estate Business.

Medium-Term Management Plan
Mission TREEING 2030 Phase1
Fiscal year ended December 2022 to fiscal year ending December 2024

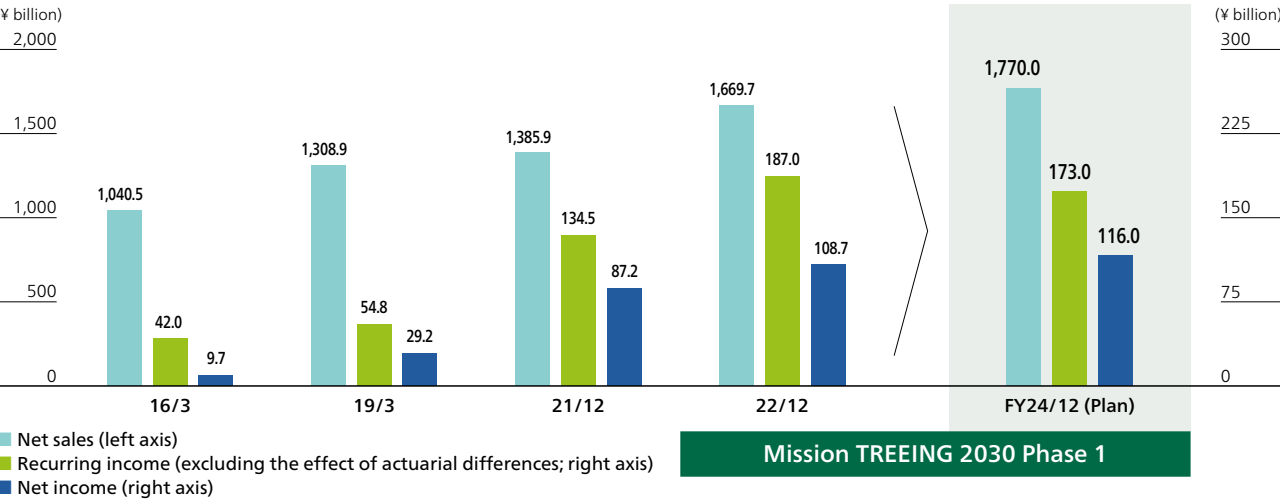
Progress of “Mission TREEING 2030 Phase 1”

Under the current Medium-Term Management Plan, the Sumitomo Forestry Group is working on various measures to build a foundation for the future. These measures are founded in five basic policies, which were developed with a focus on decarbonization, a more resilient earnings base, the acceleration of global expansion, a stronger management base, and the further integration of business operations and ESG. In the area of forests, the Group established Eastwood Forests, LLC in 2022, a forest asset management company in the United States to generate high-quality carbon credits. In the area of timber and building materials, land was acquired for the first project in Shibushi City, Kagoshima Prefecture, for the establishment of a timber industrial complex, and the Group is currently studying several other candidate sites across

Japan for the second and third projects. In the area of construction, Sumitomo Forestry launched a business to support carbon neutral design in the construction industry, and medium- to large-scale wooden construction is progressing steadily in the United States, Australia, and Europe. The Overseas area experienced an expansion into Florida in January 2023, which is a leading market in the United States, as well as the establishment of a wall panel and truss manufacturing plant to promote the FITP business, which aims to reduce costs, shorten construction periods, and reduce waste.

As for performance, for the fiscal year ended December 2022, net sales increased 20.5% from the previous year to 1,669.7 billion yen, and recurring income rose 41.6% to 195.0 billion yen.

Performance Targets



Segment Targets

	Net sales			Recurring income		
	FY22/12 result	Year-on-year change	FY24/12 (Plan)	FY22/12 result	Year-on-year change	FY24/12 (Plan)
Timber and Building Materials	273.7	+26.2%	264.0	14.9	+49.0%	11.5
Housing	533.5	+4.4%	547.0	15.9	-19.1%	32.0
Global Housing, Construction and Real Estate	848.7	+31.7%	954.0	161.3	+54.6%	129.0
Environment and Resources	21.9	-1.9%	26.5	1.4	-64.6%	4.0
Others	24.6	+2.5%	29.0	1.9	-35.7%	5.0
Adjustments	-32.7	—	-50.5	-0.4	—	-8.5
Total	1,669.7	+20.5%	1,770.0	195.0	+41.6%	173.0
			(Reference) Excluding the effect of actuarial gains and losses	187.0	+39.1%	173.0

* Net sales and recurring income for the fiscal year ended December 2022 are based on the previous segment classification.

Message from the Executive Officer in Charge of Corporate Planning and Finance



We will implement growth strategies aimed at achieving our Long-Term Vision while building a robust financial structure

Under the current Medium-Term Management Plan, which will end in 2024, the basic policy of our financial strategy is to build a robust financial structure and balance investing for growth and returning profits to shareholders. As KPIs, we aim to make growth investments for decarbonization and achieve a stable return on equity (ROE) of 15% or more while maintaining an equity ratio of 40% or more and a net debt-to-equity ratio of 0.7 times or less.

Financial and capital strategies in the Medium-Term Management Plan

The current Medium-Term Management Plan, which corresponds to Phase 1 of the Long-Term Vision Mission TREEING 2030, is positioned as a three-year period to lay the foundation for future growth and for our contribution to decarbonization. We will diversify our residential real estate business in the United States, which has become a pillar of earnings, enter businesses in which procurement of materials and construction are undertaken by one company, and restore the earning power of our housing business in Japan, which remained an issue in the previous Medium-Term Management Plan. By accelerating

investments and initiatives in decarbonization-related businesses, we intend to gain a foothold to realize our Long-Term Vision. In order to actively invest in new growth fields, while building a profit base, I consider it important to balance the preservation of financial soundness and a growth in earnings mindful of capital efficiency. Specifically, we have set the ambitious targets of making growth investments for the future while maintaining an equity ratio of 40% or more and a net debt-to-equity ratio of 0.7 times or less, and achieving a ROE of 15% or above consistently.

Message from the Executive Officer in Charge of Corporate Planning and Finance

Review of fiscal 2022 and future outlook

In the fiscal year ended December 31, 2022, thanks to the strong performance of our single-family homes business in the United States, which is a pillar of earnings, and the yen’s depreciation, the Group’s overall net sales were 1,669.7 billion yen, up 20% year on year, recurring income was 195.0 billion yen, a 42% year-on-year increase, and net income was 108.7 billion yen, up 25% year on year. Both recurring income and net income reached record highs, and recurring income exceeded the target of 173.0 billion yen set for the fiscal year ending December 31, 2024, the final year of the Medium-Term Management plan. ROE stood at 19.4%, significantly exceeding the cost of equity (recognized as around 7%) due to the large increase in net income, and well outpacing the target of 15%, following 20.2% for the fiscal year ended December 31, 2021.

In order to achieve a stable ROE of 15% or above going forward, it is necessary to secure profitability of our housing and real estate business in the United States, which accounts for 70% to 80% of our profits. In the fiscal year ending December 31, 2023, a decline in earnings compared to the previous fiscal year, which showed strong performance, is inevitable partly due to the temporary adjustment phase of the United States housing market against the backdrop of a sharp rise in interest rates. On the other hand, we believe that the United States housing market will continue to grow over the medium to long term

as the tight supply-demand relationship continues for the time being, driven by the growing population of homebuyers’ groups including millennials and Generation Z, buyers, along with a shortage of available previously-owned homes in the market. In such a business environment, we believe that we can secure a certain level of profitability by promoting sales strategies tailored to the conditions in each region, and in fact, contracts and sales of houses have been progressing favorably this year.

In addition to newly entering the state of Florida in January 2023, the Group is actively promoting initiatives to increase profits, improve profitability, and prepare for labor shortages. These include obtainment of land with reduced risks, such as purchase contracts with options and the use of land bankers, and promoting the FITP*1 business, which provides integrated services from the design of structural panels to manufacturing, delivery, and construction. In addition to the housing and real estate business in the United States, we are also improving profitability in the domestic housing business by reviewing sales prices and streamlining production, reducing our assets by selling domestic nursing homes to funds, and decreasing cross-shareholdings. We will continue to aim for profit growth mindful of capital efficiency across the entire Group.

*1 Fully Integrated Turnkey Provider

Trend in main financial indicators

	2019/3	2020/3	2020/12*2	2021/12	2022/12	2023/12 forecast*3
Equity ratio	32.8%	32.1%	33.7%	37.7%	40.8%	39.0%
Net debt-to-equity ratio (times)	0.5	0.5	0.5	0.3	0.4	–
Return on equity (ROE)	9.3%	8.8%	8.8%	20.2%	19.4%	11.8%
Dividend payout ratio	24.9%	26.1%	20.9%	17.5%	23.0%	32.4%

*2 Due to a change in the fiscal year end, the fiscal year ended December 31, 2020 consisted of the nine-month period from April to December 2020.

*3 Forecast as of April 27, 2023.

Maintaining financial soundness

In order to achieve the Medium-Term Management plan and realize the Long-Term Vision, financial stability and soundness that can withstand the effects of economic fluctuations are prerequisites. This is becoming even more

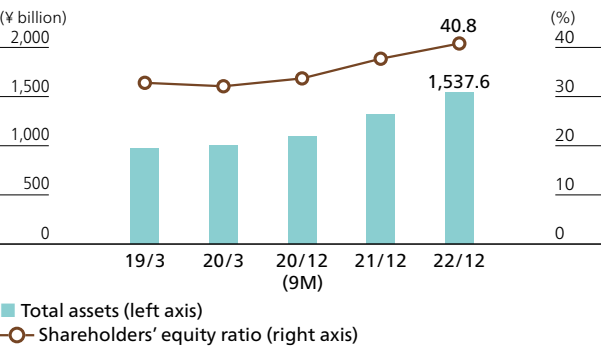
material, especially in the context of our growing housing and real estate business in the United States, which is easily affected by market environments. We have been working to maintain our financial soundness, and while interest-

bearing debt has increased due to business expansion, we have maintained an equity ratio of over 40% and a net debt-to-equity ratio of 0.7 times or less thanks to the steady accumulation of profits and timely public offerings.

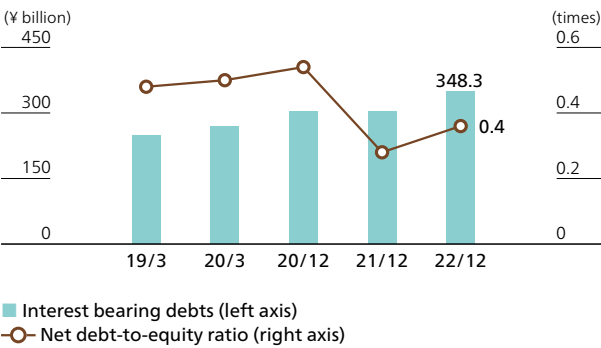
In addition to the active investments and loans to decarbonization-related businesses set forth in our Long-Term Vision, demand for funds is expected to rise through the acquisition of real estate for sale, mainly in the United

States housing market, and the growth of our real estate development business. Although we consider that financial indicators will change depending on the timing of these investments and the funding environment, we will continue to balance active investments for growth with financial soundness while maintaining financial discipline.

Total assets/Shareholders’ equity ratio



Interest bearing debts/Net debt-to-equity ratio

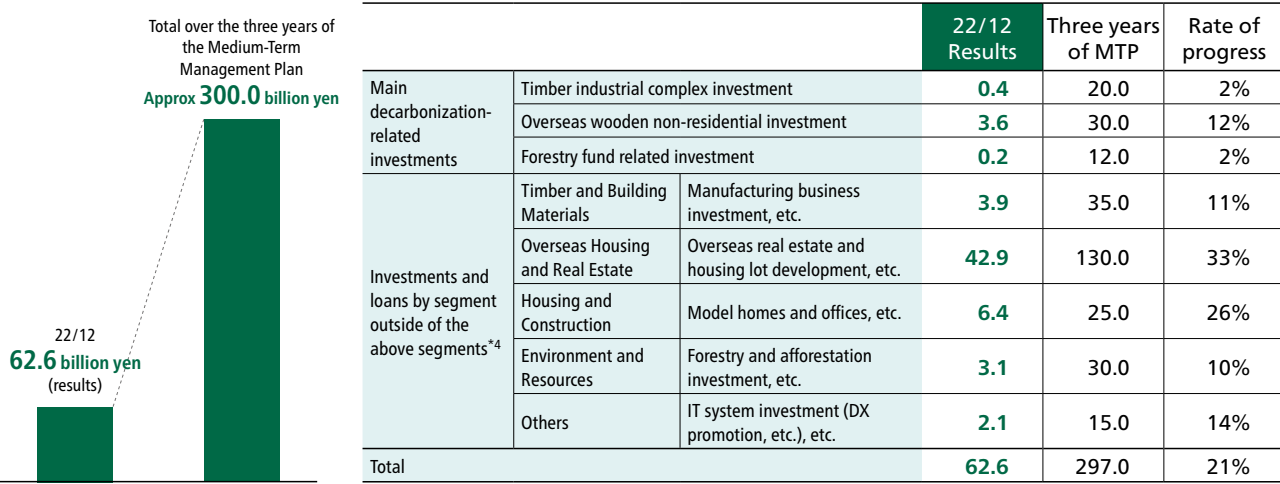


Investments for growth

In order to increase ROE and ROIC, the Group has adopted IRR and NOI yield as quantitative criteria for new investments and stipulates that efficiency indicators such

as IRR calculated from business plans exceed hurdle rates (WACC, etc.) set for each country and business as a general rule.

Investment plan



*4 Former segment classification.

Message from the Executive Officer in Charge of Corporate Planning and Finance

Under the Medium-Term Management Plan, we plan to invest approximately 300.0 billion yen in total over the three-year period, of which 62.0 billion yen is earmarked for decarbonization-related investments such as forestry funds, timber industrial complexes, and overseas non-residential construction. In the fiscal year ended December 31, 2022, we made investments amounting to a total of 62.6 billion yen, mainly for commercial real estate development in the United States, the acquisition of a panel manufacturing company to jumpstart the FITP business, model homes in

Japan and overseas, and IT-related investments. As a result of careful consideration, some projects were abandoned, so the progress in the first year was slower than expected, but in 2023, we will move ahead with projects such as ESG-friendly offices near Atlanta, a seven-story office building of mass timber construction near Dallas, and forestry funds. We will also continue to promote the businesses set forth in the Long-Term Vision and actively invest in our business expansion.

Acquisition of real estate for sale

In the Medium-Term Management Plan, apart from the investment plan mentioned above, we plan to acquire real estate for sale, mainly in the United States, where steady housing demand is expected, but we are particularly conscious of controlling inventory risk and improving the turnover rate.

With regard to risk control, we have established a limit for investment in real estate for sale as an operational rule and imposed certain restrictions to avoid excessive inventory levels. This limit was set in such a way that even if a certain amount of loss occurred, it would not significantly impair financial soundness. We are controlling the balance of real estate for sale based on these approaches and rules. In addition, subsidiaries in the United States have been

obtaining funds individually from financial institutions for the acquisition of real estate for sale in the United States, but in the fiscal year ended December 31, 2022, we switched part of these funds to parent company loans with the aim of reducing financing costs. By establishing our own covenants for these loans, we can maintain the financial soundness of our subsidiaries and control the amount of real estate for sale.

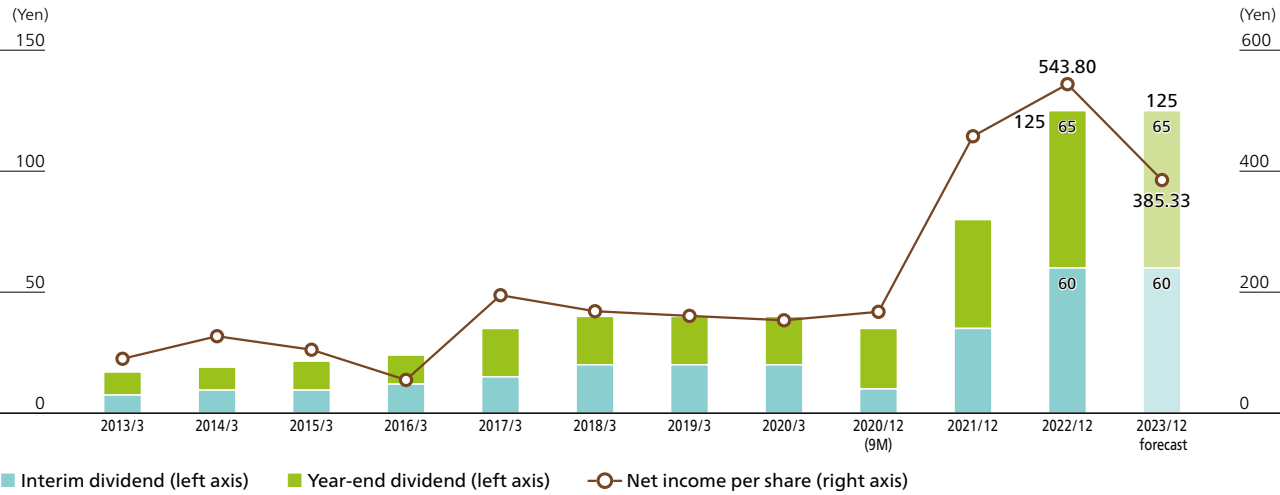
In order to expand our single-family homes business in the United States, which predominantly focuses on houses built for sale, it is vital that we acquire real estate for sale in a continuous manner. In addition to our growth strategy, we will continue to strive for sound business growth through a system that controls inventory risk.

Policy on shareholder returns

Sumitomo Forestry recognizes that returning profits to shareholders is one of its most important tasks, and our basic policy is to provide these returns in a continuous and stable manner. Going forward, we will continue to improve ROE and enhance equity by properly utilizing retained earnings for effective investments and R&D activities that contribute to the long-term enhancement of corporate value. We will also return profits at an appropriate level according to profit trends while comprehensively considering the balance between our management base, financial position, cash flow, and other factors.

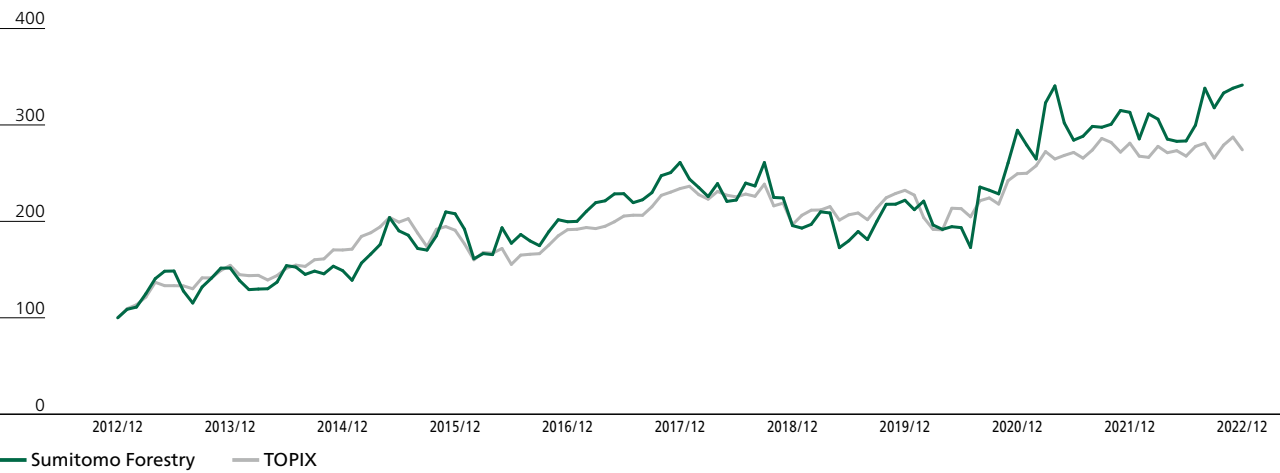
Our TSR over the past 10 years has been 241.4% cumulatively, which is higher than TOPIX. In recent years, we have pursued our growth strategy while utilizing funds obtained through a public offering of approximately 35.0 billion yen in July 2021, which resulted in an increase in profits and net income per share, leading to an increase in our stock price and corporate value. We will continue to return profits to shareholders by paying stable and continuous dividends and increasing corporate value.

Shareholder returns



* Due to a change in the fiscal year end, the fiscal year ended December 31, 2020 consisted of the nine-month period from April to December 2020.

TSR



	1 year	3 years		5 years		10 years	
		Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
Sumitomo Forestry	10.4%	60.6%	17.1%	32.6%	5.8%	241.4%	13.1%
TOPIX	-2.5%	18.1%	5.7%	17.2%	3.2%	174.2%	10.6%

*Total Shareholder's Return (TSR): Comprehensive return on investment including capital gains and dividends.
* The above graph shows the TSR, including dividends and stock price fluctuations, of investments made on December 31, 2012 up to December 31, 2022. The Sumitomo Forestry's chart indicates index figures of investment results (assuming no reinvestment of dividends) by setting investment amounts as of December 31, 2012 as 100. The index for comparison is TOPIX inclusive of dividends, and it is calculated in the same way as the above.
* The above table shows TSR as of December 31, 2022 assuming investments were made one year prior (December 31, 2021), three years prior (December 31, 2019), five years prior (December 31, 2017), and ten years prior (December 31, 2012). Figures for the one-year, three-year, five-year, and ten-year investments are annualized by geometric average of the return on investment for the relevant period.

Financial highlights

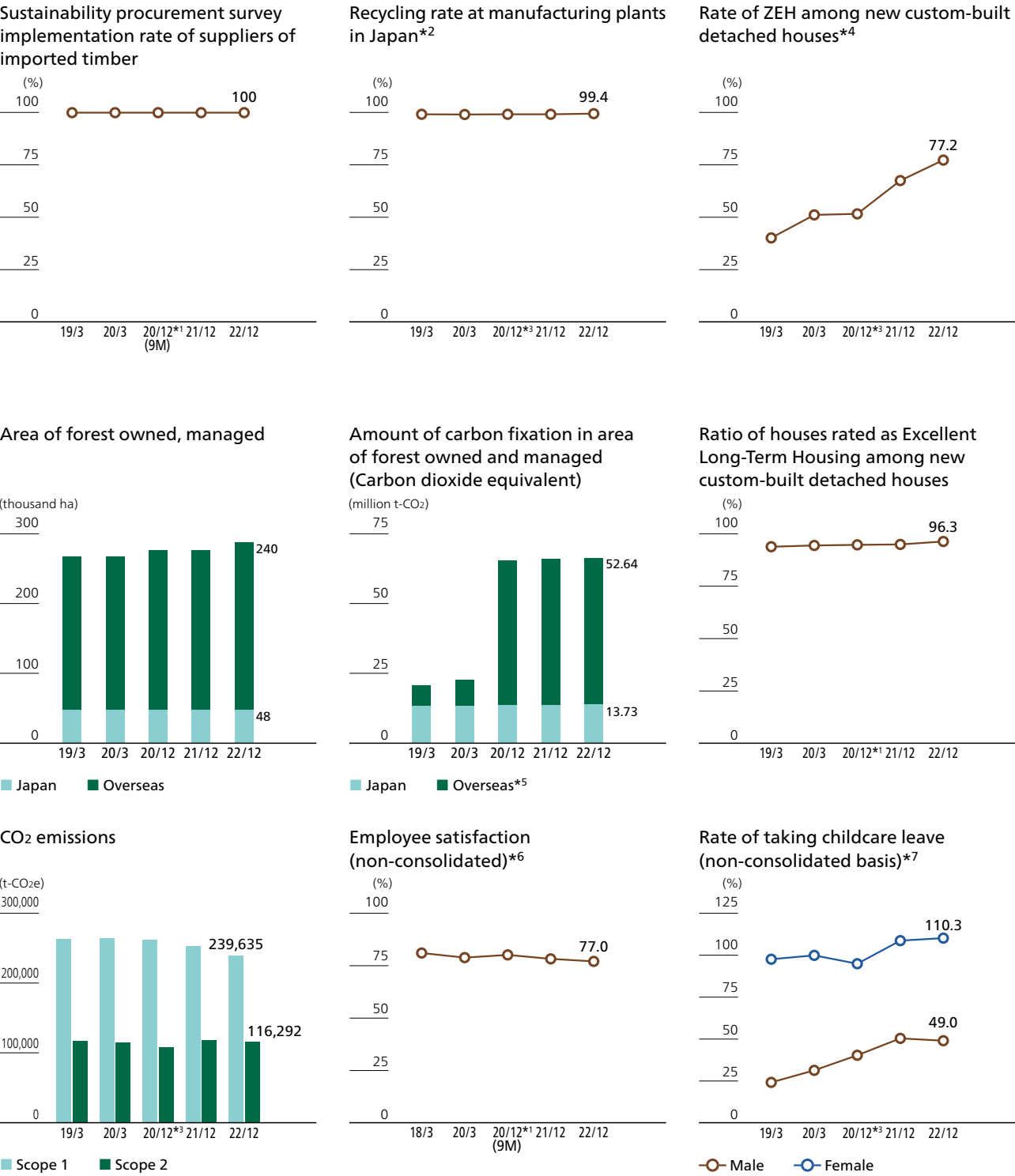


* Regarding the application of the Accounting Standard for Revenue Recognition, the Sumitomo Forestry Group has been applying the Accounting Standard for Revenue Recognition (ASBJ Statement No.29) from the FY ended March 2020. From this fiscal year, primarily in the Timber and Building Materials Business, for transactions where the Company's role in providing the products to the customer is fulfilled as an agent, an amount equivalent to fees is shown as sales on a net amount basis, rather than the total transaction amount. In addition, in regard to construction contracts in the Housing and Construction Business and the Overseas Housing, Construction and Real Estate Business, revenue is recognized for all construction works over a certain period of time in line with the fulfillment of performance obligations.

* The end of the fiscal year was changed from March 31 to December 31 starting in the FY ended December 2020. This fiscal year is a nine-month transition period from April 1 to December 31, 2020.

*1 Current market value by TSR is shown as an index figure based on the closing price as of December-end in 2017 set as 100.

Non-financial highlights



*1 Data collection period: April to December 2020

*2 Sumitomo Forestry Crest, the Agro-Products division of Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy

*3 Data collection period: January to December 2020

*4 The above includes Nearly ZEH and has ZEH Oriented in narrow areas since FY ended March 2019, and ZEH Oriented in heavy snowfall areas since FY ended March 2020. Hokkaido has been comprised since FY ended December 2020.

*5 From FY ended December 2020, conservation forests overseas were added to the scope of the collection.

*6 From FY ended March 2020, surveys on employee satisfaction have been conducted yearly.

*7 Rate of taking childcare leave = number of persons starting childcare leave in fiscal year/number of persons whose children were born in the applicable each fiscal year.

Timber and Building Materials Business



■ Progress of Business Strategies in the Mid-Term Management Plan



Koji Tanaka
Managing Executive Officer
Divisional Manager of Timber
and Building
Materials Division

A range of operations, from procurements of timber and building materials to manufacturing and distribution
Aiming to diversify revenue sources by handling more wood fuel for biomass power generation, etc.

Based on a global network built up over years of developing operations worldwide, the Timber and Building Materials Business sources stable supplies of high-quality timber from properly managed forests. As the leading trading company in the domestic timber and building materials distribution markets in terms of volume, Sumitomo Forestry operates a broad range of businesses, including the manufacturing and distribution of timber and building materials.

In FY2022, in the distribution business, while timber prices remained high, the Group worked to ensure a stable supply by focusing on strengthening cooperation with suppliers, and continued to pursue endeavors to increase the handling of wood fuel for biomass power generation and the utilization of domestic timber. In the manufacturing business, performance in Japan remained firm due to a review of sales strategies and cost reduction effects from labor-saving lines, while overseas, sales volumes of medium density fiberboard (MDF) and laminated veneer lumber (LVL) increased. As a result, net sales amounted to 273.7 billion yen, up 26.2% year on year, and recurring income amounted to 14.9 billion yen, up 49.0% year on year.

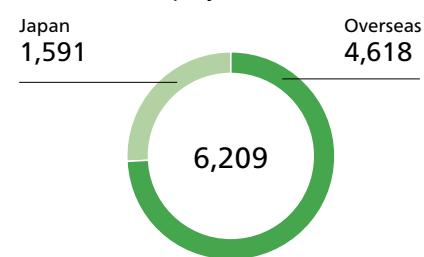
In August 2022, Sumitomo Forestry also launched the Japanese version of One Click LCA, a software program that can calculate CO₂ emissions during procurement of raw materials, processing, transportation, construction, renovation, and disposal, thereby promoting efforts to support the decarbonization of the construction industry.

Mission for Growth

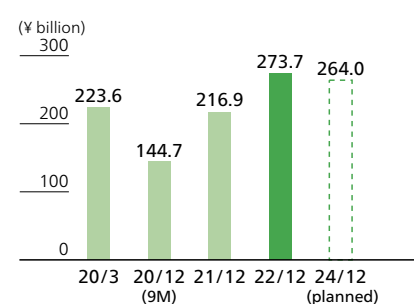
In the Timber and Building Materials Business, Sumitomo Forestry will continue to expand sales of environmentally friendly products such as planted forest timber by utilizing the supply chain for sustainable timber procurement. It will also continue to focus on building a stable supply system for wood fuel aimed at biomass power generation. To realize "Mission TREEING 2030," its long-term vision, the Group will expand existing businesses, promote efforts to establish a cyclical materials supply system with timber industrial complexes as a pillar, and standardize carbon neutral design by popularizing and expanding the use of One Click LCA.

In February 2023, Sumitomo Forestry launched a project to promote the acquisition of the EPD environmental certification label for timber and building materials manufacturers and a One Click LCA calculation by contract business for developers, general contractors, and design firms. These projects will help support carbon neutral design across the entire construction industry. Going forward, the Timber and Building Materials Business will continue to accelerate the promotion of "wood change," one of the pillars of the Sumitomo Forestry Group's decarbonized initiatives.

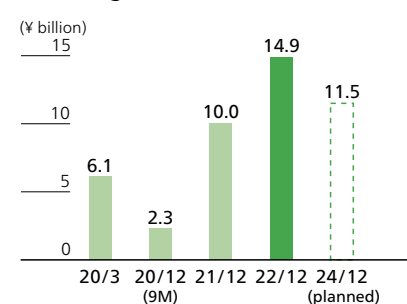
Number of employees



Net sales



Recurring income



*1 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.

*2 For more information about performance for the FY ending December 2023, please visit our website. <https://sfc.jp/english/ir/library/statements/2023.html>

Business Environment and Strengths

- Rising demand for domestic timber amid soaring imported timber prices and other factors
- Creation/expansion of business opportunities contributing to carbon neutrality through utilizing timber
- The Group's wide-ranging management resources, from upstream (forests) to downstream (construction)
- 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

Initiatives

- Strengthen the functions of Sumitomo Forestry Wood Products to encourage the spread of domestic timber
- Establish timber industrial complexes to improve timber production and ensure a stable supply of wood products, thereby strengthening price competitiveness
- Standardize components and develop a supply chain to strengthen competitiveness of medium- to large-scale wooden construction
- Develop new products and services, including the establishment of a supply system for biomass power generation fuel
- Strengthen functions to resolve issues faced by suppliers, such as building an information infrastructure that directly links the entire supply chain

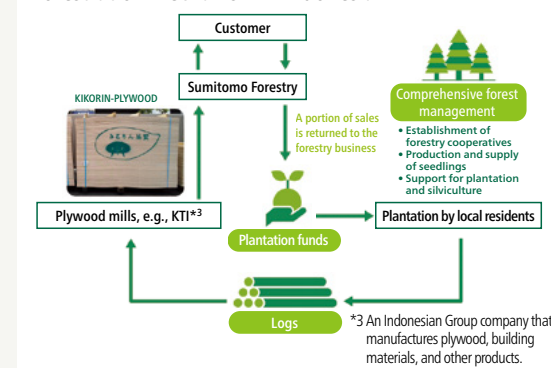
Products and Services

Realizing Recycling-Based Societies and Contributing to Local Communities with KIKORIN-PLYWOOD

The Sumitomo Forestry Group has set a target for the percentage of procurement of imported wood board products, such as plywood, that are made of certified forest timber and planted forest wood, and has been working to expand sales of these products. Among these products, JAS Plywood which uses 50% or more of FSC-certified or PEFC-certified timber and timber from sustainable planted forests is marketed as "KIKORIN-PLYWOOD," and some of its revenue has been invested in our forestry business developed in Indonesia. This product made using certified timber or 50% or more of wood from plantation forests was praised as being environmentally friendly, receiving an encouragement prize in the 1st EcoPro Awards in September 2018.

From FY2021, the definition of "KIKORIN-PLYWOOD" was amended to "plywood using 100% of sustainable certified timber" in order to align with the Sumitomo Forestry Group's Wood Procurement Standards, and we are striving to further expand sales. Sales performance in FY2022 (January to December) under the new definition was 298,692 m³. Through further sales expansion, the Group aims to realize a recycling-based society and contribute to local communities.

Forestation mechanism in Indonesia



Employee Voices

Strengthening a Range of Initiatives to Increase Domestic Timber Handling Volume

Sumitomo Forestry Wood Products is a trading company specializing in timber, with a focus on domestic timber. In recent years, we have promoted various initiatives to perpetuate the domestic timber wood cycle. One of these is the expansion of purchasing timber^{*4}. In addition to purchasing logs from markets and logging companies, we also purchase wood in order to secure log resources and ensure a stable supply. We purchase timber on the condition that trees are planted after logging, thereby contributing to the recycling of forest resources through planning and proposing reforestation.

Since domestic timber is a highly local industry, we believe that revitalizing the use of domestic timber will help revitalize communities as well. In addition to the reforestation field, which is indispensable for the recycling of forest resources, we will strengthen our efforts in the fields of log distribution, chip distribution, and product distribution to further promote the utilization of domestic timber.

*4 Purchasing unlogged trees from forest owners, logging and selling them.



Eriko Ishida
Tokyo Sales Office
Sumitomo Forestry Wood
Products Co., Ltd.

Housing Business



Progress of Business Strategies in the Mid-Term Management Plan



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

Regaining Profitability and Anticipating Market Changes through Transformation
Accelerating Structural Reforms with the new Innovation Strategy Department

Within the Housing Business, the Sumitomo Forestry Group has utilized the design and technological capabilities cultivated in the mainstay custom-built detached housing business to diversify its operations into the rental housing business, the spec-home business, the renovation business, the greening business, etc. that propose the comfort unique to wood. In January 2023, the segment was changed from Housing and Construction to Housing. Under the former segment, FY2022 results were net sales of ¥533.5 billion, up 4.4% year on year, and recurring income of ¥15.9 billion, down 19.1% year on year. In addition to continued efforts to strengthen digital marketing, the Group actively worked to realize a decarbonized society through actions to increase orders for Net Zero Energy Houses (ZEH) and launched Life Cycle Carbon Minus (LCCM) houses in April 2022. Although net sales increased due to higher unit sales prices and other factors, income decreased due to higher costs associated with soaring material prices.

The basic policy of the Medium-Term Management Plan is to regain profitability and promote transformation enabling Sumitomo Forestry to anticipate and respond to future market changes. To achieve this goal, the Group has established the Innovation Strategy Department to implement fundamental structural transformation in all areas of sales, design, and construction. At the same time, it is working to reduce costs through digital transformation and streamlining construction.

Mission for Growth

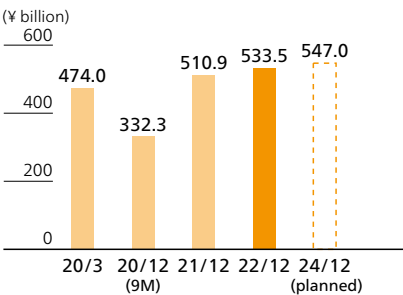
The Sumitomo Forestry Group has long provided quality living environments by working to provide high-quality homes that last a long time. Sumitomo Forestry Home houses, made from advanced construction methods such as the Group's proprietary Big-Frame (BF) structure while fully expressing the attractiveness and qualities of wood, is a leading brand in custom-built wooden detached houses. Furthermore, as timber is gaining worldwide attention as a type of renewable and sustainable natural capital, the Housing Business is checking the legal compliance and

sustainability of timber by procuring main structural materials through the Timber and Building Materials Division. What makes the Group unique is its comprehensive strengths in procurement and high value-added products and services. It will continue to strengthen its competitiveness through structural transformation and restructuring of the earnings base, increase its market share in the custom-built detached housing business, and focus on developing human resources to expand priority businesses such as spec homes, rental housing, and renovation.

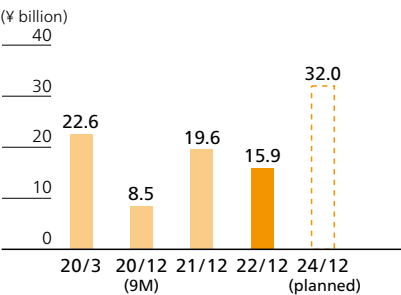
Number of employees



Net sales



Recurring income



*1 The end of the fiscal year was changed from March 31 to December 31 starting in the FY ended December 2020. The FY ended December 2020r is a nine-month transition period from April 1 to December 31, 2020 with respect to the change in the start and end of the fiscal year.
*2 Effective January 2023, segment names were changed as follows: the Housing and Construction Business was changed to the Housing Business, and the Overseas Housing and Real Estate Business was changed to the Global Housing, Construction and Real Estate Business. In addition, the Construction Business has been transferred to the Global Housing, Construction and Real Estate Business.
*3 Net sales and recurring income before the fiscal year ended December 2022 are based on the previous segment classification.
*4 Planned figures for the fiscal year ending December 2024 are as of the time the Medium-Term Management Plan was formulated. No reclassification has been made since the performance impact from the transfer of the Construction Business is negligible.
*5 For more information about performance for the fiscal year ending December 2023, please visit our website. <https://sfc.jp/english/ir/library/statements/2023.html>

Business Environment and Strengths

- 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
- Brand strength in wooden construction cultivated over many years
- Relationships with owners of approximately 340,000 homes delivered in Japan (cumulative total)
- 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

Initiatives

- 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

Products and Services

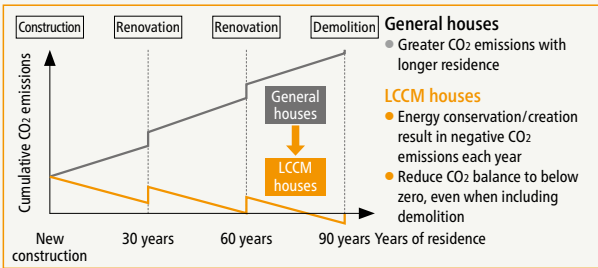
Opened the first model house for the Group's environmental flagship LCCM houses*6

In October 2022, Sumitomo Forestry opened a model house with life cycle carbon minus (LCCM) specifications in Yonago City, Tottori Prefecture. The Group's LCCM houses have low CO₂ emissions from raw material procurement to construction due to their wooden structure. Sumitomo Forestry further reduces CO₂ emissions by utilizing renewable biomass fuel in the timber drying process and using domestic timber for the structural frame. In addition, the Group's BF construction method is notable for its flexibility and facilitating floor plan change renovations, and contributes to long-term carbon storage thanks to longer building lifespans. Going forward, the Sumitomo Forestry Group will continue its contributions to the realization of a sustainable society by expanding sales of LCCM houses and promoting the standardization of carbon neutral design.



Exterior design evocative of all four seasons

*6 A house that achieves a negative CO₂ balance over the entire life cycle of the building, including during construction, by reducing CO₂ and creating renewable energy during construction, occupancy, and demolition.



ZEH order ratio (%)

FY	19/3	20/3	20/12	21/12	22/12	23/12 Plan
ZEH order ratio	40.0	51.0	51.5	67.4	77.2	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).

Employee Voices

Focusing on Expanded ZEH Sales by Pitching Benefits of Reduced Utility Costs and Resilience

Sumitomo Forestry is strengthening its ZEH proposals for new housing. Due in part to government subsidy measures, all 17 of the buildings I successfully earned contracts for in FY2022 meet ZEH specifications. Since trees can even store carbon after becoming lumber, growing the number of Sumitomo Forestry's wooden houses can help turn a town into a forest. In addition, because our houses already have high insulation efficiency, they are well suited for ZEH specification. This ZEH capability added to our ability to achieve spacious homes with our unique BF construction method is a key way we can differentiate ourselves from our competitors. Customers not only enjoy lower utility costs, but they appreciate the added value of resilience, such as seismic resistance and disaster prevention functions. Going forward, Sumitomo Forestry will continue to focus on expanding ZEH sales offering the superior performance, high quality, and environmental benefits unique to Sumitomo Forestry housing, as well as high economic benefits to customers.



Yusuke Nishida
Supervisor, Sales Group,
Kumamoto Branch
Housing Division

Global Housing, Construction and Real Estate Segment

Global Housing, Construction and Real Estate Business



Progress of Business Strategies in the Mid-Term Management Plan



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

Significant Increase in Sales and Income Due to a Strong United States Single Family Homes Business and Yen Depreciation
Aiming for Further Growth Through Aggressive Investment in the Wooden Non-Residential Business

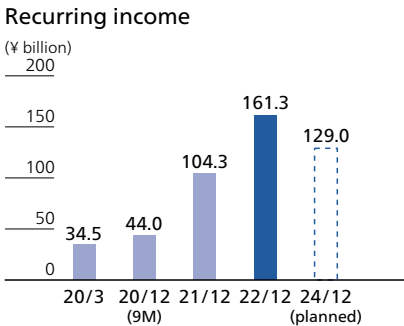
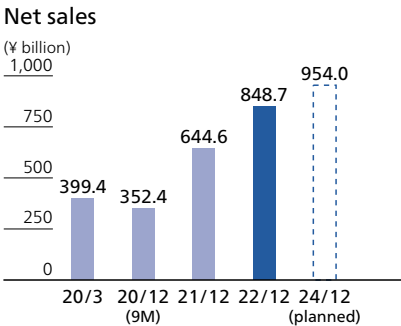
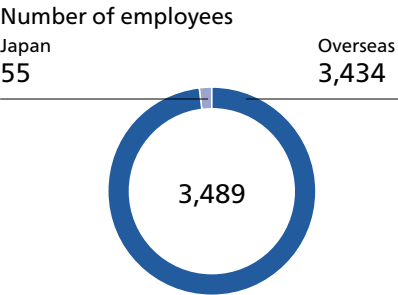
In 2023, this segment was merged with the Construction Business in Japan and renamed the Global Housing, Construction and Real Estate Business. In FY2022, although the number of units sold in the single family homes business in the United States declined due to the impact of longer construction periods, the business performed well against the backdrop of increased housing prices due to increasing demand for moves from urban areas to the suburbs, driving overall performance in this segment. The continued depreciation of the yen further boosted results, and net sales reached ¥848.7 billion, up 31.7% year on year, while recurring income reached ¥161.3 billion, up 54.6% year on year, a significant improvement for both. Of the approximately ¥300.0 billion planned for investments and loans over the three years of the current Medium-Term Management Plan, ¥30.0 billion will be dedicated to wooden non-residential projects related to decarbonization and ¥130.0 billion in real estate and housing lot development in the overseas businesses. In FY2022, investments and loans in the former category amounted to ¥3.6 billion, a progress rate of 12%, while the latter category received ¥42.9 billion, a progress rate of 33%. In FY2023, Sumitomo Forestry will continue to invest aggressively in its overseas wooden non-residential business and will at the same time develop the real estate development business in Japan and overseas as a pillar of earnings by integrating its experience in the real estate business gained overseas with its expertise in the construction business in Japan.

Mission for Growth

In the United States, orders declined from mid-2022 as interest rates were hiked to curb inflation. In FY2023*5, both net sales and recurring income were expected to decline due to the slowdown in the housing market and rising costs, but since the beginning of the year, mortgage rates have stabilized and housing demand has been recovering. The United States housing market is experiencing an ongoing structural housing shortage of 4 to 6 million units due to the decline in housing starts since the global financial crisis, despite strong demand from homebuyers. Therefore, it is important to be prepared for market turnaround opportunities while making adjustments to avoid carrying excess inventory. Sumitomo Forestry aims to achieve 9,000 housing units sold by securing contracts through the provision of effective

incentives. In addition, the real estate development business is expected to see a decrease in profit in FY2023 due to the sale of some properties in FY2022 ahead of schedule. Despite an unstable financial situation, the Group will secure earning sources for the next fiscal year and beyond by carefully selecting projects and making consistent efforts to bring them to the construction phase. In the Australian housing business, Sumitomo Forestry will strive to improve performance by shortening construction periods through production rationalization and developing products that meet market needs. In the Asian housing and real estate business, it will leverage its expertise in the Japanese housing business to differentiate from competitors and continue to develop environmentally conscious housing.

Special Feature: Construction & Overseas > P.20



*1 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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*4 Figures for the FY ending December 2024 are as of the time of formulation of the Medium-Term Management Plan. No reclassification has been made since performance impact from the transfer of the Construction Business is negligible.
*5 For more information about performance for the FY ending December 2023, please visit the Group's website. <https://sfc.jp/english/ir/library/statements/2023.html>

Business Environment and Strengths
(United States, Australia, Asia, Europe)

- 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
- 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

Initiatives

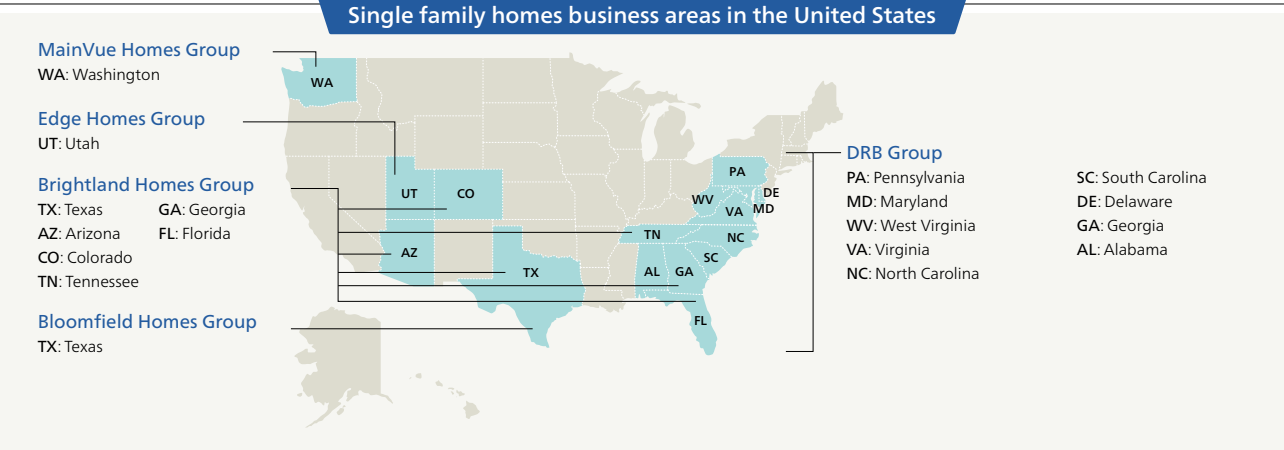
- Housing in the United States**
 - Product development based on area characteristics
 - Strict criteria for new land acquisition and inventory management with attention to capital efficiency
 - Stabilization of supply system, reduction of costs, shortening of construction periods, improvement of safety management, and reduction of waste through promotion of the FITP business
- Real estate in the United States**
 - Continuous acquisition of environmental certifications and development mindful of local communities
 - Promotion of capital-efficient operations through diverse business structures
- Australia**
 - Shortening of construction periods by rationalizing production processes, securing of housing lots through in-house development and collaboration with major developers
 - Expansion of business portfolio by entering peripheral businesses such as greening
- Asia**
 - Provision of solutions to issues in housing and lifestyles and differentiation of communities through the leveraging of the Group's technology and expertise
 - Promotion of initiatives for environmentally conscious housing such as EDGE certification

United States

Housing Business

In the United States, Sumitomo Forestry operates its housing businesses in 16 states from the West Coast to the East Coast through five local builders in the Group. In the housing business in the United States, a deep understanding of local housing and lifestyles and market characteristics and relationships of trust with respective local industries and governments are critical to business operations. Since entering the market in 2003, the Group has focused on sharing the Corporate Philosophy and other values with the management and employees of local Group companies, and has expanded its business by building long-term partnerships. At the same time, it has accumulated expertise while placing importance on local living customs, climate, and construction

methods unique to the region. In FY2022, the number of units delivered by the Group grew to become the ninth largest in the United States. Sumitomo Forestry is in a unique position to balance the experience and track record of local builders with business operations rooted in communities and the advantages of a national builder, such as financial strength and material procurement capabilities. Building on a solid foundation of cooperation with the local Group companies that it has established, the Group will strive to improve construction quality, environmental performance and design features, and to further expand and develop the business by providing living environments and communities that meet the needs of the market.



Global Housing, Construction and Real Estate Segment

Global Housing, Construction and Real Estate Business

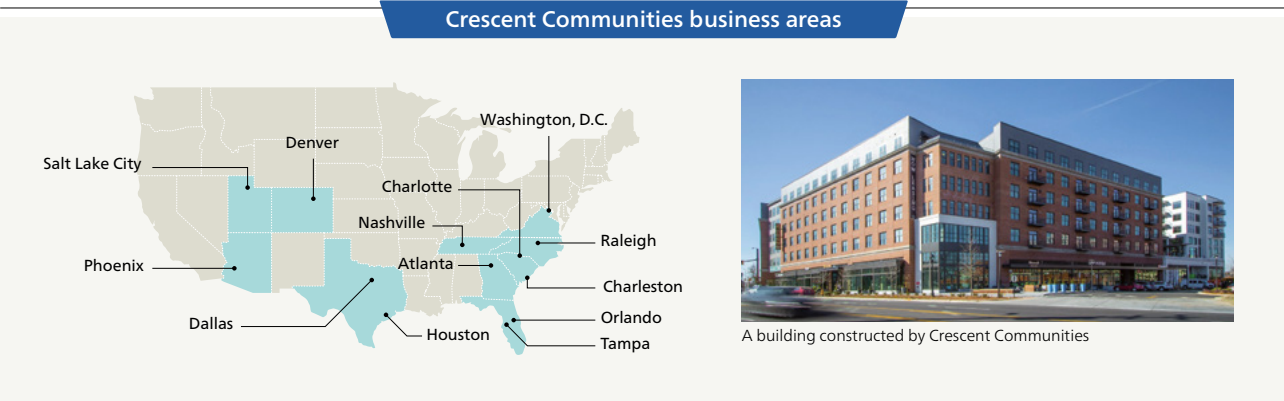
United States

Real Estate Development Business

Crescent Communities, LLC, a wholly owned subsidiary of Sumitomo Forestry, is developing multi-family housings, commercial and mixed use complexes and logistics facilities primarily in the area known as the Sun Belt*⁶, a leading area in employment and population growth rates in the United States. In 2022, together with SFC Asset Management Company (hereinafter “SFCAM”), Crescent Communities formed an ESG friendly real estate opportunities fund. The fund plans to develop and manage four multi-family housings for rent in the Sun Belt area, and will contribute to ESG through the acquisition

of environmental certifications and conducting development through dialogue with local communities. With the formation of this fund, Sumitomo Forestry entered the asset management business in earnest. The Group is also developing real estate in collaboration with leading local developers such as Trammell Crow Residential, Hines, and JPI.

^{*6} Sun Belt area: A warm region in the southern United States south of the 37th parallel north, spanning from California to North Carolina. The Sun Belt is showing continuous population growth as the region contains the top four states in terms of population growth in the 2020 U.S. Census (Texas, Florida, California, and Georgia).



Single Family Rental Homes Business

The Group has expertise in both the single family rental homes business and the real estate development business, which are necessary components for the development of single family homes for rent in the United States. In 2021, the Group entered the business in earnest, led by Crescent Communities. DRB and Brightland (formerly Gehan) are engaged in land procurement and construction by contract, establishing a business structure that brings together the expertise of all Group companies. In January

2023, through Brightland, Sumitomo Forestry acquired Southern Impression Homes, a developer and manager of single family homes for rent primarily in Florida, allowing the Group to enter the rental management business in that state as well. In the future, the Sumitomo Forestry Group plans to diversify its housing and real estate development businesses in the United States by also constructing, selling, and managing single family homes for rent in other states.

Full-scale entry into the asset management business, promoting forming funds and Japanese investor coordination

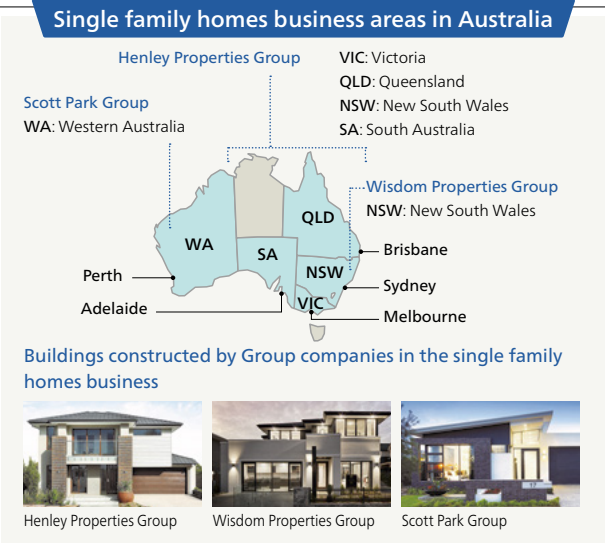
In November 2020, Sumitomo Forestry established SFCAM. In February 2022, it made a full-scale entry into the asset management business with the establishment of an ESG friendly real estate opportunities fund. In December of the same year, it formed a real estate investment fund to manage four private elderly care facilities with nursing care operated by the Group. The Group is working to establish new sources of revenue through asset management by efficiently utilizing management resources both in Japan and abroad.

Going forward, the Group will form forestry funds and expand medium- to large-scale wooden construction projects to further solidify its earnings base in the asset management business, and contribute to the decarbonization of society as a whole by implementing the wood cycle, Sumitomo Forestry’s tree-focused value chain.

Australia

Housing and Real Estate Development Business

Since launching its housing business in Australia in 2008, Sumitomo Forestry has been steadily expanding its business area. Australia has a high percentage of custom-built homes and is a market where expertise from Japan can be easily transferred. A growing population in the medium to long term is expected due to the immigration policy. Currently, three Group companies operate in all the five major cities of Melbourne, Brisbane, Sydney, Adelaide, and Perth, creating a network spanning all of Australia. The three companies provide quality homes to a wide range of people by developing multiple brands in different price ranges. The total number of homes sold by the three companies together is equivalent to the third biggest in builder rankings for Australia (2021-2022 results). In 2021, Sumitomo Forestry also participated in a wooden office development project near Melbourne. In April 2022, it added Regal Innovations to the Group, expanding into the greening business and thereby diversifying its business



portfolio. Going forward, the Sumitomo Forestry Group aims to expand the scale of its business in Australia by deepening the market for the housing business and entering peripheral businesses.

Asia

Housing and Real Estate Development Business

Asia is a region that is expected to experience a rise in housing demand along with the medium- to long-term economic and population growth, which is why Sumitomo Forestry has positioned it as the third pillar of the Global Housing, Construction and Real Estate Business after the United States and Australia and is working to strengthen its revenue base there. The Group is currently engaged in joint development of condominiums for sale and the landed house business in collaboration with local companies in Vietnam, Indonesia, and Thailand, utilizing its accumulated technology, design, and

business planning expertise cultivated in Japan and overseas. It will continue to expand the housing and real estate development business by leveraging its 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*⁷ and supplying homes with low environmental impact.

^{*7} 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

Establishing a Joint Venture for Full-Scale Entry into the Real Estate Market

In 2022, the Group began developing a six-story wooden office building in London in collaboration with United Kingdom-based Bywater Properties. This marked the first steps of Sumitomo Forestry’s real estate development business in Europe. In February 2023, the Group established a real estate development company jointly with the founders of Bywater Properties and thereby conducted a

full-scale entry into the United Kingdom real estate market. The Sumitomo Forestry Group will promote environmentally conscious real estate development and mass timber construction in Europe by utilizing its network, which has one of the highest transaction volumes for European timber by a Japanese company, to boost the expansion of the real estate development business.

Environment and Resources Business



Progress of Business Strategies in the Mid-Term Management Plan



Masanobu Nishikawa
Managing Executive Officer
Divisional Manager of
Environment and
Resources Division

Contributing to the decarbonization of society as a whole through the formation of forestry funds

The Environment and Resources Business develops businesses that maximize the use of forest resources. In the forestry business in Japan and overseas, Sumitomo Forestry owns and manages approximately 288,000 hectares of forests, including forests with third-party forestry certification such as FSC®. The Group's forestry management is based on the sustainable forestry approach, where trees are planted, grown, logged, utilized, and then replanted. This contributes to preserving biodiversity and developing local communities. The Group also operates a renewable energy business in Japan that uses mainly wood resources effectively. (FSC® license code: FSC-C113957)

In FY2022, Sumitomo Forestry's wood biomass power generation facilities were significantly affected by rising fuel procurement costs, and the forestry business in New Zealand experienced a decline in sales volume due to sluggish demand for logs in China, a major market for the Group, leading to a sluggish performance. As a result, net sales amounted to 21.9 billion yen, down 1.9% year on year, and recurring income amounted to 1.4 billion yen, down 64.6% year on year.

During the three years of the Medium-Term Management Plan, the Environment and Resources Business is expanding existing businesses and making new investments to use forest resources effectively. In October 2022, it established U.S.-based forest asset management company Eastwood Forests, LLC. Going forward, this company will increase the forest area it owns and manages through the forestry funds it will form, thereby contributing to carbon offsetting for society as a whole.

Mission for Growth

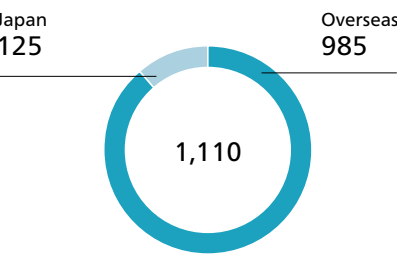
Sumitomo Forestry is working to realize "Mission TREEING 2030," its long-term vision that will contribute to the decarbonization of society as a whole. In the forestry business, it works to establish technology to measure CO2 absorption and carbon stock in forests with high precision, and promote projects that provide value as CO2 sinks through the formation of forestry funds, etc. In February 2023, the Group established NeXT FOREST Corporation, a joint venture with IHI Corporation to provide consulting services for the proper management of tropical peatlands*1. In addition, the Eastwood Climate Smart Forestry Fund I was formed in June 2023. Sumitomo Forestry

will continue to combat climate change and conserve natural capital by creating high-quality carbon credits through the appropriate assessment of the value of natural capital.

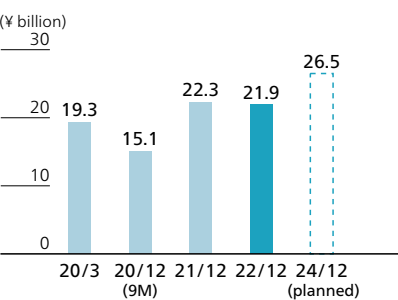
The Group has five wood biomass power generation plants in operation across Japan. In addition to striving to ensure stable operation of each power plant through stable fuel procurement, it plans to start operation of a new power plant in Miyagi Prefecture in the fall of 2023.

*1 Land with deposits of peat created by plant remains that have not decomposed in water. Groundwater level management is extremely important in peatlands because as the groundwater level drops and the land dries out, the carbon-rich peat becomes highly flammable.

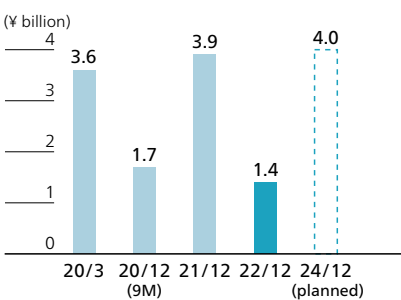
Number of employees



Net sales



Recurring income



*2 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.
*3 For more information about performance for the FY ending December 2023, please visit our website. <https://sfc.jp/english/ir/library/statements/2023.html>

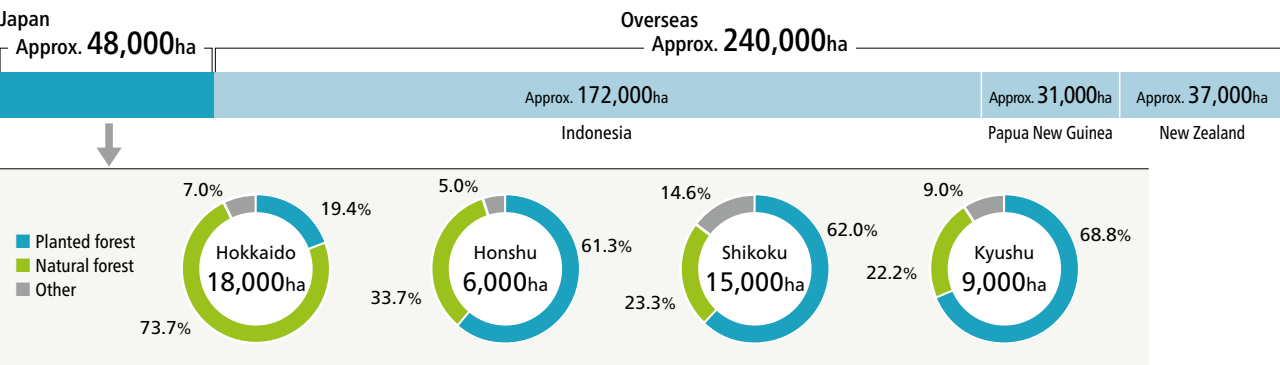
Business Environment and Strengths

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

Initiatives

- 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 2022)



Sumitomo Forestry's wood biomass power plants (as of end of December 2022)

	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 (planned)
Sumitomo Forestry's investment ratio	34%	51%	20%	52%	41.5%	15.0%
Power generation capacity	33MW	50MW	6.2MW	12.4MW	75MW	75MW
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

Employee Voices

From Business as Usual to a Decarbonized Society

Decarbonization efforts will be increasingly needed as many people are now directly experiencing the effects of climate change, not to mention that countries and companies must report on their progress toward their pledged emission reductions. In addition to recognizing the importance of forests itself, the Environment and Resources Division sees this as a business opportunity to contribute to climate change mitigation and realize a decarbonized society. We all know that forests have an amazing capacity to remove carbon from the atmosphere; what has been lacking is a proper way to measure, track, and trade their value. In the NeXT FOREST project I am involved in, we are developing a proper evaluation and monitoring method for tropical peatland forests by utilizing remote sensing and AI technology. Properly assessed forests can lead to the development of informed policies, sustainable forest management practices, and successful restoration or conservation efforts. This action can reduce carbon emissions and increase carbon sequestration while preserving other forest functions, all of which contribute to realizing a decarbonized society.



Niken Putri
Forest Carbon Sink
Business Department
Environment and
Resources Division



Other Segment

Lifestyle Services Business



Progress of Business Strategies in the Mid-Term Management Plan



Kazuo Maniwa
Executive Officer
Divisional Manager of Lifestyle
Service Division

The Sumitomo Forestry Group is helping to create affluent societies through a range of lifestyle-related services, centering on the elderly care and accommodation businesses.

In the Other segment, which includes the Lifestyle Services Business, FY2022 results were net sales of 24.6 billion yen, up 2.5% year on year, and recurring income of 1.9 billion yen, down 35.7% year on year. This business offers a wide range of services to support people’s daily lives, centering on the elderly care business. In addition to the operation of private elderly care facilities and residences for the aged that include living support services, this business is involved in various service businesses, including the insurance agency business for residential customers and others. Under the Material Issue 8 which refers to “to transform markets through DX and innovation” in the Medium-Term Management Plan, the Group is promoting ICT-based health support services with a plan to increase the number of facilities with sensor equipment in the elderly care business to 19 by FY2024. The pursuit of initiatives to develop human assets and provide advanced, high-quality services to further improve occupancy rates and stabilize the business will also continue. The new accommodation business at VISON, a commercial and mixed use complex in the town of Taki, Mie Prefecture, is designed to create local co-creation and regional revitalization. Sumitomo Forestry will continue to work with commercial facilities to expand earning power and achieve stable operations.



VISION

Mission for Growth

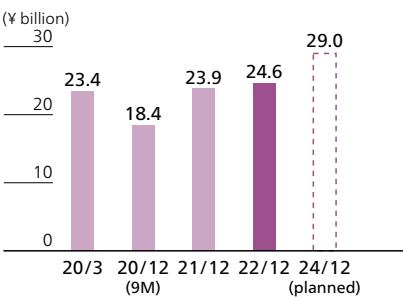
The strength of the Lifestyle Services Business lies in the Sumitomo Forestry Group’s high brand power and external assessment, as well as its nationwide name recognition and solid customer base. The elderly care business, accommodation business, golf course management, and other service businesses in this segment all leverage various resources and a wide range of expertise developed in the Timber and Building Materials segment and the Housing segment in the services that aim to create spaces with the comforting effect of wood and lifestyles in which the

greenery of the seasons is incorporated. By providing these services, the Group is able to create strong value for the public interest within society that contributes to solving social issues such as aging and regional revitalization. To address the current issue faced by Japanese society of abating rural areas due to depopulation, collaborations with numerous companies and government agencies will be implemented to promote solutions to regional issues, helping to create affluent societies while expanding business opportunities.

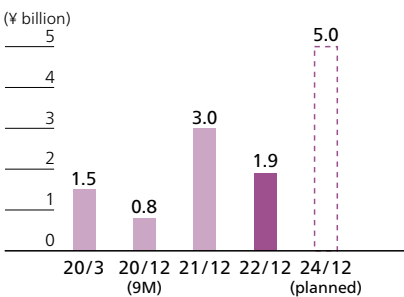
Number of employees



Net sales



Recurring income



*1 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 start and end.
*2 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.
*3 For more information about performance for the FY ending December 2023, please visit our website. <https://sfc.jp/english/ir/library/statements/2023.html>

Business Environment and Strengths

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

Initiatives

- 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.

Services

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

Gran Forest Denenchofu, the 17th private nursing home operated by Sumitomo Forestry’s Group company Sumirin Fill Care Co., Ltd., is scheduled to open in October 2023. 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*4.

The rooms will be equipped with monitoring sensors to keep residents safe. Harnessing ICT helps prevent injuries associated with nighttime wandering and standing up, providing support tailored to each resident’s needs. Through the warmth of people and trees, the Group contributes to the creation of a society where people can live comfortably and safely for their entire lives.

*4 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.



Renderings of Gran Forest Denenchofu

Sumirin Fill Care (As of end of December 2022)

Number of private elderly care facilities operated: 16
Number of day care business facilities operated: 3

Sumirin Care Life (As of end of December 2022)

Number of private elderly care facilities operated: 3
Number of private elderly care facilities (residences that include living support services) operated: 1

Employee Voices

Introducing Protective Sensors to Benefit Both Residents and Staff

The Lifestyle Service Division has a plan to increase the number of facilities that have introduced sensor equipment in the elderly care business to 19 by FY2024. The introduction of sensors has enabled us to visualize residents’ sleep and other activities, leading to prompt responses to changes in physical condition and the maintenance and improvement of health status. 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. I feel that the use of ICT systems has created a win-win for staff and residents. As of the end of December 2022, Sumirin Fill Care has completed sensor equipment introduction in all 16 of its nursing homes, and Sumirin Care Life Co., Ltd. has already introduced these in Elegano Nishinomiya, with plans for gradual introduction in all elderly care rooms in its other three nursing homes. Going forward, we will continue to strive to provide ICT-powered health support.

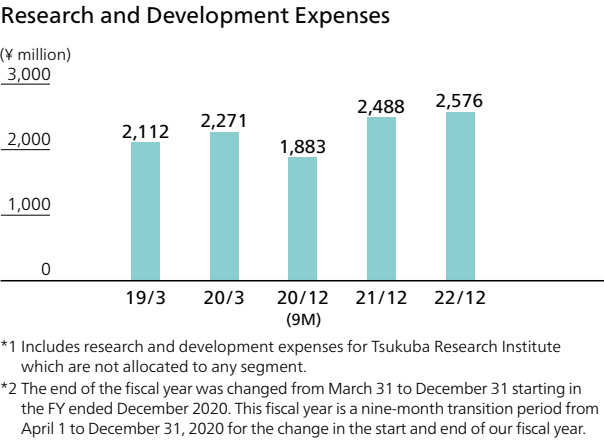


Shouko Kubota
Lifestyle Service Department
Lifestyle Service Division

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. Under our basic policy of enhancing the value of trees by unlocking their potential, we engage in research over a wide range of areas, focusing on the global environment, urban environments, living environments, and even the mental and physical health of individuals. Our research and development initiatives maximize the value of wood and contribute to the development of a sustainable society.

Research and Development Expenses
In FY2022, research and development expenses for the entire Group were 2,576 million yen. We are promoting research and technological development comprehensively covering upstream to downstream areas, from resources and materials to housing and construction.



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 is engaged in research and technological development comprehensively covering upstream to downstream areas, from forest resources and wood materials to housing and construction, as well as new value-creating research to enhance the value of wood and greenery. In addition, we promote research and development not only through our in-house research and technological development, but also in close collaboration with external partners such as university and government research and development organizations.

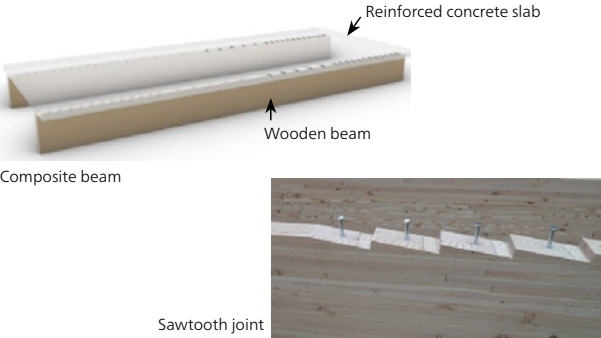


Initiatives for Unlocking the Potential of Trees and Creating New Value

Case 1

Jointly Developed the Composite Beam Construction Method with Nikken Sekkei Ltd.
In April 2022, the composite beam construction method, which combines saw-tooth uneven wood beams and reinforced concrete floor slabs, jointly developed with Nikken Sekkei Ltd., received an implementation structural performance evaluation*3 from Japan ERI Co., Ltd., which conducts building inspection and verification. The composite beam construction method takes advantage of how close the compressive strength of wood and concrete are, using solid joining to realize long spans. Since this leads to lower necessary beam heights, buildings can be built with a greater number of floors, promoting the spread of medium- to large-scale wooden buildings such as offices, schools, and hospitals. We will continue to develop and promote wood construction technologies to achieve our goal of virtually zero greenhouse gas emissions by 2050.

*3 An evaluation system that can be applied to ordinary applications for confirmation without complicated procedures by examining and evaluating buildings and construction methods using special structural methods not stipulated in the Building Standards Act.



Case 2

Participating in Overseas Joint Research on Tree Species Resistant to Climate Change
In April 2022, Japanese and Indonesian universities and research institutes jointly launched the Tropical Forest Resilience Project, a technology development project to select and mass produce climate resilient tree species for Indonesia’s main tree species. The project is expected to strengthen the CO₂ absorption and storage functions of local forests, and in the future, contribute to local communities and economies, in addition to timber production and the restoration of ecosystem functions. Sumitomo Forestry is the only private company participating in the project and will be in charge of propagation of selected trees through tissue culture and other means and production of seedlings, while PT Kutai Timber Indonesia (KTI), a Group company, will be in charge of seedling cultivation and tree planting.



Employee Voices

Valuable Experience from a Meeting of Minds in the Composite Beam Development Process
In developing composite beams, Nikken Sekkei Ltd. and Sumitomo Forestry set up a project team in 2016 to conduct in-depth experiments and verification. I was in charge of sound and vibration, with others in charge of areas like the structure and fire resistance. The development brought together a multi-disciplinary team of members, unlike previous developments in sound insulation flooring and traffic vibration countermeasures. It was a valuable experience as each of my colleagues came up with ideas in their areas, exploring ways to avoid competitor patents for fire resistance and establish effective implementation specifications for the structure, and so on. Looking forward, I would like to engage in development bringing ideas to fruition thanks to different perspectives from different areas.



Shinsuke Nishitani
Senior Researcher
Housing & Architecture 1 Group
Tsukuba Research Institute

Efforts for Sustainability Management

The Sumitomo Forestry Group’s Sustainability Management

Corporate Philosophy

The Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy of “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.”

Code of Conduct

The Sumitomo Forestry Group Code of Conduct has been established to emulate the Sumitomo business spirit that has been passed down since the company’s establishment and to meet with global social needs such as international conventions and initiatives. The Sumitomo Forestry Group is seeking to disseminate and implement the Code of Conduct throughout its supply chain as a global standard, including service providers, business partners, and contractors, in addition to the Group and its partners, including suppliers and affiliates. To guarantee that the Sumitomo Forestry Group Code of Conduct is widely known, the Sumitomo Forestry Group Code of Conduct Guidebook is issued to each employee at the Group companies in Japan, translated into English and other languages, and implemented at abroad affiliates as well as through e-learning. This information

has also been disclosed on our website to our business partners and other stakeholders. In addition, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct, etc. at the Sustainability Committee convened four times a year.

Policies and Guidelines

We have also established policies such as “Environmental Policy,” “Procurement Policy,” and “Occupational Health and Safety Policy,” and various guidelines based on our Corporate Philosophy and Code of Conduct. We formulated Mission TREEING 2030 in February 2022, a long-term vision that incorporates the ideal image of the Sumitomo Forestry Group into a long-term business concept. The Group aspires to realize a sustainable society by addressing the Nine Material Issues identified and providing values to the global environment, people’s lives and society, and markets and economic activities, etc.

Long-Term Vision > P.14 Mid-term Management Plan > P.34

ESG Initiatives in Management

The Sumitomo Forestry Group has announced “Mission TREEING 2030 Phase 1” (2022-2024), the first phase of its long-term vision “Mission TREEING 2030,” a three-

year medium-term management plan that provides the groundwork for future growth and contribution to decarbonization. One of the five basic policies is “Further Integration of Business and ESG,” and the Group has established “Sustainability Targets as part of Mid-term Management Plan in fiscal 2024,” which incorporates the Group’s sustainability strategy and material issues. “Mid-term Sustainability Targets in fiscal 2024” is a revision of the specific ESG-related goals in the Medium-Term Management Plan that has been in operation since fiscal 2019, with the goal of better aligning our business and ESG strategies in accordance with the new policies of the Mid-term Management Plan. Under the long-term vision “Mission TREEING 2030,” the value created by the Group was organized from the perspectives of providing “Value for our planet,” “Value for people and society,” and “Value for the market economy,” and nine new material issues were identified. Specific numerical targets have been defined for each business unit in more detail until 2024 in order to realize these nine material issues.

We believe that it will not only meet the expectations of society, including the SDGs, but also lead to an increase in corporate value that cannot be judged only from an economic perspective.

Sustainability Committee

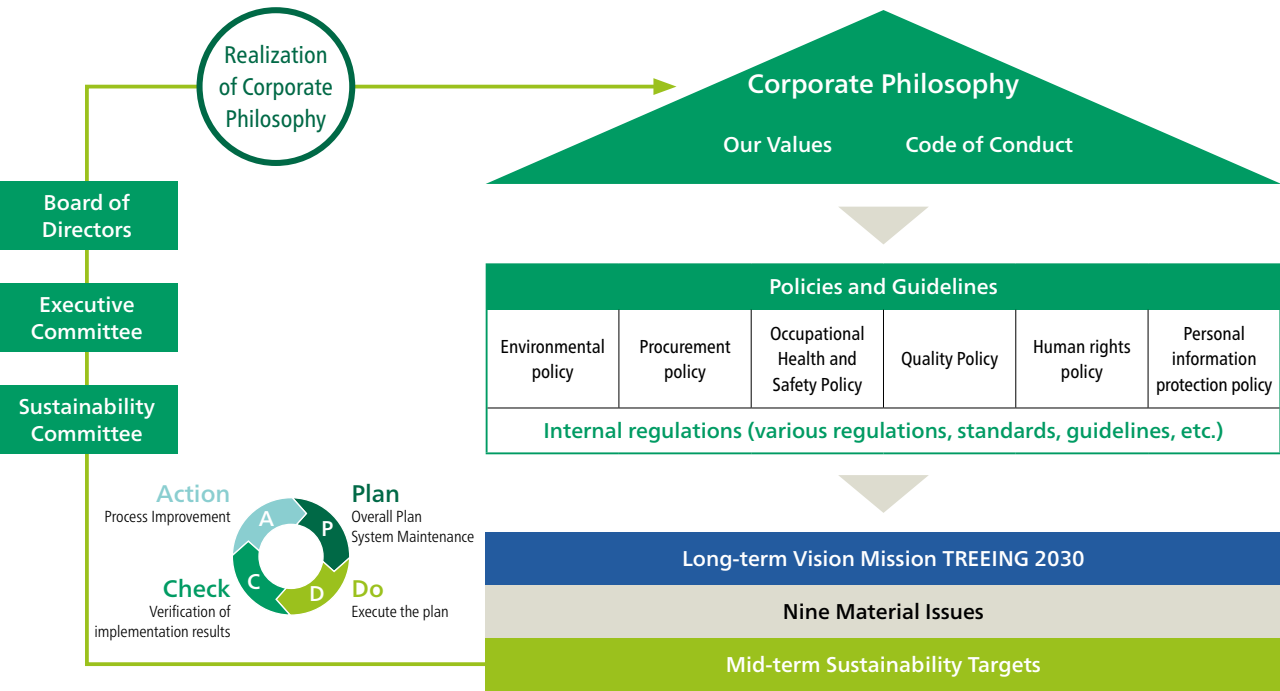
In response to increased demand for medium- to long-term initiatives regarding Environment, Social, and Governance (ESG) and the disclosure of such information, and also in order to address SDGs, TCFD guidelines, and human rights issues, Sumitomo Forestry established a Sustainability Committee in April 2018.

The Sustainability Committee is comprised of executive officers and directors, as well as general managers, with the President and Executive Officers acting as the committee chairman. At committee meetings held four times a year, committee members monitor the Company’s operational status and effectiveness within the context of Our Values and the Code of Conduct, along with the formulation and promotion of initiatives that address medium- to long-term ESG issues which concern the Sumitomo Forestry Group’s sustainability, starting with climate change. The meetings also analyze risks and opportunities, and manage progress on the Mid-Term Sustainability Targets, which incorporate business strategies that contribute to achieving SDGs. Minutes of the committee’s meetings are reported in their entirety to the Board of Directors with the aim of integrating business with solutions to social issues.

Risk check for new business plans by the Executive Committee

All new business and project plans that are brought for deliberation to the Board of Directors and the Executive Committee, which is the advisory body to the president, Sumitomo Forestry conducts risk assessment for the following categories, considering the entire supply chain. If a risk is confirmed, a report is made regarding the risk and measures to deal with it, which is used to determine implementation. In addition, the same risk assessment is recommended for new business projects that are not brought for deliberation to these meetings because they can be implemented under the jurisdiction of the respective division or affiliated company. In fiscal year 2022, 35 new businesses and projects were discussed. By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management. At the same time, the Sumitomo Forestry Group will proactively continue with sustainability management.

The Sumitomo Forestry Group’s Sustainability Management



Main risk assessment List

Environmental Aspects	1. Greenhouse Gases
	2. Biodiversity Conservation (Including Verification of Protected Regions)
	3. Waste
	4. Water Resources
	5. Soil Contamination
	6. Noise
	7. Other
Social Aspects	1. Relationships with Companies We Do Business With
	2. Anti-Corruption in All Its Forms, Including Extortion and Bribery.
	3. Human Rights Considerations for Workers and Other Stakeholders
	4. Promotion of Employee Diversity
	5. Prohibition of Forced Labor and Child Labor
	6. Appropriate Working Hours and Wages
	7. Occupational Health and Safety
	8. Impact on Local Communities (Including Concern for Local Residents and Administrations, Industry Organizations, NPOs, Municipal Citizens’ Groups and Indigenous People)
Legal and Regulatory Compliance	Various national laws/regulations/etc.
Overall	Recognition of Indications from External Organization About Business Models, Products, Services and the Related Business Entities

Nine Material Issues and Related SDGs

Nine Material Issues

Identifying material issues

Following on from 2008, the Sumitomo Forestry Group identified important CSR issues in March 2015. Since then, major changes have occurred around the world, including adoption of the SDGs (Sustainable Development Goals) and the conclusion and entry into force of the Paris Agreement, and in Japan, the GPIF's (Government Pension Investment Fund) signing of the PRI (United Nations Principles for Responsible Investment) has accelerated the trend toward ESG investment. In response to these trends, the Sumitomo Forestry Group developed its long-term vision "Mission TREEING 2030" in February 2022, which newly identified Nine Material Issues. In addition to analyzing geopolitical changes, technological innovations such as digitalization, as well as changes in the stakeholder preferences such as employees and customers' choices, we have also used the Sumitomo Forestry Group's strengths, which have grown significantly through M&A and capital and business alliances, to identify areas where the Group can make a unique contribution, not just to sustainability, but also as material issues for the Group's overall business.

Identification Method of Material Issues

In order to formulate our mission, we conducted a questionnaire survey of all stakeholders, including customers, business partners, shareholders and investors, outside experts, and employees, and received responses from approximately 6,000 people. Based on external changes (Megatrends), we identified matters that would impact the Sumitomo Forestry Group and set 35 issues classified in 5 categories of "Environmental Issues (Climate change)," "Environmental Issues (Resources and Biodiversity)," "Social Issues," "Governance," and "Economic Issues" and let respondents select what they think was important. Individual interviews with young employees and management-level personnel were also conducted.

We narrowed down the material issues for the Sumitomo Forestry Group based on the results of these questionnaires and interviews. Furthermore, we incorporated management's opinions and performed materiality assessments in consideration of risks and opportunities through a series of discussion among management ranks. Finally, we selected the Nine Material issues from three perspectives: "Value for our planet," "Value for people and society" and "Value for the market economy."

Nine Material Issues and Related SDGs



Value for our planet

1 To enhance the value of forests and wood through sustainable forest management

Nurturing forests to enhance and harness the value of wood and other forest resources.



Basic Policy	As global environmental problems such as climate change, resource depletion, and biodiversity loss become more serious, expectations for wood and forests that produce natural resources and biological resources to solve these problems are rising. Forests not only have functions of absorbing and fixing CO ₂ , conserving biodiversity, and producing wood building materials, fuel materials, or the like, but also have various public benefits such as water source recharge, soil conservation, and sediment disaster prevention. We intend to enhance the value of forest resources by promoting further integration of business and ESG and by conducting sustainable forest management and use of wood.				
	Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
	Sustainable use of forest resources	Seedlings supplied Forests in Japan Amount of biofuel material used (such as wood chips and pellets)*1	1.88 million seedlings 1,648,729t	2.23 million seedlings 2,073,948t	2.53 million seedlings 2,482,964t
	Biodiversity Conservation	Establishment of evaluation methods for biodiversity conservation	Gathering information	Exploring evaluation standards	Establishing evaluation methods

*1 Covers Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, Sumitomo Forestry Wood Products, and Sumitomo Forestry Timber and Building Materials Business

2 To realize carbon neutrality by leveraging forests and wood resources

Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.



Basic Policy	Since trees absorb and fix CO ₂ in the process of growth and only a small amount of CO ₂ during production, it is important to actively use wood for the transition to decarbonized society . We promote the use of wood construction and wood materials in buildings while promoting forest management that accelerates the harvesting and reforestation of working forests that promote carbon storage and the long-term carbon storage value of wood. We will also contribute to the decarbonization of society as a whole by promoting decarbonized architecture by establishing and standardizing decarbonization design methods.				
	Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
	Promotion of decarbonization	Renewable energy consumption rate [Efforts to achieve RE100]*2 Percentage of orders for ZEH out of new custom-built detached housings	3.9% 77.2%	6.1% 75.0%	35.1% 80.0%
	Utilization of Sustainable Forest Resources	Sales quantity of KIKORIN-PLYWOOD (Monthly)	28,452m ³	35,000m ³	35,000m ³

*2 Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as a whole nation.

3 To realize a circular bioeconomy by leveraging forests and wood resources

Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.



Basic Policy	The Sumitomo Forestry Group realizes a circular bioeconomy centered on wood by running a wood cycle that cascades utilization of timber, which is a renewable and sustainable natural resource, in forest, wood, architecture, and the field of energy such as biomass power generation and increasing the value of wood resources. For resources other than wood, we will strive to control, reuse, and recycle waste. We will also continue to investigate sustainability of our supply chain for the sustainable use of resources.				
	Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
	Resource recycling (industrial waste)	Recycling rate at new housing construction sites*3 Recycling rate at housing demolition sites*4	94.3% 99.9%	97.0% 100%	98.0% 100%
	Resource recycling (supply chain management)	Number of EPD acquisition proposals to suppliers Ratio	65 companies 64.8%	30 companies 66%	65 companies 71%
	Utilization of Sustainable Forest Resources	Unused resources (biomass use) handling volume	18,022m ³	18,452m ³	19,202m ³

*3 Includes new housing construction sites of the Housing and Construction Division, Sumitomo Forestry Landscaping, as well as Sumitomo Forestry Home Engineering

*4 Includes all wastes (concrete, asphalt-concrete, and wood waste) under the Construction Material Recycling Law

Nine Material Issues and Related SDGs

Value for people and Society

4 To provide comfortable and secure spaces for society at large

Providing safe, comfortable and secure spaces to society at large.

Basic Policy As various social issues such as human rights issues like discrimination and poverty, intensification of disasters become apparent, the tendency toward well-being has increased, and people’s living spaces, especially homes, are required to be safe, secure, comfortable and warm. The Sumitomo Forestry Group will strive to improve customer satisfaction by focusing on providing high-quality products that give a sense of security, safety, comfort, and warmth to each of its many customers, in both newly built detached houses and remodeling, among others.

Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
Customer satisfaction	Ratio of Certified as Long-life Quality Housing*1	96.3%	95.0%	95.0%
	Questionnaire at the time of moving in (Non-consolidated NPS value*2)	53.2pt	52.0pt	53.0pt

*1 Limited to private house and applicable floor area or more
*2 Net Promoter Score (NPS). NPS is an index used to measure customer loyalty (the amount of trust and affinity for the company and brand)

5 To improve the livelihood of the local communities where we operate

Creating jobs through our businesses and contributing to the development of local communities.

Basic Policy Both in Japan and overseas, regions where forest businesses are operated are far away from major urban areas, and economic and cultural disparities are often seen even within each country. The Sumitomo Forestry Group is actively contributing to development of social infrastructure required in each region, in addition to increasing employment by hiring local human resources, particularly in the forest business in developing countries. In Japan, we will expand provision of high-quality elderly care facilities and nursing care facilities where the warmth of wood can be felt, who are also socially vulnerable. Furthermore, we will develop businesses that contribute to regional revitalization.

Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
Response to declining birthrate and aging population	Number of rooms at private-pay elderly care facilities	1,764 rooms	1,842 rooms	1,842 rooms
Communication with local communities	Year-on-year increase in Open Bay Timber employees [Recruitment of local human resources to increase production]	+26 employees	+17 employees	+28 employees
Human rights	Efforts related to grievance mechanisms *3	Operational structure under consideration	Range enlargement	Continuous operation

*3 Grievance and/or complaint mechanisms related human rights issues for stakeholders.

6 To create a vibrant environment for all workers

Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.

Basic Policy The foundation of a fair work environment is that everyone in the supply chain accepts diversity, including race, ethnicity, nationality, gender, and religion, respects human rights without discrimination. We must also respect work-life balance, which emphasizes the lifestyle of each individual. With the utmost emphasis on continuous improvement of employee satisfaction, we will work on multi-faceted and concrete targets such as respect for diversity, prevention of harassment, elimination of occupational injuries, improvement of retention rate, number of obtained qualifications.

Initiatives	Indicators for Evaluation (numerical targets)		FY2022 Results	FY2023 Targets	FY2024 Targets
Work-life balance (workstyle reform)	Male childcare leave acquisition rate	Non-consolidated	49.0%	90.0%	100.0%
		Consolidated in Japan	25.4%	39.0%	43.0%
Diversity	Female officer ratio	Non-consolidated	13.8%	16.7%	19.4%
Human resources development	Training cost per employee	Non-consolidated	105,000 yen	125,000 yen	150,000 yen
		Consolidated in Japan	35,000 yen	57,000 yen	56,000 yen

Value for the market economy

7 To create new markets with forests and wood

Creating new markets that enrich the economy through the resourceful use of forests and wood.

Basic Policy Utilization of forests and wood is emphasized in order to enrich the economy while solving various environmental and social issues. In order to deepen and expand utilization of wood and activate forest functions, creation of new markets that utilize these is also key. The Sumitomo Forestry Group will expand its medium- and large-scale wooden construction business globally. In addition, in order to develop various new technologies, new products, and new markets that utilize wood and forests, we will promote research and development that emphasizes collaboration with the outside world without being bound by our own technology.

Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
New market development	Development of medium-to large-scale wooden construction business (US / Australia / Europe)	Commercialization	Commercialization	Commercialization
Research & development	Number of contracts for joint research partners Ratio of all themes	42 contracts 52.5%	36 contracts 51%	38 contracts 54%

8 To transform markets through DX and innovation

Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.

Basic Policy In the fields of forestry and wooden construction where tradition and experience have been emphasized, it is necessary to raise economic efficiency and increase added value through market reforms such as DX and innovation, in view of the situation such as decrease and aging of main players, technological advancement and globalization, and future demand expansion. The Sumitomo Forestry Group aims to ensure quality and quantity of wood resources and provide them with high added value by improving efficiency of sales activities and supply chains through DX and innovation. In the field of elderly care business, which faces similar challenges, we will introduce innovations to increase added value and improve operational efficiency, such as user safety and security.

Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
DX-related	Data linkage with customers Adoption rate	766 companies 64%	770 companies 64%	820 companies 68%
	Number of facilities that have introduced sensor equipment in elderly care business	18	19	19

9 To establish a robust business structure

Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.

Basic Policy The Sumitomo Forestry Group will not only build a Business Continuity Management (BCM) system to provide stable value even in the case of unexpected events, but will also aim to strengthen supervisory function of the Board of Directors during normal times, and prompt strengthening of the governance and information security of expanding overseas affiliated companies. With respect to climate change and natural disasters, we will continue to analyze scenarios based on the TCFD recommendations to build a strong business.

Initiatives	Indicators for Evaluation (numerical targets)	FY2022 Results	FY2023 Targets	FY2024 Targets
Governance/Compliance	Strengthening information security level of overseas affiliated companies*	39.1%	50%	100%
Climate change	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	New implementation in two divisions including the Environment and Resources Division and Global Housing, Construction and Real Estate Division	Examining impact of the entire group through re-implementation in two divisions including the Timber and Building Materials Division and Housing Division	Examining reflection of measures taken by the group in the strategy for each business division of the next Mid-Term Management Plan

* The Sumitomo Forestry Group’s unique security base level achievement rate

Visit our website for further details about the nine material issues and other indicators.
<https://sfc.jp/english/sustainability/management/materiality1.html>



Results

Ratings in the table below
Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

Material Issues

1 To enhance the value of forests and wood through sustainable forest management

13

15

2 To realize carbon neutrality by leveraging forests and wood resources

7

13

3 To realize a circular bioeconomy by leveraging forests and wood resources

11

12

15

Indicators for Evaluation (numerical targets)	Managing Department	FY2022 Targets	FY2022 Results	FY2022 Value
Seedlings supplied Forests in Japan	Environment and Resources Division	2.23 million	1.88 million	△
Renewable energy consumption rate [Efforts to achieve RE100]*1	All the Sumitomo Forestry Group Companies	4.1%	3.9%	△
Amount of electricity supplied by renewable energy business*2	Environment and Resources Division	751,110MWh	746,486MWh	△
Recycling rate at domestic manufacturing plants	Timber and Building Materials Division	99.0%	99.4%	○
Water consumption	The Sumitomo Forestry Group	2,739,067m³	2,937,395m³	×

*1 Excluding offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as a whole nation.
*2 The figures are for Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power, Kawasaki Biomass Electric Power, Tomakomai Biomass Power, Kanda Biomass Energy, and Kashima Solar Power Plant. For equity-method affiliates, electricity supply is calculated according to their equity share.

Visit the Sustainability website below for other indicators.
<https://sfc.jp/english/sustainability/management/materiality1.html>



The Sumitomo Forestry Group’s Environmental Management

The Sumitomo Forestry Group advocates contributions to the realization of a sustainable society in its Corporate Philosophy. The Environmental Policy applies to all stages of product life cycle and all business processes from product and service development, design and manufacturing to material procurement, distribution, waste management, supplier and partner selection, new project launches, and mergers and acquisitions, in all businesses of the Sumitomo Forestry Group to promote businesses that contribute to the realization of a sustainable society.

In 2022, Sumitomo Forestry established Mission TREEING 2030, a long-term vision that integrates a long-term business framework to realize a decarbonized society and the Sumitomo Forestry Group’s ideal vision towards 2030

which is also the goal year of the SDGs. We also unveiled “Mission TREEING 2030 Phase 1” (2022-2024), a three-year Mid-Term Management Plan that will build the groundwork for future growth and our contribution to decarbonization. In this plan, we have newly identified Nine Material Issues by organizing the value created by the Group from the perspectives of value for our planet, value for people and society, and value for the market economy.

Regarding the value for our planet, we are enhancing our environmental management through the three issues we have put forth: enhancing the value of forests and wood through sustainable forest management, realizing carbon neutrality by leveraging forests and wood resources, and realizing a circular bioeconomy by leveraging forests and wood resources.

Sumitomo Forestry Group Environmental Policy

Through its experience nurturing forests since our founding, the Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity with nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. Develop business operations centered on wood and forests
2. Develop and offer environmentally conscious products and services
3. Minimize and improve environmental impact
4. Ensure strict legal compliance
5. Make continual improvements to our environmental management system
6. Promote environmental education
7. Pursue active communication

Sumitomo Forestry Group Environmental Policy
<https://sfc.jp/english/sustainability/environment/management/>



Environmental Management Structure

To ensure that management is practiced in accordance with the Environmental Policy, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility.

The General Manager of Sustainability Department under the President and Representative Director acts as the Environmental Management Officer to raise the

effectiveness of environmental activities by drafting a Sustainability Budget as quantitative targets for each fiscal year for environmental activities that each department of the Group is advancing and by regularly checking progress in with the Sustainability Committee.

In addition, the Sustainability Committee reports its findings to the Board of Directors, and the Board of Directors is involved in monitoring environmental performance.

Understanding and Responding to Environmental Risks

The Sumitomo Forestry Group is aware of the risk upon its business activities from environmental changes such as climate change or reduced biodiversity and works to gather related information, analyze this information as necessary as a way to evaluate business risks.

We also determined specific measures as evaluation metrics in each department for risk with the potential to

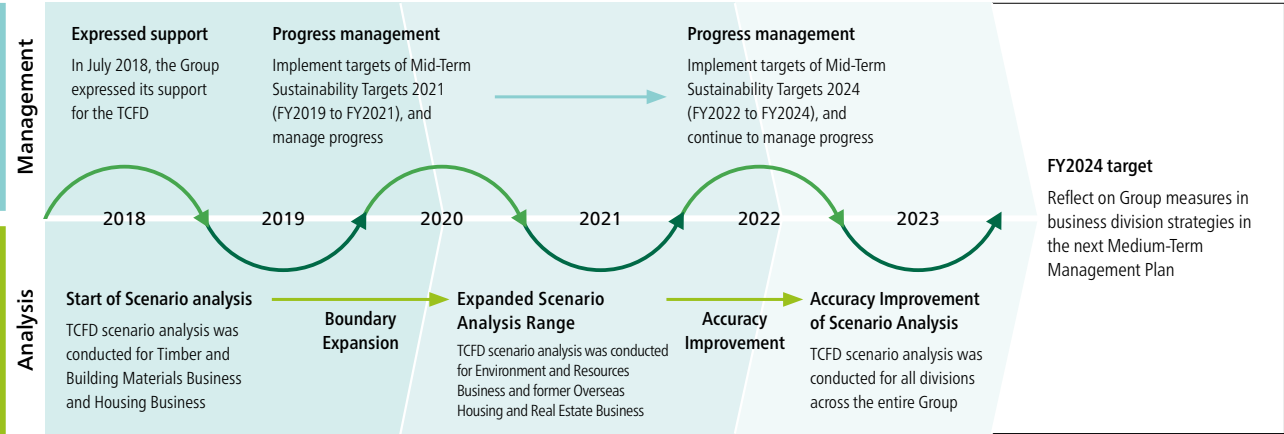
arise in daily operations and report on the progress of those measures to the Risk Management Committee each quarter while the Sustainability Committee formulates measures for risk with the potential to arise in the medium to long term. Risks with the potential to high impact business are reported to the Board of Directors to discuss their countermeasures.

Responding to TCFD



In July 2018, the Sumitomo Forestry Group recognized the risks and opportunities associated with climate change and expressed its support for the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board. In the same year, we conducted an initial scenario analysis for the Timber and Building Materials Business and the Housing Business based on the TCFD recommendations, assessing

the risks and opportunities that climate change issues pose to society and our businesses, as well as the resilience of our strategies. Since then, as shown in the figure below, we have been expanding the scope of scenario analysis and improving its accuracy every year. Looking ahead, we will further improve the accuracy of scenario analysis to build resilient corporate strategies that can respond to all future uncertainties.



Responding to the Environment Issues and Climate Change

Governance

The Sumitomo Forestry Group promotes the response to issue of climate change centered on the Sustainability Committee, similarly as other ESG challenges. The Sustainability Committee, chaired by the President and composed of members made up of executive officers, also appointed as directors and each divisional manager, formulates and promotes initiatives for medium- to long-term ESG challenges related to the sustainability of the Sumitomo Forestry Group in addition to analyzing risks and opportunities, conducting progress management of the Mid-Term Sustainability Targets, which incorporate business strategies toward achieving the SDGs, including monitoring of implementation and effectiveness of the Our Group’s Values and Code of Conduct. It also reports all proceedings at committee meetings to the Board of Directors. In February 2022, Sumitomo Forestry revised of the Executive Remuneration System in order to further integrate business with ESG. We have included remuneration linked to rate of achievement of sustainability indicators in the Executive Remuneration. In the event that the Sumitomo Forestry Group fails to meet its greenhouse gases emissions reduction target defined the Mid-Term Management Plan and based on the Science Based Targets (SBT), the amount of remuneration paid will be reduced.

Executive Remuneration System > P.84

Strategy

The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) states unequivocally that human activity causes climate change, that it causes extreme weather and increases the frequency of occurrence, and that greenhouse gases emissions are strongly related to changes in ice sheets and sea levels. In light of this, society’s expectations of the CO2 absorption and carbon storage functions of forests, the carbon stock and CO2 emissions reduction from wood



products and wooden construction, and the unused forest resource for biomass power generation. The Sumitomo Forestry Group contributes to the realization of a decarbonized society, by effectively utilizing forest resources, which are renewable natural capital, and providing “shared benefit” through forest management, manufacturing and distribution of timber and building materials, and wooden construction and renewable energy businesses.

Risk Management

The Sumitomo Forestry Group has established the Risk Management Committee, which is chaired by the President and CEO and consists of all other executive officers. The Sustainability Committee, which is chaired by the President and CEO, is composed of executive officers concurrently serving as directors, and the divisional managers of each business unit. Each of these committees meets four times a year, and each department decides on specific countermeasures and evaluation indicators for risks that may arise in the short term in daily operations, and reports progress to the Risk Management Committee on a quarterly basis. The Sustainability Committee discusses social, environmental, and governance medium and long-term risks, including climate change comprehensively for the entire value chain.

Metrics and Targets

Based on the Mid-Term Sustainability Targets, which incorporate the SBTs and the RE100 initiative, each company and division within the Group sets annual targets. > P.69



Please visit our website for more information on the transition plan.

<https://sfc.jp/english/sustainability/environment/climate-change/climate-initiative.html>



Identifying and Evaluating Risks and Opportunities

Based on the results of scenario analyses conducted in the past by division, the Sumitomo Forestry Group conducted this analysis from a company-wide, cross-sectional perspective, covering all divisions in 2022: Timber and Building Materials; Housing; Global Housing, Construction, and Real Estate; Environment and Resources; and Lifestyle Services. We considered the situation in 2030 using two scenarios: the 4°C scenario, in which no further progress is made in tackling climate change, and the 1.5/2°C scenario, in which progress is made in transitioning the society toward decarbonization.

The relevant departments and each division of our company collaborated to identify risks and opportunities of each division, conducted financial impact assessments, and discussed countermeasures for items that were identified as significant risks and opportunities. In addition, the five divisions jointly discussed countermeasures to address cross-cutting issues that affect multiple divisions. We will closely examine cross-sectional countermeasures in cooperation with related departments to reflect them in the next Medium-Term Management Plan and other business plans to be launched in 2025.

Assumptions for Scenario Analysis

In conducting scenario analysis, we used the following two scenarios from the International Energy Agency (IEA) and the United Nations Intergovernmental Panel on Climate Change (IPCC).

Adopted scenario	For transition risks	For physical risks
4°C Scenario	Stated Policies Scenario (IEA)	SSP5-8.5 (IPCC)
1.5/2°C Scenario	Sustainable Development Scenario (IEA), Net Zero Emissions by 2050 (IEA)	SSP1-2.6 (IPCC), SSP1-1.9 (IPCC)

Cross-organizational Financial Impact Analysis Scoping All Divisions

Among the risks and opportunities identified through the business-by-business analysis, those below are affecting more than one business and have particularly large financial impacts. The increasing operating costs associated with the introduction of the carbon tax, environmental regulations, and the intensification of weather-related disasters will affect the Timber and Building Materials Business and all divisions, while the growing preferences of customers for decarbonization will present opportunities for the Environment and Resources Business and all divisions.

	Factors	Factors of Particular Impact*	Related Business
Transition Risks	Policy and Regulations	Risks ● Increase in business costs due to the introduction of carbon tax imposition and emission trading system (Timber and Building Materials, Environment and Resources)	● Timber and Building Materials ● Housing ● Global Housing, Construction and Real Estate ● Environment and Resources ● Lifestyle Services
		Risks ● Increase in wood procurement costs due to payment of logging tax, logging fees, etc. (Timber and Building Materials, Environment and Resources) ● Increase in domestic wood costs due to the shift of reforestation costs as a result of mandatory reforestation, etc. (Timber and Building Materials)	● Timber and Building Materials ● Environment and Resources
		Risks ● Increase the cost of introducing heavy equipment and trucks (Environment and Resources) Opportunities ● Sales increase due to the growing demand for environmentally conscious housing retrofits in response to stricter regulations on buildings (Housing) ● Increase in sales due to increased demand for environmental certifications/low-carbon housing in response to stricter regulations on buildings (Global)	● Timber and Building Materials ● Housing ● Global Housing, Construction and Real Estate ● Environment and Resources ● Lifestyle Services
	Markets	Opportunities ● Increase in sales due to increased demand/use of domestic wood by utilizing wood industrial complex and laminated engineered wood plants (Timber and Building Materials) ● Increase in sales due to higher unit prices for logs and wood, associated with increased demand for renewable raw materials and products (Environment and Resources)	● Timber and Building Materials ● Housing ● Global Housing, Construction and Real Estate ● Environment and Resources ● Lifestyle Services
		Risks ● Increase in raw material costs due to higher energy costs (Timber and Building Materials)	● Timber and Building Materials ● Housing ● Global Housing, Construction and Real Estate
	Technology	Risks ● Decrease in sales due to lower demand for wood as a result of progress in research and development of decarbonization of steel materials and concrete, which are competitors of wood (Timber and Building Materials)	● Timber and Building Materials ● Housing ● Global Housing, Construction and Real Estate ● Environment and Resources
Physical Risks	Acute	Risks ● Decrease in sales due to increased demand for robust buildings using building materials other than wood and decreased disruption for wooden buildings (Housing) ● Cost increase due to higher purchase prices caused by supply chain damage (Global)	● Timber and Building Materials ● Housing ● Global Housing, Construction and Real Estate ● Environment and Resources ● Lifestyle Services

* The amount of impact is 10% or more of each division's ordinary income

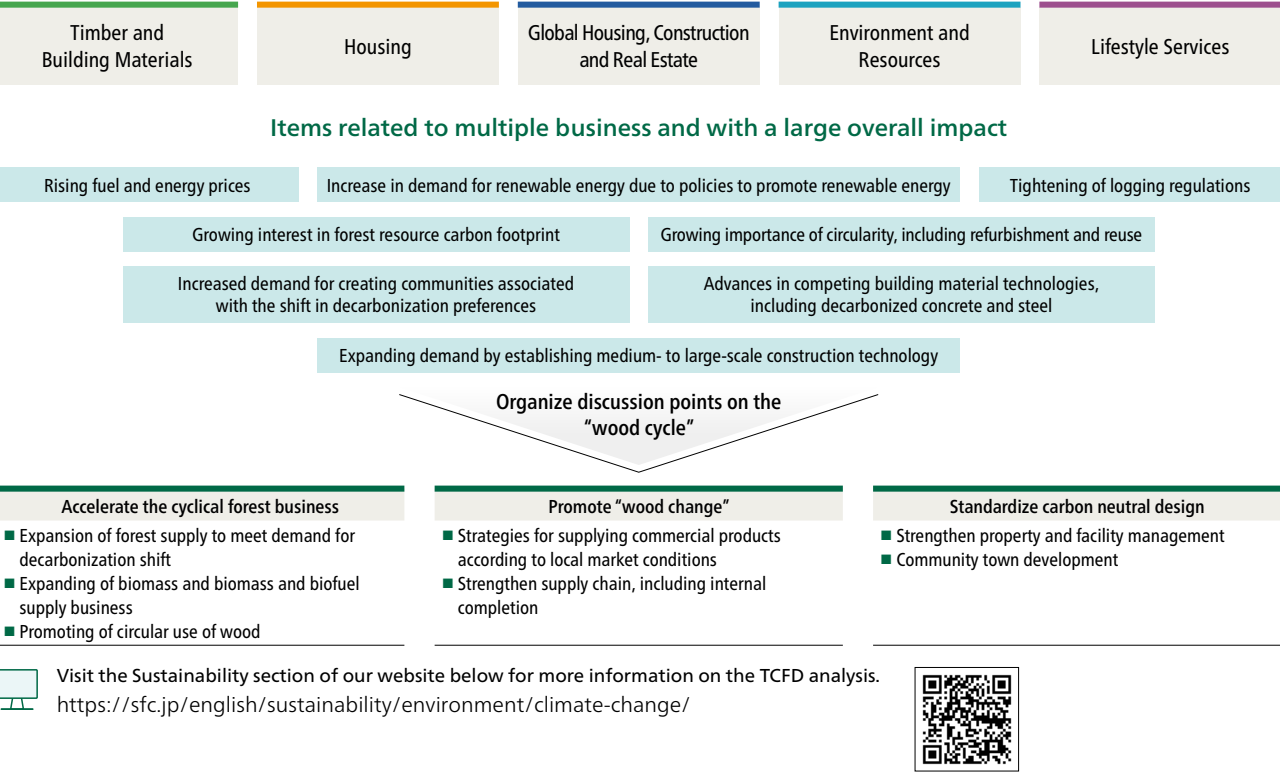
Responding to the Environment Issues and Climate Change

Cross-organizational Issues Related to All Divisions and Countermeasures to Address Them

Addressing financial impacts across multiple businesses requires a company-wide approach. In addition to climate change, we have also identified cross-organizational issues

that need to be strategically addressed in light of international trends and future market forecasts toward the realization of a sustainable society, including natural losses, human rights issues, and changing customer preferences.

Relationship Between Cross-organizational Issues/Countermeasures and the Wood Cycle



Formulation of Our SBTs (Science Based Targets)

2°C target (SBT*1 Approved)

- Scope 1&2: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.
- Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.

1.5°C target (Medium-Term Management Plan)

- Scope 1&2: 54.6% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.
- Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.

*1 Abbreviation of Science Based Targets. Established in 2015 by the UN Global Compact, CDP, WRI (World Resources Institute), and WWF (World Wide Fund for Nature) to promote science-based greenhouse gas emission reduction targets to limit the temperature increase from pre-industrial times to less than 2°C.

As the impact of climate change becomes more urgent globally, companies are being asked to reduce their emissions of greenhouse gases. The Sumitomo Forestry Group has established Group-wide greenhouse gases reduction targets (Scope 1, 2, and 3) for the target year of 2030 and the targets were approved as SBT in July 2018. In order to accelerate our decarbonization efforts, we have raised our greenhouse gases reduction targets (Scope 1 and 2) from 21% to 54.6%, which aligns with the 1.5°C target, with a view to achieving net zero emissions by 2050. The target is set in the Medium-Term Management Plan that starts in 2022. In order to ensure the implementation of these initiatives, we also formulated a transition plan through 2030 to achieve the 2030 target and realize a carbon-neutral society by 2050.

Achievement of 2030 targets (Scope 1 and 2: -54.6% by 2030 compared to 2017) and path to carbon neutrality*2 (summary version)

Items	Measures (Greenhouse Gases Reduction Items)	Greenhouse Gases Emissions Reduction Rate	Notes
Measures to achieve - 54.6% compared to 2017	Electricity from renewable energy sources (RE100); excluding New Zealand	-26.9%	
	Priority 1: Installation of solar power generation equipment		Installation at own facility, including PPA model
	Priority 2: Purchase of RE100-compliant electricity		Procurement through Sumirin Denki in Japan
	Priority 3: Purchase of renewable energy certificates		
	Reduction of coal co-firing rate at Mombetsu Biomass Power	-10.2%~ -25.8%	If reducing coal co-firing rate at Mombetsu Biomass Power to 10%: -10.2% If reducing coal co-firing rate at Mombetsu Biomass Power to 0%: -25.8%
	Introduction of electric vehicles in company-owned vehicles in Japan (powered by RE100-compatible electricity)	-2.8%	
	Introduction of electric vehicles for sales personnel (in Japan) (powered by RE100-compatible electricity)	-0.3%	Assuming a 30% adoption rate in 2030 to achieve the Japanese government's goal of 100% electric vehicles in new car sales by 2035.
	Subtotal	-40.0%~ -55.6%	With coal co-firing rate at Mombetsu Biomass Electric Power 10%: -40.0% (additional - 14.6% required) 0%: -55.6% (target achieved with 1.0% in excess)
Additional measures to achieve the 2030 target or to become carbon neutral	Reduction of coal co-firing rate at Mombetsu Biomass Power	-15.6%~0%	Reduction of coal co-firing rate for Mombetsu Biomass Electric Power (10% to 0%): - 15.6%
	Electrification of energy other than electricity (RE100 compatible electricity), etc.	-9.2%	
	Manufacturing plants, etc.: equipment, heavy machinery, vesseles, boilers, backup power sources, etc.	-4.4%	
	Introduction of electric vehicles for sales personnel's private cars for sales use: 100%	-1.7%	
	Heating of offices and exhibition halls, and laboratory experiments, etc.	-0.9%	
	Introduction of electric vehicles in company-owned vehicles (overseas)	-0.8%	
	Use of natural gas in nursing homes	-0.7%	
	Forestry Business: Heavy equipment, motor boats, fuel for power generation, etc.	-0.5%	
	Biomass power generation/start at power generation	-0.2%	
	Biomass power generation/wood fuel (dinitrogen monoxide, methane)	-31.6%	Consideration of creating new credits using BECCS*3, offsetting by forests, etc.
	Manufacturing facilities/biomass boilers, etc. (dinitrogen monoxide, methane)	-1.2%	Same as above
	New Zealand (country) electricity RE100 conversion	-2.4%	Target: to be achieved in 2035
	Performance and business growth		In principle, increase will be absorbed by each division unit, since business conditions nor scale (emission volume) are unknown.
	Emission trading		Consider trading of emission credits based on achievement of SBT lines at division unit level, if necessary.
	Subtotal	-60.0%~ -44.4%	
	Total	-100%	

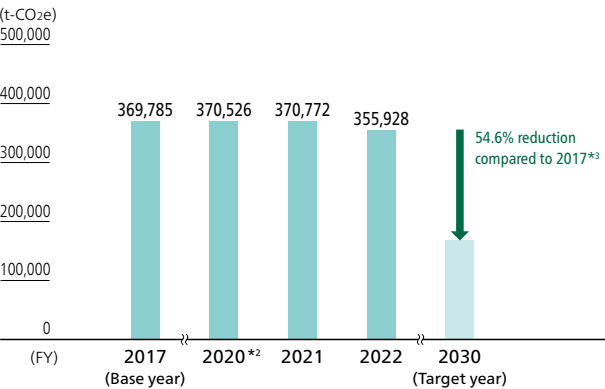
*2 Transition plan formulated by Sumitomo Forestry to achieve the fiscal 2030 target set in the Medium-Term Management Plan.

*3 Bioenergy with Carbon Capture and Storage. Technology to capture CO2 emitted during the use of biomass fuels and store it underground.

Responding to the Environment Issues and Climate Change

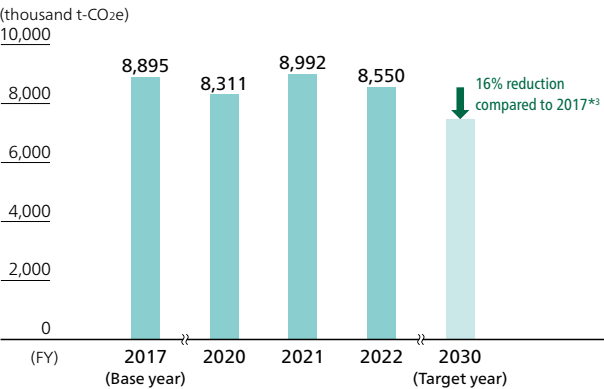
■ Progress Towards the SBT

Scopes 1 and 2



^{*1} The calculation method for Category 1 emissions of Scope 3 was revised to apply Accounting Standards for Revenue Recognition (Corporate Accounting Standard No. 29) as of fiscal 2019.
^{*2} Data collection period for the total emissions is from January to December of each year since fiscal 2020.
^{*3} Greenhouse gas reduction targets for the target year of 2030 in the Medium-Term Management Plan.

Scope 3 (Categories 1^{*1} and 11)



Participation in Race to Zero

Race to Zero is an international campaign calling on companies, municipalities, investors, universities, and other nongovernmental actors around the world to commit to halving their emissions by 2030 and achieving virtually zero greenhouse gas emissions by 2050, and to take immediate action to achieve this goal.

Sumitomo Forestry participated in the Race to Zero through Business Ambition for 1.5°C in September 2021, ahead of the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in Glasgow, UK. By signing the Business Ambition for 1.5°C, we are declaring our commitment to net zero by 2050, and our participation in Race to Zero was announced at COP26, held in October through November 2021.

Utilizing Sumirin Denki Solar Power Generation for Domestic Electricity Use

Sumitomo Forestry started the “Sumirin Denki” service in November 2019 for owners of Sumitomo Forestry and Sumitomo Forestry Home Tech’s homes. The service offers surplus electricity purchase and power supply agency sales for owners whose solar power generation purchase period expires under the feed-in tariff (FIT) for renewable energy.

We are working to allocate this “Sumirin Denki” to the electricity used by the Sumitomo Forestry Group in Japan. We promote the RE100 initiative by utilizing the surplus solar power purchased from the owners with “Sumirin Denki” at our offices and model homes. As of December 2022, the number of contracts was 3,061, an increase of 1,522 from fiscal 2021. In addition, from 2021, we have been supplying electricity purchased from owners to model homes in Kinki area (38 model homes covered as of December 2022). In the future, we will accelerate the promotion of the “Sumirin Denki” services to the owners and aim to allocate the renewable energy in all areas in 2023.

Progress Toward the RE100

The Sumitomo Forestry Group has positioned “realizing carbon neutrality by leveraging forests and wood resources” as one of its Nine Material Issues, and aims to achieve 100% renewable energy for electricity used in its business activities and fuel used in its power generation

operations by 2040. In March 2020, we joined RE100^{*4}, an international initiative aiming to convert 100% of electricity used to renewable energy sources, and we are accelerating our efforts to reduce greenhouse gas emissions. In FY2022, renewable energy introduced for



electricity used in the Sumitomo Forestry Group’s business activities accounted for 17.5% of the Group’s total electricity use, 0.3 percentage points higher than in FY2021. This renewable energy includes solar panels installed at model homes and internal use of electricity generated by biomass power generation plant (including an adjacent manufacturing plant of wood chips for fuel). In addition, biomass-derived fuel accounts for 89.7% of

the fuel used in power generation operations (calorific value equivalent).

^{*4} RE100 is an international initiative run jointly by The Climate Group, a global environmental NGO, and the CDP.

Visit our website for more information on the management of each target.
<https://sfc.jp/english/sustainability/management/materiality2.html>



Policies and Initiatives for Biodiversity Conservation

In July 2015, Sumitomo Forestry created the Sumitomo Forestry Group Environmental Policy as an integration of the Environmental Philosophy, the Environmental Policy, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group’s Biodiversity Action Guidelines. Therefore, biodiversity initiatives are also operated based on this integrated policy. The Sumitomo Forestry Group’s initiatives to conserve biodiversity are carried out in accordance with the environmental management system under the final responsibility of the President of Sumitomo Forestry and with overall management tasked to the General Manager of the Sustainability Department, both of which manage the activities of the Sumitomo Forestry Group companies.

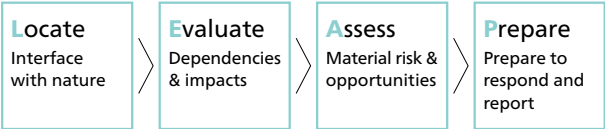
Initiatives for the LEAP Approach to TNFD Disclosure

The Sumitomo Forestry Group’s business is dependent on the blessings provided by biodiversity, and it is extremely important to work toward the conservation of ecosystems in order to realize a sustainable and prosperous society. The Group has been closely monitoring initiatives related to biodiversity and the natural environment, and has endorsed and signed the Call to Action by Business for Nature in September 2020. In February 2022, we participated in the TNFD Forum, a collective of stakeholders supporting the discussions of the Task Force on Nature-related Financial Disclosures (TNFD), and we are working to gather information for TNFD through various domestic and international networks. In conjunction with its disclosure framework, the TNFD recommends the LEAP^{*5} approach, a method for analyzing and evaluating a company’s dependence and impact on nature, as well as risks and opportunities. The Sumitomo Forestry Group has adopted this LEAP approach on a trial basis for future TNFD disclosures.

^{*5} It stands for Locate, Evaluate, Assess, and Prepare and is composed of four phases: Locating the interface with nature (L), Evaluating dependencies and impacts (E), Assessing material risks and opportunities (A), and Preparing to respond and report (P)

Interaction between Business and Biodiversity

The Sumitomo Forestry Group is engaged in the distribution business, which purchases and sells wood from Japan and overseas; the wood building materials manufacturing business in Japan and overseas; the construction and sale of detached houses in Japan, the United States, and Australia; the development of multi-family housing and commercial and mixed use complexes; and medium- to large-scale construction projects. In looking at the supply chain as a whole within these Sumitomo Forestry Group businesses, we decided to go forward with the trial of the LEAP approach with respect to our wood procurement business, which depends on and has impact on biodiversity and natural capital in the most extensive and significant volumes around the world.



Actions for Biodiversity Conservation

In order to coexist in harmony with nature, the Sumitomo Forestry Group is implementing various initiatives to achieve Nature Positive, which aims to reduce the loss of nature to zero and to turn it into a recovery. We have organized those activities in accordance with the framework of actions to achieve nature positivity recommended by SBT for Nature, as follows.

Visit our website for more information on our biodiversity conservation policies and initiatives.
<https://sfc.jp/english/sustainability/environment/biodiversity/>



Material issue

Results

Ratings in the table below
Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ×

6 To create a vibrant environment for all workers

3

Improve productivity

5

Improve diversity

8

Improve human resources

Indicators for Evaluation (numerical targets)		Managing department	FY2022 Targets	FY2022 Results	FY2022 Value
Paid Leave Usage Ratio	Non-Consolidated	Personnel Department	70.0%	68.4%	△
	Consolidated in Japan		61.6%	66.6%	○
Male childcare leave acquisition rate	Non-Consolidated	Personnel Department	80.0%	49.0%	×
	Consolidated in Japan		33.0%	25.4%	×
Female officer ratio	Non-Consolidated	Personnel Department	13.8%	13.8%	○
Training costs per employee	Non-Consolidated	Personnel Department	125,000 yen	105,000 yen	△
	Consolidated in Japan		57,000 yen	35,000 yen	△

Human resources development policy

Sumitomo Forestry’s basic policy for human assets development is to “nurture employees who learn by themselves, think about the essence of things, and take action” and “create a workplace culture that allows people to be energetic and vigorous.” By supporting the growth of employees with high morale and pride, and by fostering a open minded and energetic corporate culture, we aim to realize our Corporate Philosophy.

Sumitomo Forestry strives to nurture human resources to entrust with business operations as business expands overseas. For this reason, we have created an overseas human resource development program. This individual program allows employees who were in charge of overseas-related businesses for many years including those posted overseas to provide 1-on-1 guidance to

employees who would like to work abroad with extraordinary business performance. In addition, a new course dealing with international affairs in general has been established since fiscal 2022. Since fiscal 2018, a total of 83 employees have graduated, with 35 of those trainees participating in fiscal 2022.

With regard to the training of management personnel, Sumitomo Forestry conducts selective training for employees who are at least 35 years old. In fiscal 2021, 96 employees took part in 17 programs, and 130 people took part in 23 programs in fiscal 2022.

For details about our human resources development, see our corporate website.
<https://sfc.jp/english/sustainability/social/employment/career-support.html>

Diversity and Inclusion (D&I)

The Sumitomo Forestry Group promotes diversity and inclusion with “respecting diversity and creating a free and vigorous corporate culture” as one of Our Values. In order to link innovation brought about by the diverse abilities and values of our diverse human resources to new challenges and growth, we have defined “To create a vibrant environment for all workers” as one of our material issues, and are managing it by incorporating it into the annual activity policies and measures of the administrative divisions.

Promoting the Active Involvement of Female Employees

We established the Sumitomo Forestry Group Declaration on Empowering Women to expand opportunities for women in the workplace and integrate a diverse range of

values that will spur innovation. As of the end of 2022, the ratio of female managers stood at 6.3% (non-consolidated) and 8.9% (domestic subsidiaries). From 2022, in the Mid-Term Sustainability Targets and the third phase of the Act on the Promotion of Women’s Active Engagement in Professional Life, we are working to improve our systems relating to childcare, education and training, increase the rate of male employees taking childcare leave, and promote the use of various systems in order to achieve a ratio of females in managerial positions to 8.1% or more by the fiscal year ending December 31, 2024.

LGBTQ initiatives

The Sumitomo Forestry Group regards LGBTQ measures as an important initiative that underlies diversity and inclusion, and conducts training for officers and

managers and promotes the development of relevant systems and mechanisms. In January 2022, Sumitomo Forestry first established the Partnership System Regulations and applied the same internal systems and benefits to same-sex partners and de facto partners as those of spouses. In addition, we established an “External Grievance Desk” to provide individual consultations. In recognition of these initiatives, in November 2022 Sumitomo Forestry received the gold certification, the highest ranking in the PRIDE Index 2022, which evaluates companies’ engagement with the LGBTQ community. We will continue to work to create an environment where everyone can work comfortably and actively.

Promoting the Employment of Persons with Disabilities

Sumitomo Forestry promotes the employment of people with disabilities, giving the highest priority to matching the individuality of each person with a disability with the workplace and business activities. The ratio of disabled employees as of the end of December 2022 was 2.40% (Sumitomo Forestry alone) and 2.23% (domestic subsidiaries). Furthermore, to improve the retention rates for current employees, the Company provides regular face-to-face meetings as well as phone interviews and career advice as required.

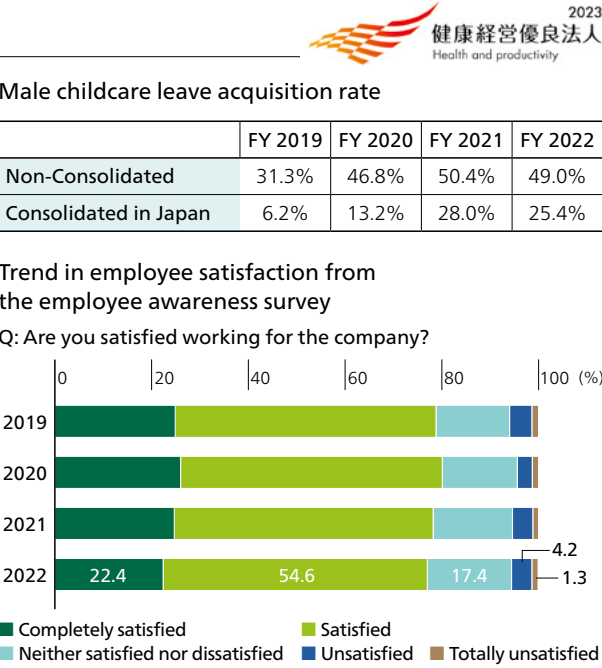
For details about our approach to diversity and inclusion, see our corporate website.
<https://sfc.jp/english/sustainability/social/employment/>

Health management and work-life balance

The Sumitomo Forestry Group believes that maintaining and improving the health of employees not only contributes to the happiness of each and every employee, but also leads to improved productivity and work efficiency. Based on this policy, on October 1, 2021, we established the Sumitomo Forestry Group Declaration on Health Management.

The Workstyle Diversification Department run by the Personnel Department operates all desks for work style and career assistance to support the physical and mental health of employees. As numerical targets, in the Mid-Term Sustainability Targets, we have set targets for improving employee satisfaction, increasing the rate of taking paid leave, and reducing long working hours, and we are promoting initiatives including at our subsidiaries in Japan.

The Sumitomo Forestry Group Declaration on Health Management
<https://sfc.jp/english/corporate/philosophy/healthmanagement.html>



Employee Voices

Taking childcare leave made me more aware of my involvement in work and family life

In November 2021, I took one month of childcare leave. The main reason was because my wife’s parents could not come to help due to the COVID-19 pandemic. As a sales designer, I have the freedom to make decisions on my own, and this flexible work system enabled me to take childcare leave. During my leave, I was able to spend a lot of time with my older child, who was three years old at the time, and by doing housework in general, I became more aware of my place in my family’s childcare and housework. Even after returning to work, I have been able to work flexible working hours and increase the time I have with my family. This makes me really glad that I took it. In addition, many of our customers showed a deep understanding when it comes to taking childcare leave and made accommodations. In the future, I hope it will become easier for employees to take childcare leave, including by fostering the right attitude among supervisors, so that more employees can make this choice.



Jun Teraoka
Assistant Manager
Renovation Engineer Section Acting Manager
Kyoto Chuo Branch
Sumitomo Forestry Home Tech Co., Ltd.

Human Rights Initiatives

Material Issue

Results

Ratings in the table below
Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ✕

5

To improve the livelihood of the local communities where we operate

3

REDUCED CARBON FOOTPRINT

8

IMPROVED COMMUNITY RELATIONS

11

INCREASED OHS PERFORMANCE

Indicators for Evaluation (numerical targets)	Managing department	FY2022 Targets	FY2022 Results	FY2022 Value
Efforts related to grievance mechanism	Sustainability Department	Structure Composition	Operational Structure under consideration	△

Basic Policy on Human Rights

Recognizing that respect for human rights is an important duty of companies, the Sumitomo Forestry Group participated in the UN Global Compact in 2008 and formulated the Sumitomo Forestry Group Human Rights Policy in July 2019. We also support and respect international norms such as the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the core labor standards of the International Labour Organization (ILO), and international rules such as the United Nations Guiding Principles on Business and Human Rights. We also participate in the United Nations Global Compact (including the HRDD Subcommittee) and the WBCSD (World Business Council for Sustainable Development). In addition, the “Sumitomo Forestry Group Code of Conduct,” which is

based on these international norms, states respect for human beings and the realization of a healthy workplace. In addition, the Code calls for the respect of the human rights of all individuals, including women, children, indigenous people, minorities and other socially vulnerable people and stipulates that there will be no discrimination whatsoever on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. The Code also does not permit forced labor or child labor in any form.

The Sumitomo Forestry Group Human Rights Policy

<https://sfc.jp/english/sustainability/social/human-rights/>

Respect for Human Rights in Overseas Forestry Business

Indonesian Group companies PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI) concluded an advisory agreement with the International Finance Corporation (IFC), an agency of the World Bank, in 2012. Since then, they have been engaging in businesses that carefully consider human rights and the environment, as shown on the right.

2012

Sumitomo Forestry signed an advisory agreement with the IFC. Along with the IFC, we conducted surveys of business locations to understand whether land usage plans at business sites were being properly implemented and adequate consideration is made for the livelihoods of local residents while respecting the rights of indigenous people and protecting cultural assets.

2013 and 2015

Public hearings were held with invitations sent to local residents, neighboring companies, academics, NGOs, government officials and other stakeholders.

Since 2018

With help from the IFC, Sumitomo Forestry set up grievance mechanisms at WSL and MTI to collect information and opinions from local residents. In 2022, we began operating these grievance mechanisms with coverage including PT. Kubu Mulia Forestry.

Papua New Guinea

Open Bay Timber Ltd.: Set up a suggestion box that is accessible to anyone in the community, including inside and outside the company. The company accepts consultations not only from employees but also from local residents. Providing a way for employees to communicate their problems and opinions to the company contributes to improving trust in the company.

New Zealand

Tasman Pine Forests Ltd.: The company keeps records of important interactions with stakeholders such as local community residents and subcontractors. Communicating with them based on an understanding of the past history helps to build smooth relationships.

Implementation of Due Diligence and Managing Important Risks

Through human rights due diligence, the Sumitomo Forestry Group identifies factors that may have a negative impact on human rights and works to prevent or reduce them.

Internal Sustainability Survey of the Sumitomo Forestry Group

With respect to sustainability initiatives in each Group company, in fiscal 2022, the Sumitomo Forestry Group conducted an annual survey on human rights training and the relevant help desks for 59 primary Group companies in Japan and overseas. As a result, 49 of these companies are conducting human rights training and 46 have setup a help desk while 59 are engaging in measures to mitigate risk to human rights. In addition, there were no reports of human rights violations as defined in the Sumitomo Forestry Group Code of Conduct.

Respect for Human Rights Through Sustainability Survey in supply chain

Under the Sumitomo Forestry Group Procurement Policy, we conduct fair and responsible procurement activities. In particular, we import and procure timber with consideration given to human rights, labor, biodiversity, and local communities through questionnaires of suppliers and on-site interviews. In fiscal 2022, we held a study session on the theme of “Human Rights and the Supply Chain” for timber procurement personnel of the Sumitomo Forestry Group in order to share human rights issues internally.

Identifying and Managing Human Rights Risks

In order to strengthen initiatives in human rights due diligence, each business division maps risks associated with stakeholders in value chain and identifies important human rights risks for each group. we reviewed the mapping in fiscal 2020, considering the impact of spread of new coronavirus infection as a new risk factor. We identified important risks as follows: The Environment and Resources Division - “Infringing indigenous or community land rights and managing related laws” as well as “Occupational safety and health management in mountain forests (dangerous work, etc.)”. The Timber & Building Materials Division - “Infringing indigenous land rights”, “Occupational safety and health management at factories (fires, dust explosions, etc.)”, and “Child labor at planted forests (including dangerous operations)”. The Housing and Construction Division and the Overseas Housing and Real Estate Division - “Labor conditions of migrant workers (forced labor, etc.)”. Regarding the identified risks, we take measures to reduce and correct risks for each business. For example, we have identified more risks in fiscal 2020, of which we have verified the condition of respect for human rights of foreign technical trainees which is the particular importance and of major social interest in Japan. Third-party agencies gathered feedback from partner building contractors and organizations supervising technical trainees,

verified materials, and interviewed technical trainees from overseas learning skills in Japan. As a result, we confirmed there were no major human rights violations. In fiscal 2021, regarding “respect for rights of indigenous peoples and communities”, in order to further reduce risks and build better relationships with stakeholders in the business development areas, we confirmed the initiatives and identified places to be corrected regarding the operational status of grievance mechanism in the overseas resource environment business. As a result of online review conducted by a third-party organization, we verified that continuous consultations with government agencies and communities have been conducted by operating appropriate grievance mechanisms at three overseas tree planting sites in Indonesia, Papua New Guinea, and New Zealand. On the other hand, it was found that it is necessary to improve initiatives such as expanding external information disclosure and reflecting it in the mechanism through dialogue with rights holders. In fiscal 2022, the Sumitomo Forestry Group Human Rights Policy was revised with input from third parties to ensure that business partners are committed to respecting human rights and to comply with international guidelines.

* A system for processing complaints and resolving issues that allows persons or regions that have been damaged to file claims and seek redress over negative impacts related to a company.

Employee Voices

Arisa Eshita
Sustainability Department

Revision of the Human Rights Policy

In April 2023, our Group revised the Human Rights Policy first formulated in July 2019. Nearly four years have passed since its establishment, and stakeholders now strongly demand that human rights issues be addressed, not only in our own businesses but also across the entire value chain. For this reason, we have revised the content of the Human Rights Policy. Specifically, it mentions rightsholders (human rights entities that should be respected) who are subject to human rights protection, and discusses support and cooperation for human rights initiatives by business partners. Going forward, in order to strengthen human rights initiatives based on this policy, we will first establish an internal system.

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Material Issues

Results

Ratings in the table below
Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ✕

3 To realize a circular bioeconomy by leveraging forests and wood resources

11

12

15

Indicators for Evaluation (numerical targets)	Managing department	FY2022 Targets	FY2022 Results	FY2022 Value
Sustainability procurement survey implementation rate in suppliers of imported wood products	Timber and Building Materials Division	100%	100%	○
Percentage of sustainable timber and timber products handled	Timber and Building Materials Division	–	100%	○
Sustainability procurement survey implementation rate in the supply chain of the domestic housing department	Housing Division	97.0%	97.2%	○

Supply chain management

The Sumitomo Forestry Group engages in responsible timber procurement activities in accordance with our Timber Procurement Basic Policy formulated in 2005 and our Timber Procurement Principles and Policies formulated in 2007. In 2015 with the Sumitomo Forestry Group Procurement Policy, we expanded our scope beyond timber to include a wide range of other procured products, such as metals, ceramics, resin and other building materials, and based on this policy, are engaged in procurement activities that take into consideration the economy, society and environment.

The Sumitomo Forestry Group Procurement Policy (Excerpt)

The Sumitomo Forestry Group utilizes wood as a renewable natural resource in its business operations. To contribute to a sustainable society, we are committed to procurement activities that take into account economic, environmental and societal interests and comply with the following policy:

1. Procurement based on legal and highly reliable supply chains
2. Procurement based on fair opportunity and competition
3. Procurement of sustainable timber and wood products
4. Communication

Timber procurement management

The Sumitomo Forestry Group established the Wood Procurement Committee, chaired by the officer in charge of sustainability promotion at Sumitomo Forestry and comprising managers from departments in charge of timber procurement. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.

In fiscal 2022, the Wood Procurement Committee met four times, as planned , to confirm the legality and conduct a “Sustainability Survey” for all 171 directly-imported suppliers subject to screening and suppliers with whom overseas Group companies (distribution) do business. Regularly (once a year or once every two years), we confirm the legality and sustainability of both new and ongoing parties we conduct business with.

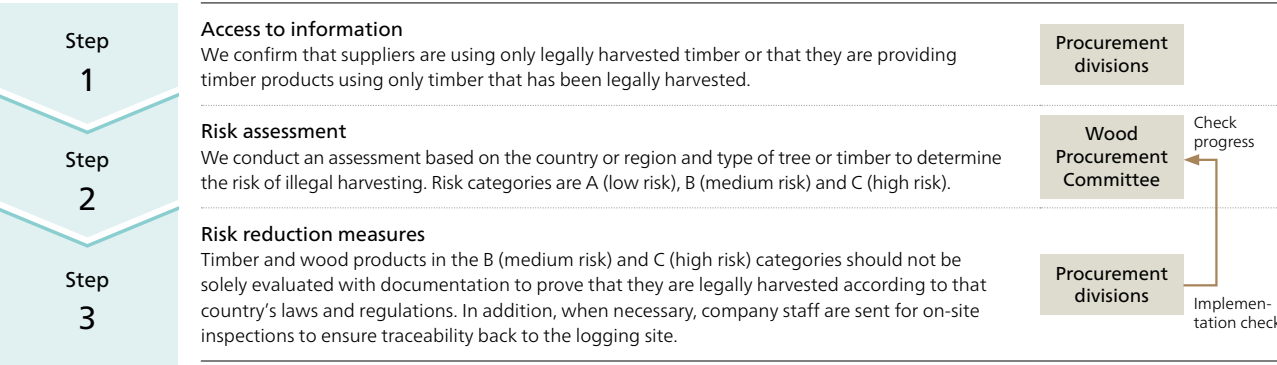
Initiatives for enabling sustainable timber procurement

Based on the Sumitomo Forestry Group Procurement Policy, the Group carries out due diligence to ensure the legality of our timber procurement and to ensure that sustainable timber procurement is being put into practice, including considerations for human rights, labor practices, biodiversity preservation and local communities. Each division that procures timber reports to the Wood Procurement Committee on the progress with this due diligence, and works to promote continual improvement in the supply chain.

Consideration for Biodiversity Conservation, Labor Practices and Human Rights, and Local Communities

Following items are checked, through Sustainability Procurement Surveys to suppliers and local interviews for the products that are being procured.

- Whether the rights of workers, local and indigenous community are abused in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices take place with consideration for these rights.
- Whether the high conservation values forests are included in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration to forests with high conservation value.



* In addition, issues other than legality are verified via questionnaires and/or interviews

Strengthening sustainability initiatives for timber and wood products

Amid growing concerns over deforestation as a factor in climate change, the Sumitomo Forestry Group established a new Action Plan in May 2019, in addition to its own timber procurement due diligence mechanism. We have reinforced and newly implemented sustainability evaluation standards for timber procurement.

In September 2021, we suspended contracts with suppliers who did not meet our procurement standards and whose sustainability could not be confirmed through repeated dialogues, thereby achieving 100% handling of sustainable timber and wood products on a contract basis. We will continue to thoroughly implement sustainable wood procurement. The same due diligence is also applied to wood biomass fuels such as pellets and PKS as to timber and wood products to promote sustainable procurement.

Policy on “Sustainable Timber and Wood Products”

To confirm the legality as precondition, we define timber and wood products as sustainable if they fulfill one of the following:

Sustainable

=

Environmental: No contribution to deforestation

Social: No violation of human rights such as occupational safety, forced labor, indigenous rights, etc.

1

Certified timber and pre-certified timber: FSC, PEFC, and SGEC
(Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)

2

Timber from plantation forests

3

Natural timber where forestry management and distribution can be assessed as sustainable.
(This does not include timber from conversion forests. = timber harvested from natural forests that were converted to farm land such as oil palm plantations)

4

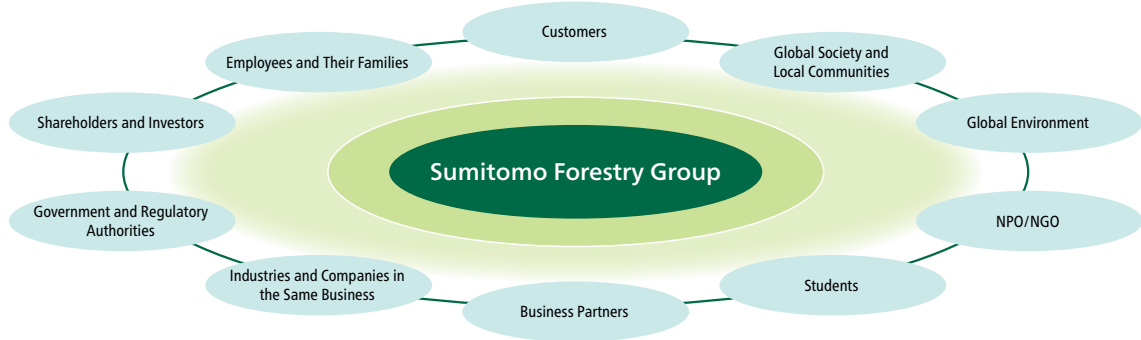
Recycled wood

* SGEC-COC (Trademark License No. SGEC/31-32-86), PEFC-COC (Trademark License No. PEFC/31-32-86)

Stakeholder Engagement

The Sumitomo Forestry Group is involved with various stakeholders because the business activities conducted by the Group are in a broad range of global businesses from the upstream to the downstream with wood—as a renewable natural resource—at the core. Our basic policy is always on communication as well as taking into account the direct and indirect relationships between stakeholders while we are engaged with our business activities, and sincerely responding to their expectations and requirements.

Stakeholders of the Sumitomo Forestry Group



Dialogue with Employees

Casual Discussions

Casual Discussions have been held on a regular basis as a platform for discussion between the President and employees in the Sumitomo Forestry Group since 2007. In FY2022, President Mitsuyoshi held a discussion with five employees who are active at the forefront of decarbonized initiatives within the Sumitomo Forestry Group under the theme of “Mission TREEING 2030—Turning the Wood Cycle”. The video of the event was filmed and distributed to convey the president’s strong enthusiasm for realizing a decarbonized society and the passion of the employees for the project. This activity is an opportunity for direct dialogue between the president and employees and leads to increased communication among the group.



Dialogue with Shareholders and Investors

Dialogue with Outside Directors and Institutional Investors

Sumitomo Forestry Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feeds back the opinions and requirements of investors who are a vital stakeholder into operations to put in place measures toward sustainable growth. On December 26, 2022, we organized a dialogue session between outside directors and institutional investors at our head office. Active discussions were held on the topics of human resources strategy, supply chain, and human rights in our growth strategy.



Dialogue with Business Partners

Promotion of Initiatives Toward Responsible Materials Procurement

Sumitomo Forestry Group recognizes its duty to ensuring human rights and addressing environmental issues in the supply chain of its businesses. We are contributing to the realization of a sustainable society throughout the entire supply chain by promoting the standardization of certified wood in the market. The Housing Division began subjecting new suppliers to an annual Sustainability Procurement Survey in addition to the Green Procurement Survey that has been required, such as building materials and housing equipment manufacturers since FY2019. The FY2022 survey was conducted on 85 companies (97.2% of the purchase amount of the previous fiscal year from the target manufacturers). Prior to the survey, in July 2022, we held a briefing session on the sustainability procurement survey through our website to share our approach to responsible procurement, such as the Sumitomo Forestry Group Code of Conduct and the Sumitomo Forestry Group Procurement Policy, and to promote mutual understanding.

Dialogue with Customers

Customer Surveys

At Sumitomo Forestry, in order to provide our customers with even greater satisfaction and service, we conduct questionnaires three times during when residents move into their home and the second and tenth years of moving in, and receive the opinions and impressions of the owners. In FY2022, the satisfaction ratio in these surveys was 97.4% in the survey of new owners, and 96.3% in the survey of second-year owners. Furthermore, Sumitomo Forestry has adopted the Net Promoter Score (NPS)* advocated by the housing industry for the purpose of enhancing customer satisfaction. We will continue to provide high-quality products and services which bring sensation to our customers by further leveraging customer feedback through the NPS survey analysis.

* NPS is a new index used to measure customer loyalty (the amount of trust and affinity for the company and brand)

Stakeholder	Responsibilities	Communication Methods	Relevant Performance
Customers	<ul style="list-style-type: none">Providing safe, high-quality products and servicesDisclosing timely and accurate information and providing accountabilityUnderstand the requests and needs and improve satisfaction through communication	<ul style="list-style-type: none">Sumitomo Forestry Call CenterCustomer Satisfaction SurveyWebsites and media, news magazines, etc.Exhibitions and various other events	<ul style="list-style-type: none">Number of calls received by the call center FY2022 result: 124,930Customer satisfaction ratio (surveyed when residents move in) FY2022 result: 97.4%
Employees and Their Families	<ul style="list-style-type: none">Creating a fair work environment with respect for human rights and no discriminationProviding and developing a workplace that promotes the emotional and physical well-being of employees and their families, as well as allowing individuals of various backgrounds and circumstances to maximize their potentialEqually and fairly evaluating personnelEstablishing educational systems able to drive and improve skillsEstablishing measures, policies and other regulations to enhance the work-life balance	<ul style="list-style-type: none">Conducting regular consultations and performance reviewsConducting employee satisfaction surveysConducting stress checksInstalling a compliance hotlineImplementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.)EAP (Employee Assistance Program) serviceCarrying on a dialogue (casual discussions) between the president and employeesHolding Family Open DayCarrying out meetings with management made up of both labor and management committee membersPublishing internal magazines, creating an internal website	<ul style="list-style-type: none">Overtime working hours FY2022 result (Comparted to FY2017) (Non-consolidated): 13.8% reductionEducation expense per employee FY2022 result (Non-consolidated): 105,000yen
Shareholders and Investors	<ul style="list-style-type: none">Disclosing timely and accurate informationPursuing informational transparency and accountabilityExecuting the appropriate premium redemption to shareholders	<ul style="list-style-type: none">Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings, on-site briefings, and other relevant meetingsCommunicating information on websites, integrated reports, shareholder correspondence, briefing materials and in other relevant formsResponding to surveys for assessment and research agencies related to ESG, etc.	<ul style="list-style-type: none">Individual meeting for institutional investors (in and outside Japan) FY2022 results: 254Full-year dividend per share FY2022: 125yen
Business Partners	<ul style="list-style-type: none">Building equal and fair relationships with business partnersImproving the occupational health and safety environmentComplying with all relevant laws	<ul style="list-style-type: none">Engaging in purchasing and procurement activitiesConducting safety conferences, safety patrols and building contractor meetingsConducting workshops and informational exchange meetingsConducting supplier evaluations (surveys and questionnaires)	<ul style="list-style-type: none">Sustainability procurement survey implementation rate of suppliers of imported timber: 100%Evaluation and feedback based on the Supplier Evaluation Standards Implementation rate: 100%
Global Environment	<ul style="list-style-type: none">Preserving the natural environment and biodiversityReducing the environmental impact of business activitiesDeveloping and providing products and services with minimal environmental impact	<ul style="list-style-type: none">Providing an environment for businessSupplying and standardizing environmentally-conscious housingActing as volunteers in building forests such as in reforestationCarrying on a dialogue with NPOs/NGOsConducting environmental and social contribution activities linked up with NPOs/NGOs	<ul style="list-style-type: none">Percentage of orders for ZEH out of new custom-built detached housings FY2022 result: 77.2%Percentage of sustainable timber and wood products handled FY2022 result: 100%
Global Society and Local Communities	<ul style="list-style-type: none">Contributing to solutions to both global and local challenges in society	<ul style="list-style-type: none">Participating in employee volunteer activitiesSupporting the formation of communities through social contribution activitiesPreparation of Regional Infrastructure	<ul style="list-style-type: none">Expenditure on social contribution activities FY2022: Approx.53million yenCumulative number of visitors to Mt. Fuji Manabi no Mori FY2022: 1,636

Stakeholder Engagement
<https://sfc.jp/english/sustainability/management/stakeholder.html>

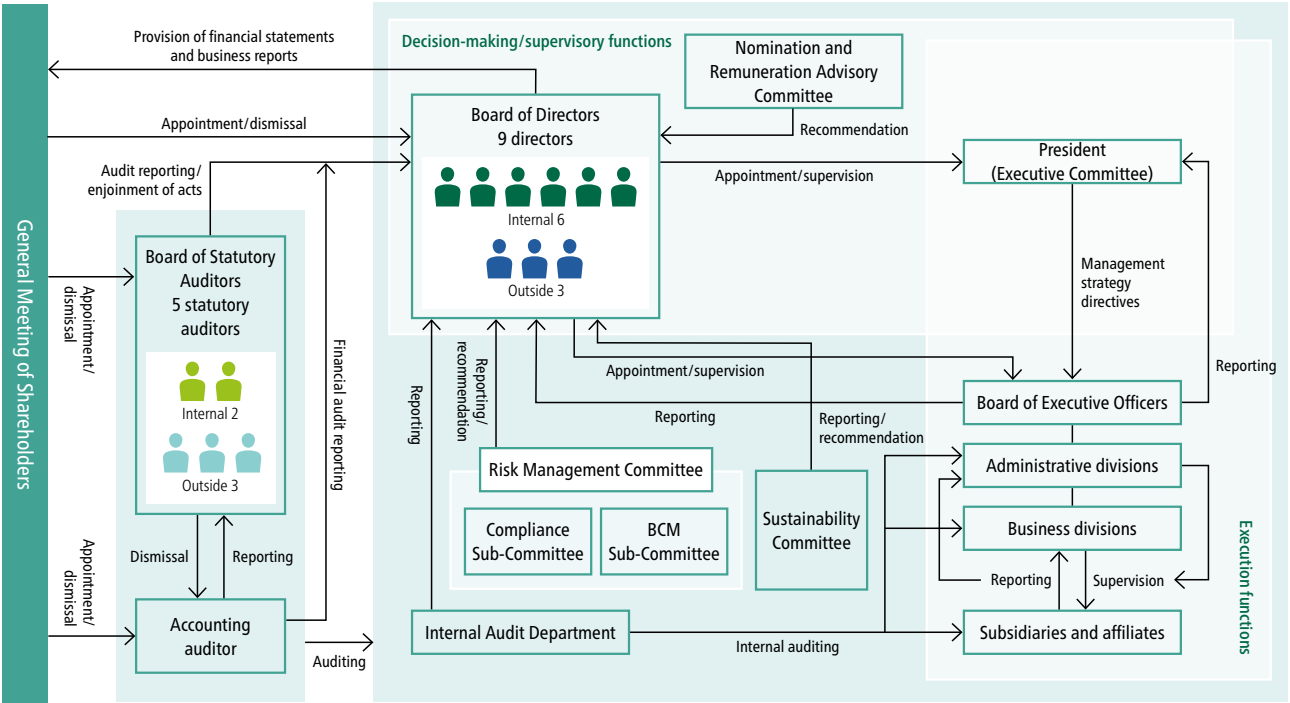




(Back row) Ikuro Takahashi Director, Tatsumi Kawata Director, Yuko Toyoda Outside Director, Izumi Yamashita Outside Director, Mitsue Kurihara Outside Director, Tatsuru Satoh Representative Director, Atsushi Kawamura Director

(Front row) Akira Ichikawa Representative Director, Chairman of the Board, Toshiro Mitsuyoshi Representative Director, President

Corporate governance system



Material Issues and Related SDGs	Value for the market economy	9 To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.
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Approach to Corporate Governance

In order to carry out its material issue “To establish a robust business structure,” the Sumitomo Forestry Group seeks to ensure management transparency, sound and legal business practices as well as rapid decision-making and business execution based on its Corporate Philosophy. By further enhancing and strengthening its corporate governance through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to the expectations of various stakeholders around the Group.

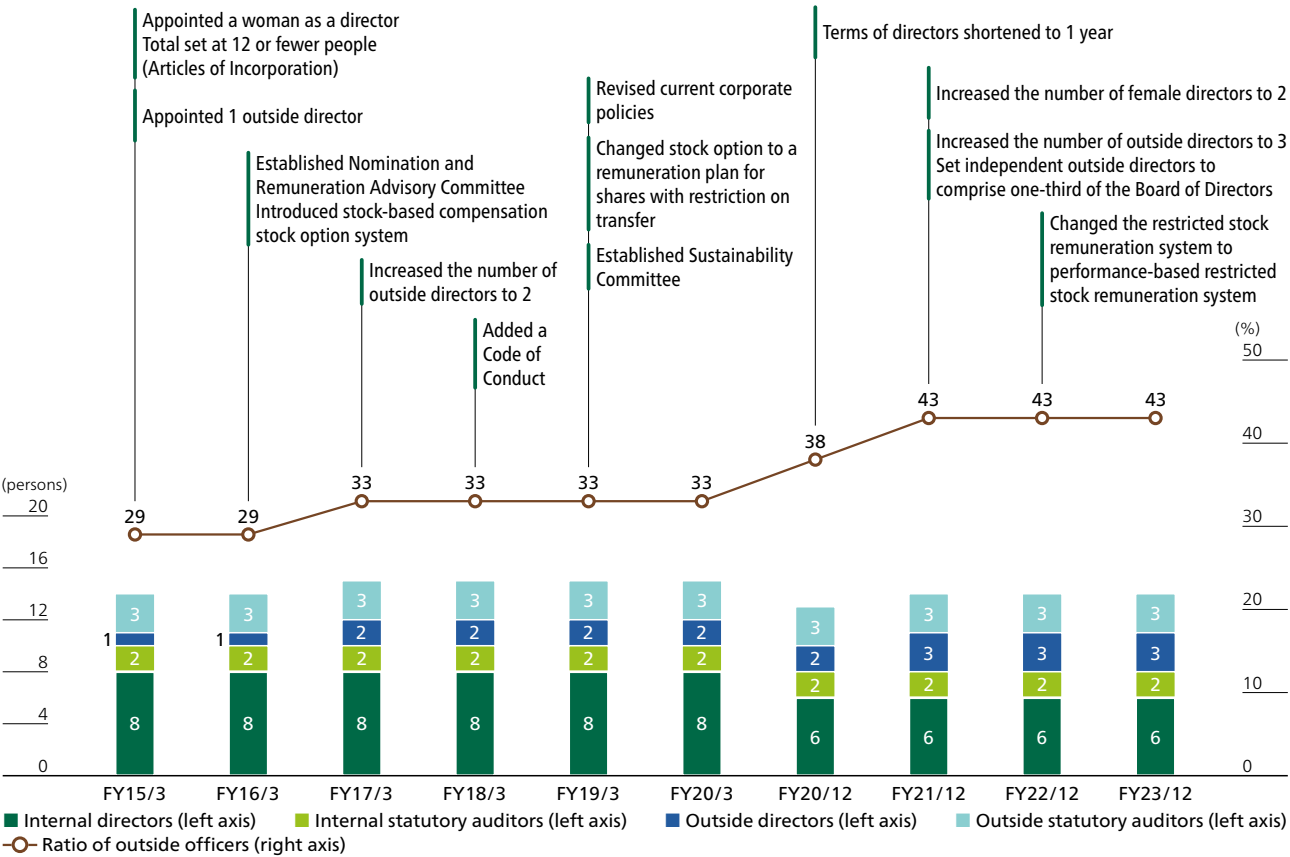
The Company has adopted the structure of a company with a board of statutory auditors and has a Board of Directors comprising 9 directors, including 3 outside directors, and a Board of Statutory Auditors comprising 5 statutory auditors, including 3 outside statutory auditors. Under this organizational structure, we have introduced an executive officer system to separate decision making and management oversight functions from operational execution functions.

Outline of the corporate governance system

Organizational structure	Company with a board of statutory auditors
Number of independent officers	6
Number of Board of Directors meetings (fiscal year ended December 2022)	15 times
Adoption of the executive officer system	Yes
Nomination and Remuneration Advisory Committee	Yes
Accounting auditor	Ernst & Young ShinNihon LLC

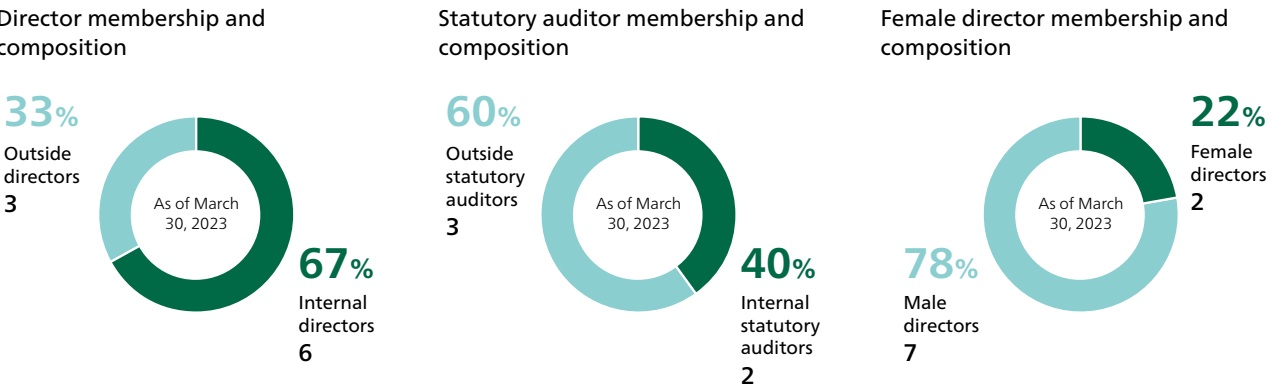
Sumitomo Forestry Basic Policy on Corporate Governance
<https://sfc.jp/english/ir/management/pdf/CorporateGovernance.pdf>

Initiatives for Corporate Governance



Corporate Governance

Role and Structure of the Board of Directors, Statutory Audit System, and Audit Institutions



Board of Directors and Executive Committee

The Board of Directors is comprised of 9 directors (7 male and 2 female), including 3 outside directors (1 male and 2 female). It usually meets once a month, making decisions on important issues, checking up on performance and other matters, and carrying out its supervisory functions. Prior to Board of Directors meetings, the Executive Committee, an advisory body to the President, generally holds meetings twice a month to ensure that important issues have been sufficiently discussed in advance. Executive Committee meetings are attended by those directors who also serve as executive officers, as well as full-time statutory auditors. The Board of Directors met 15 times and the Executive Committee met 26 times in the fiscal year ended December 2022. Directors and statutory auditors strive to maintain a Board of Directors meeting attendance rate of at least 75%.

Statutory Audit System

The Board of Statutory Auditors is comprised of 5 statutory auditors (5 male), including 3 outside statutory auditors (3 male). Each statutory auditor audits the directors' execution of duties utilizing the deep insights and diverse perspectives they have acquired from their various backgrounds.

As assistants to the statutory auditors, permanent staff, who assist in the audit operations of statutory auditors, and auditing inspectors, who double as senior managers of major departments, are assigned with a particular focus on enhancing the function of audits from a practical perspective. Under this system, the statutory auditors attend important meetings such as Board of Directors and Executive Committee meetings, where they can obtain accurate information regarding the managerial decision-making process. To enhance the effectiveness of audits, the statutory auditors strive to cooperate with the financial auditing company as well as the Internal Audit Department.

They also receive reports regularly from the divisions responsible for risk management and compliance, accounting, and labor, and monitor and verify internal control functions.

The statutory auditors are also provided with opportunities to express their opinions regarding the directors' execution of operations whenever needed. In addition, the Group Board of Statutory Auditors, attended by the Company's full-time statutory auditors and the statutory auditors of major subsidiaries, meets regularly in an effort to strengthen the monitoring functions regarding the status of execution of Group management. Furthermore, in conjunction with the monthly Board of Statutory Auditors meeting, opportunities are provided for the assigned executive officers to explain matters discussed at Executive Committee meetings so that all statutory auditors and outside directors can understand important matters in detail. The statutory auditors and representative directors also exchange opinions regularly.

This system ensures that the statutory auditors can provide adequate monitoring functions of the directors' execution of operations from the perspective of shareholders. The Board of Statutory Auditors met 14 times and the Group Board of Statutory Auditors met 5 times in the fiscal year ended December 2022.

Nomination and Remuneration Advisory Committee

The Board of Directors establishes a Nomination and Remuneration Advisory Committee as an advisory body from which it seeks opinions to ensure fairness and transparency in matters including the selection of candidates for the Board of Directors and auditing posts, the selection of executive officers, the dismissal of board members, statutory auditors or executive officers, evaluations of the chief executive officer and other

executive officers, and remuneration for board members and executive officers. The Nomination and Remuneration Advisory Committee will consist of the Chairman, the President, and all outside executives (3 outside directors and 3 outside statutory auditors) where the majority must be outside executives, and the chairperson must be an outside director.

Officer Skill Matrix

The table below outlines the skills (expertise, experience) that the Company takes into special consideration for each of the Directors and Statutory Auditors.

Visit our website for the reason for the selection of the skills.
<https://sfc.jp/english/sustainability/governance/governance.html>

Expertise and experience of directors and statutory auditors

	Name	Title	Expertise and experience								
			Corporate management	Resources/Environment	Construction/Real estate development	Global	Finance/Accounting	Human resources development/D&I	Legal affairs/Risk management	IT, DX	Industrial policy
Directors	Akira Ichikawa	Representative Director, Chairman of the Board	●			●	●	●	●	●	●
	Toshiro Mitsuyoshi	Representative Director, President/ Director, Corporate Officer	●	●	●	●					
	Tatsuru Satoh	Representative Director, Executive Vice President and Executive Officer	●	●			●	●	●	●	
	Tatsumi Kawata	Director, Senior Managing Executive Officer	●	●		●	●	●			
	Atsushi Kawamura	Director, Senior Managing Executive Officer	●	●	●	●					
	Ikuro Takahashi	Director, Managing Executive Officer	●		●						
	Izumi Yamashita	Outside Director	●			●	●			●	●
	Mitsue Kurihara	Outside Director	●	●		●	●				●
Statutory Auditors	Yuko Toyoda	Outside Director				●			●		
	Akihisa Fukuda	Senior Statutory Auditor	●		●	●	●			●	
	Toshio Kakumoto	Statutory Auditor				●			●		
	Yoshitsugu Minagawa	Outside Statutory Auditor		●				●			●
	Yoshimasa Tetsu	Outside Statutory Auditor					●				
	Makoto Matsuo	Outside Statutory Auditor				●			●		

Corporate Governance

Evaluation and its Results on the Effectiveness of the Board of Directors

The Company carries out regular self-analysis and self-evaluation of the effectiveness of the Board of Directors.
We strive to enhance the effectiveness of the Board of

Directors by making continuous efforts to improve any issues identified.

Main Issues in the Effectiveness Evaluation Performed in the Fiscal Year Ended December 2021

Effectiveness Evaluation and its Results for the Fiscal Year Ended December 2022

Future Issues

- Optimize the management of the Board of Directors by means such as further improving materials for the Board of Directors meetings
- Regular monitoring of progress on the Medium-Term Management Plan by the Board of Directors

Method of evaluation

- Questionnaire for all directors and statutory auditors (the method of response was anonymous with responses sent directly to an outside organization, which maintained anonymity) and outside evaluation of the survey results
- Confirmation by the Board of Directors of the status of implementation as to the role of the Board of Directors as designated by the Sumitomo Forestry Basic Policy on Corporate Governance
- Exchanging opinions with directors and statutory auditors

Results of evaluation

- The Company's Board of Directors was found to be functioning effectively

Efforts to address matters recognized as issues during the evaluation for the fiscal year ended December 2021

- The Company prepared and distributed materials on issues to be discussed at the Executive Committee meetings, which are held in advance of the Board of Directors meetings to clarify discussion points and improve the management efficiency of Board of Director meetings
- The progress of the Medium-Term Management Plan is regularly discussed at board member gatherings, which aim to enhance Board of Directors meetings and the content of discussions conducted there

- Monitoring of succession plans for top management
- Development of effective measures to counter new operational risks with the expansion of our business fields, etc.

Executive Remuneration System

At the Board of Directors meeting held on February 14, 2022, in addition to formulating the Sumitomo Forestry Group's long-term vision and a new Medium-Term Management Plan, we also revised the officer remuneration system with the aim of further heightening the motivation of every officer to achieve the Medium-Term Management Plan.

The remuneration of directors of the Company is designed in accordance with the following policies:

- The remuneration plan should be highly linked not only to short-term performance but also to medium- to long-term performance and improvement of corporate value;
- The plan should be linked to the value to be newly created and provided in the course of promoting the ESG integrated management;
- The plan should be designed to be linked to the shareholder value of the Company;
- The remuneration level should be such that the Company can secure and maintain the human resources necessary to achieve its long-term vision; and
- The plan should ensure transparency and objectivity in the remuneration determination process.

Remuneration for directors (excluding outside directors) and executive officers

Remuneration for directors is composed of three types: (i) fixed remuneration commensurate with the director's responsibilities and roles, (ii) annual performance-based bonus as a short-term incentive, and (iii) performance-based restricted stock remuneration as a medium- to long-term incentive. Thus, the remuneration plan is designed to encourage management efforts from a short-term, and medium- to long-term perspective and to appropriately reward the results of such efforts.

The Company will determine the amount of fixed remuneration for each director position in accordance with their responsibilities and roles and pay fixed remuneration as monthly remuneration. The amount of annual performance-based bonus will be judged comprehensively and determined by multiplying the standard bonus amount stipulated for each position with a payout ratio that fluctuates in proportion to the base profit for each business year (the amount obtained by deducting actuarial differences regarding employees' retirement benefit obligation and net income attributable to non-controlling interests from consolidated recurring income for the relevant fiscal year).

The performance-based restricted stock remuneration is structured to reflect the Company's performance during each period (three years) of the Medium-Term

Remuneration composition ratio of directors (illustration using base profit of 100 billion yen)

(1) Fixed remuneration 60%	(2) Bonus 25%	(3) Stock-based remuneration 15%
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40%

Formula for calculating annual performance-based bonus

Bonus paid = Standard bonus amount by position x Payment rate *1

Payment rate (%)

*1 The payout ratio range will be from 0% (lower limit) to 180% (upper limit).

Formula for calculating performance-based restricted stock remuneration

(1) Amount equivalent to two-thirds of the standard stock compensation amount by position x payout ratio (growth rate of Company's market capitalization during the period of the Medium-Term Management Plan/TOPIX growth rate during the same period)*2

(2) One-third of the standard stock remuneration amount by position x payout ratio (percentage of achievement of Medium-Term Management Plan SBT greenhouse gas emission reduction targets)*3

(1) Remuneration linked to market capitalization growth rate

Vesting rate (%)

*2 The payout ratio range will be from 0% (lower limit) to 120% (upper limit).

(2) Remuneration linked to the sustainability index achievement rate

Vesting rate (%)

*3 The payout ratio range will be from 0% (lower limit) to 100% (upper limit).

Total Remuneration Paid to Directors and Statutory Auditors (Fiscal 2022)

Category	Total amount by type of remuneration (¥ million)	Total remuneration (¥ million)				Number of eligible officers	
		Monthly remuneration	Performance-linked remuneration (bonuses)	Non-monetary remuneration			
				Former system (Before March 2022)	New system (Since March 2022)		
				Restricted stock remuneration	Performance-based restricted stock remuneration		
Directors*4	489	267	163	8	51	7	
Statutory auditors*4	50	50	—	—	—	2	
Outside directors	41	41	—	—	—	3	
Outside statutory auditors	33	33	—	—	—	3	

*4 Excludes outside directors and outside statutory auditors.

*5 The above includes one director who retired at the conclusion of the 82nd Ordinary General Meeting of Shareholders held on March 29, 2022.

*6 The total amount of non-monetary remuneration for directors is respectively (i) 8 million yen, the amount to be expensed in the current financial year in respect of the allotment of restricted shares granted to six directors (excluding outside directors) under the old system (a remuneration plan for shares with restriction on transfer before March 2022) and (ii) 51 million yen, the amount to be expensed in the current financial year in respect of the allotment of restricted shares under the new system (performance-based remuneration plan for shares with restriction on transfer after March 2022), which is the estimated amount of monetary compensation claims based on the estimated number of shares to be delivered after the three-year evaluation period.

Total consolidated remuneration per officer (for officers receiving over 100 million yen)

Director remuneration amounts for the fiscal year ended December 2022 are as follows.

Name	Total amount of consolidated remuneration (¥ million)	Officer classification	Company classification	Total amount by type of consolidated remuneration (¥ million)			
				Monthly remuneration	Bonuses	Restricted stock remuneration	Performance-based restricted stock remuneration
Akira Ichikawa	118	Director	Sumitomo Forestry Co., Ltd.	65	39	2	12
Toshiro Mitsuyoshi	117	Director	Sumitomo Forestry Co., Ltd.	64	39	2	12

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Corporate Governance

Management Plan in the level of vesting in order to promote management emphasizing medium- to long-term improvement of shareholder value. The standard stock remuneration amount prescribed for each position consists of ‘a portion linked to the growth rate of the Company’s market capitalization relative to TOPIX (two-thirds of the standard stock remuneration amount by position)’, and ‘a portion linked to the achievement rate of the greenhouse gas emission reduction target based on SBTs (Science Based Targets) (one-third of the standard stock remuneration amount by position)’, each during the relevant period.

The amount of remuneration for outside directors,

consisting only of monthly remuneration as fixed remuneration, will be determined in accordance with their responsibilities and roles.

Statutory auditor remuneration

Compensation for Statutory Auditors consists only of monthly compensation as basic compensation. In addition, we use results of a survey conducted by a third party for directorship remuneration at domestic corporations in order to set an appropriate remuneration level from the perspective of ensuring objectivity and appropriateness of executive remuneration.

posted to our website four weeks prior to the General Meeting of Shareholders. Furthermore, shareholders can use the Internet and other electronic means to exercise their voting rights. We also make use of the electronic proxy voting platform for institutional investors operated by ICJ, Inc. for proxy voting.


Disclosure of a wide range of information

At the General Meeting of Shareholders, we endeavor to provide reports and explanations that are easy to understand. Additionally, we display accounting-related information such as summaries of accounts, fact books and financial results overviews on our website, together with a wealth of IR information in Japanese and English such as information about monthly orders in the housing business.

We also display detailed information about sustainability initiatives on the website in both English and Japanese.

Since the fiscal year ended March 2017, the Sumitomo Forestry Group has published the Integrated Report with the objective of improving the disclosure of financial information and ESG-related non-financial information about its initiatives to increase value created over the medium- to long-term. Apart from the Integrated Report, Sumitomo Forestry proactively offers information by publishing Japanese and English translations of its Notices of Convocation of the Ordinary General Meeting of Shareholders, among other documents, in print as well as on its website.

Visit our website for information about future IR activities and events organized.

 **IR calendar**
<https://sfc.jp/english/ir/calendar.html>



Strategically-held shares

Article 5 of Sumitomo Forestry’s Basic Policy on Corporate Governance cross-shareholding is as follows.

- 1

The Company may acquire and hold shares in its business partners and counterparties when the Company determines that such shareholdings will contribute to mid- to long-term enhancement of the Company’s corporate value from the perspective of, among others, maintenance and reinforcement of long-term and stable business relationships with those partners and counterparties as well as expansion of the Company’s business as a result of such closer ties with those parties.
- 2

At meetings of the Board of Directors, the Company will regularly examine whether the holdings of the shares under the preceding paragraph (the “Strategically-held shares”) lead to the improvement of its corporate value through analyzing the relationship between the profits/risks associated with such holdings and the cost of capital, and will verify the purpose and rationale of such holdings. When the Company judges that the rationale and necessity of

such holdings cannot be confirmed, it will reduce the number of such Strategically-held shares.

- 3

The Company will appropriately exercise its voting rights pertaining to the Strategically-held shares in accordance with its voting criteria and based on its comprehensive judgment from the perspective of the improvement of its corporate value.
In addition, to verify the rationality and necessity of cross shareholdings, the Board of Directors compares the returns of each Strategically-held share to the hurdle rates set by the Company and also confirms whether the holdings of such shares lead to higher corporate value by verifying the status of transactions with the companies of the Strategically-held shares.
If a business partner or counterparty of the Strategically-held shares company suffers a long-term slump in business performance or seriously violates laws or causes scandal, the Company will judge how to exercise its voting rights pertaining to the Strategically-held shares by gathering information through dialogue with such counterparties.

Ensuring Management Transparency

Basic policy on disclosure

To increase transparency in management, we actively disclose not only the information required to be disclosed by various laws and regulations, but also other items deemed useful to shareholders and investors, actively and in a swift and fair manner.


Initiatives to encourage execution of voting rights

The Company sends out notices three weeks prior to the General Meeting of Shareholders so that a greater number of shareholders can participate. In addition, as a measure for the electronic provision of materials for general meetings of shareholders, these materials are

Corporate Governance Code Compliance Status

The Company complies with all Principles of the Corporate Governance Code issued by Tokyo Stock Exchange, Inc., and includes this information in its Corporate Governance Report.

Please see our website to view the Corporate Governance Report.

 **Corporate Governance Report**
https://sfc.jp/english/sustainability/governance/pdf/Corporate_Governance_Report_2023.pdf



Succession Plan

Starting in 2022, the Nomination and Remuneration Advisory Committee has continued discussions on the succession plan for upper management as of its meeting. At its meeting held on August 30, 2022, the Nomination and Remuneration Advisory Committee exchanged opinions on the succession plan for top management and discussed the pool of potential successor candidates.

Material Issues

Results

Ratings in the table below
Achieved: ○ Not achieved but improved from previous year: △ Not achieved and declined compared to previous year: ✕

9 To establish a robust business structure				
Indicators for Evaluation (numerical targets)	Managing department	FY2022 Targets	FY2022 Results	FY2022 Value
New introduction of business process control (internal control)	Global Housing, Construction and Real Estate Division	Full-scale introduction (2 companies)	Implementation	○
Strengthening information security level of overseas affiliated companies*	IT Solutions Department	20%	39.1%	○
Implementation of external evaluation of effectiveness of the Board of Directors	General Administration Department	Examination	Implementation	○
Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	New implementation in two divisions including the Environment and Resources Division and Global Housing, Construction and Real Estate Division	New implementation in two divisions including the Environment and Resources Division and Global Housing, Construction and Real Estate Division	○

* Sumitomo Forestry Group's unique security base level achievement rate

Risk management

Risk management system

To strengthen the risk management system for the entire Group, the Company has laid down the Risk Management Basic Regulations. In accordance with the Regulations, the President has been appointed as the highest authority on risk management for the Sumitomo Forestry Group. Each executive officer in charge of a head office department or business division is appointed to the position responsible for risk management in the area of their own responsibility. Additionally, each general manager is responsible for risk management in the department under their jurisdiction. The regulation also comprehensively deals with risks from the aspect of ESG. According to the Regulations, the Risk Management Committee, which is comprised of all executive officers, must meet once every quarter. The Committee identifies the risks the Company should be aware of, analyzes them, shares and discusses countermeasures,

and assesses the status of execution. Under the umbrella of the Risk Management Committee, the Company has the Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee, which improve the effectiveness of risk management pertaining to Group-wide compliance risks and business interruption risks.

These activities are reported to the Board of Directors, and the findings are reflected in the execution of business, such as by the performance of management reviews. In the fiscal year ended December 2022, the Risk Management Committee convened four times, the Compliance Subcommittee twice, and the BCM Subcommittee twice, and the Board of Directors received reports from them four times.

We keep developing specific activities to improve the effectiveness in our response to environmental, social, and governance risks and emerging risks described in the Sumitomo Forestry Group's Code of Conduct. With respect to climate

change, for example, international trends are considered together with the business condition of each Division in order to evaluate risks and opportunities that are thought to have a severe financial impact at the corporate and divisional levels.

Rapidly identifying and responding to risks

The Sumitomo Forestry Group operates Two-hour Rule system designed to quickly and accurately communicate information to management in the event of an emergency situation that may have a grave impact on company management. In addition to the regular reporting line, it utilizes communication via the Division responsible for risk

management. Through this system, management can take the best decision speedily, ensuring an initial response which avoids loss and controls the situation. Moreover, it serves a role in collecting and accumulating reported cases and assists in improved business practice and prevention of recurrence.

Furthermore, the structure is organized so that, by sharing information with the public relations departments, important situations are disclosed to stakeholders properly and in a timely manner.

Visit our website for further details about risk management.
<https://sfc.jp/english/sustainability/governance/risk.html>



Business Continuity Management

Business Continuity Management System

The Sumitomo Forestry Group has established BCM Subcommittee in order to respond to business interruption risks, such as natural disasters and the spread of infectious diseases, which are extremely difficult to prevent through corporate efforts and may have a significant impact on functions of the head office. We disseminate and strengthen the Business Continuity Management System (BCM system) and formulate, review, and improve the Business Continuity Plan (BCP), and conduct training based on the plan. In fiscal 2022, the BCM Subcommittee met two times. To deepen understanding of decision making required during a disaster and the information that should be collected, we conducted initial response scenario training led by an outside instructor and carried out inspections on the status of business continuity systems of the Group companies, and provided commentary on the future direction of these systems based on the inspection results.

building a system that enables the continuation of important operations at the two bases in Tokyo and Osaka, and working to minimize the impact, such as preparing IT equipment for emergencies, we also take measures such as remote backup of various systems and data necessary for the execution of operations in an emergency.

At each disaster site, even in a situation where the chain of command with the head office is disconnected, it is necessary for the responsible person to make flexible decisions and respond quickly to the initial response. Therefore, "Simulated Initial Response Training" is implemented to enhance response-ability. Online training was implemented for a total of 53 operational managers of different sites in 2022.

Strengthening Supply Chain Business Continuity Plan

In readiness for potential disruption of its Housing Business supply chain following a disaster, Sumitomo Forestry shares the specifications and processes for property construction along with site progress status information with business partners including component makers and building contractors. By enabling advanced procurement of materials and production, the Company is striving to reduce the risk of a disruption to operations.

Visit our website for further details about Business Continuity Management.
<https://sfc.jp/english/sustainability/governance/bcp.html>



Compliance

Compliance promotion system

Sumitomo Forestry established the Compliance Subcommittee as a subordinate organization under the Risk Management Committee, chaired by the general manager of the General Administration Department and comprised of the persons responsible for risk management, including those from the responsible departments at each group company. As a cross-cutting organization across the

group, the subcommittee promotes responses to compliance risk. It has established the group standard risk management system and tools to ensure compliance with the Construction Business Act of Japan and other laws throughout the group, for efficient response to compliance risk.

Meetings were held by the committee twice in FY2022 to continuously improve the compliance system through the

following activities. Through these efforts, compliance officers of the entire group are able to coordinate their viewpoints from the bottom up and share a sense of crisis.

These activities are outlined and reported to the Board of Directors once every quarter to build a system to reflect this

- Across-the-board inspection of compliance with the Construction Business Act, Act on Architects and Building Engineers and Real Estate Brokerage Act
- Across-the-board inspection of operation management system safety
- Across-the-board inspection of compliance with the Subcontract Act
- Across-the-board inspection of responses to administrative procedures and legal requirements specific to Tsukuba Research Institute and Group companies
- Explaining and sharing information about the Unfair Competition Prevention Act and Antimonopoly Act
- Explaining and sharing information about laws (Whistleblower Protection Act, Act on the Protection of Personal Information, Road Traffic Act, etc.) scheduled to be revised

information into the execution of our businesses. In addition to making monthly activity reports to auditors and internal audit divisions, any particularly important initiatives or risk information


Internal Control System at Overseas Subsidiaries

In our Global Housing, Construction, and Real Estate Business, expatriate employees are dispatched to participate in business operations as directors. All 10 of our major U.S. and Australian subsidiaries have created rules concerning official authority to clarify decision-making processes, and expatriates monitor that business operations are conducted in accordance with business operating agreements and these rules. With regard to business process control related to the internal control and reporting system, we are promoting initiatives to identify problems through the visualization of daily operations by creating and preparing business memos. Going forward, based on the post-acquisition situation and local circumstances, we will gradually increase the number of subsidiaries that have

that is common to the Group is shared with the auditors in each Group company via the meetings of statutory auditors of Sumitomo Forestry and its subsidiary companies. Thus, the Group has developed a system for promoting compliance in its lines of business execution using internal and external approaches.


Whistleblowing Mechanism (Compliance Hotline)

The Sumitomo Forestry Group is committed to creating a workplace environment equipped with a self-corrective function for catching any misconduct concealed in day-to-day operations at an early stage. The Group established the Compliance Hotline (advice desks) in 2002 to allow for the reporting of compliance violations. Furthermore, in October 2019, we put in place a whistleblowing mechanism shared with our main overseas Group companies as our Group expands businesses around the world. An external multilingual operator is used for this reporting system to receive reports in English, Chinese, Indonesian, Vietnamese, and Thai.



Visit our website for further details about compliance.

<https://sfc.jp/english/sustainability/governance/compliance.html>



introduced business process controls under the internal control and reporting system and improve and strengthen our management system. In addition, we have introduced a whistleblowing mechanism at operating companies in the U.S. and Australia, as well as at Dalian Sumirin Information Technology Service Co., Ltd. (Dalian ITS) in China.

Managing Real Estate Investment Risks

In addition to management based on the Real Estate Investment Risk Management Regulations, we monitor the real estate holdings of each business segment so that we can respond flexibly to market conditions.

Voice of an Overseas Group Company CEO



John Winniford
Brightland Homes LTD.
President & CEO

Promoting sustainable development, the foundation of Sumitomo's Business Spirit, as a 10-year member of the Sumitomo Forestry Group

In May of 2024, we will celebrate our 10th Anniversary as a part of the Sumitomo Family. Over the course of the last decade, we have strived to honor Sumitomo Forestry's corporate philosophy and core values. At Brightland Homes we believe in fairness, integrity, and that high ethical standards are at the center of a successful business.

We share Sumitomo Forestry Group's passion for sustainability and the "good of society" and demonstrate that in our actions and how we conduct ourselves in the communities in which we live and serve. We plant trees for every home we deliver to support reforestation, support worthy causes in our communities and promote developments where families can live and thrive for generations to come.

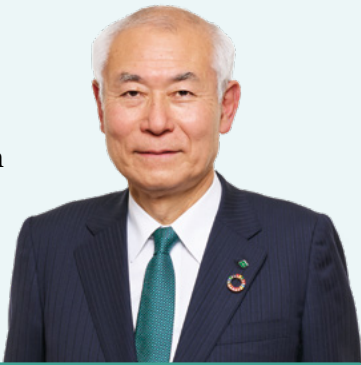
Last year we launched an intranet site to ensure our employees are up to date on news and developments within our company, our markets, and our sector. We included a page solely dedicated to the Sumitomo Forestry Group's corporate philosophies and "Business Spirit" for the benefit of our employees. This only reinforces our commitment to the obligations we each have to uphold these principles.

Messages from Outside Directors

Message from Outside Director Izumi Yamashita

Making steady efforts toward achievement of the Long-Term Vision

Izumi Yamashita
Outside Director



The business environment surrounding the Company has changed significantly due to ongoing worldwide inflation and rapid hikes in interest rates triggered by Russia's invasion of Ukraine, and the performance of the overseas housing and real estate business, particularly in the United States, has been forced into a considerable downturn.

However, since the medium- to long-term growth potential of these countries is high and they are expected to return to a growth trajectory as interest rates peak, it is time for the Company to solidify the foundation for its next stage of growth, including improving productivity by streamlining construction, while thoroughly managing investment and inventory risks.

The most important management issues for the Company are the revitalization of domestic businesses, which are sluggish against the backdrop of a declining population, lower birthrates and an aging population, and contributing to global environmental issues and decarbonization. To address these issues, the Company must make every effort toward wide-ranging projects set forth in the Long-Term Vision Mission TREEING 2030 and steadily produce results.

In the implementation process, it is essential to (1) thoroughly visualize the processes of each project and implement effective project management through collaboration and cooperation with each organization and department, and (2) utilize collaboration and open innovation with other companies that have excellent technology and know-how. The Company's project for the sustainable comprehensive forest management of tropical peatlands in Indonesia, which is being implemented in collaboration with IHI, is one such leading example.

I am confident that building and nurturing a human resource portfolio of energetic, highly skilled individuals with diverse nationalities and backgrounds through these various projects inside and outside the company, and creating a more open and innovative work environment with a constructive sense of tension will lead to the sustainable and robust growth of the Company's corporate value.

Messages from Outside Directors

Message from Outside Director Mitsue Kurihara

Reflecting diverse viewpoints in management to enhance corporate value and social value

Mitsue Kurihara
Outside Director



The Sumitomo Forestry Group is establishing a unique value chain by building the global wood cycle. The business environment is becoming increasingly uncertain amid changes in global economic conditions and heightened geopolitical risks, like a wood shock of soaring lumber prices worldwide, which resulted from a combination of various factors. This situation requires a more advanced level of management.

The Company is presented with a number of business opportunities as a result of social issues such as climate change. In decarbonization, it is important to not only go “carbon negative” by ourselves, but also lead the creation of high-quality environmental value by developing carbon measurement technology utilizing our know-how, standardizing decarbonized design in architecture, and establishing forestry funds, as well as pursuing sustainable forest management in Japan and overseas.

The Company must also enhance risk management, and it is important to reexamine supply chains and strengthen local management capabilities in consideration of the international situation and economic security. In addition, the Company needs to increase sensitivity to respect biodiversity and human rights, and accelerate its efforts and disclosure.

To this end, it is essential that the Company strengthens its management foundation. It is necessary to constantly discuss the ideal financial base taking into account expanded investments for growth and business characteristics. In terms of human resource strategy, the proportion of mid-career hiring of managers and non-Japanese full-time directors at overseas subsidiaries already exceeds 40%, but I would like to see the Company further promote diversity such as a more active role of women and foster a culture that embraces “taking on challenges.”

In addition to promoting DX that includes the Group and supply chains, it is also important to enhance the Group’s communication capabilities. Going beyond horizontal business collaboration, the Company should use management strategies, risk management, and close communication between each business unit to better understand complex and uncertain changes in the business environment and foster greater resilience.

As an Outside Director, I will help to evolve Group governance in normal times while reflecting various viewpoints in management, and strive to further enhance corporate value and social value by helping to increase the organization’s resilience.

Message from Outside Director Yuko Toyoda

Aiming to contribute to governance building and discussions to increase women’s active engagement in the workplace

Yuko Toyoda
Outside Director



1. As an Outside Director, from what perspectives do you intend to be involved in governance?

It is an honor to have joined the Board of Directors in March 2023. At the same time, I recognize the importance of my duties and have a feeling of tension and determination. An Outside Director plays a substantial role in ensuring the effectiveness of supervision by using their independent position and perspectives that differ from those involved in business execution inside the Company. The Outside Director must also live up to the expectations of stakeholders. After mastering these basics, I hope to contribute to governance using diverse viewpoints while utilizing my experience in law.

2. Do you have a credo as a legal professional that could benefit the activities of Directors?

When working on a legal case, it is important for a lawyer to look at the big picture, drawing a clear distinction between areas requiring flexibility and those to be protected. It is necessary to be careful not to become unnecessarily conservative and hinder business, while at the same time accurately pointing out the legal risks that should be avoided and determining the measures to be taken from a bird’s-eye view of the whole. This way of thinking is also useful in my activities as a Director.

3. What role do you hope to play on Sumitomo Forestry’s Board of Directors?

Since corporate governance is not a uniform system, but rather one that requires an appropriate system for each company, it is necessary to deeply consider the company and the surrounding environment based on discussions and trends at the time. By gaining a deep understanding of the Company and holding thorough discussions, I hope to contribute to the establishment of a governance system that suits Sumitomo Forestry. In addition, forest management since the Company’s founding has evolved into a wood cycle that is a powerful solution to global issues, and such management continues to make steady progress in this regard. To ensure that Mission TREEING 2030 is implemented based on a solid governance footing, I would like to contribute to solving various issues, such as promoting Group governance tailored to the characteristics of overseas subsidiaries, implementing and disseminating decarbonization initiatives, and creating an environment for making full use of human resources. In particular, I will give sincere consideration to the more active role of women in the workplace and do my utmost to enable not only women but also each and every employee to play an even more active role.

Introducing the Board of Directors and Statutory Auditors

Directors

* is an independent officer. "Attendance" is the number of Board of Directors meetings attended in the fiscal year ended December 2022. "Company shares held" is current as of December 31, 2022.



Akira Ichikawa

Representative Director, Chairman of the Board
Born Nov. 12, 1954
Attendance: 15/15
Company shares held: 77,000

Career history

Apr. 1978 - Joined the Company
Jun. 2007 - Executive Officer
Jun. 2008 - Director
Managing Executive Officer
Apr. 2010 - Representative Director (current position)
President/Director
President and Executive Officer
Apr. 2020 - Chairman of the Board (current position)

Important concurrent jobs
Outside director of KONICA MINOLTA, INC.
Outside director of SUMITOMO CHEMICAL COMPANY LIMITED



Toshiro Mitsuyoshi

Representative Director, President
Born May 23, 1962
Attendance: 15/15
Company shares held: 20,000

Career history

Apr. 1985 - Joined the Company
Jun. 2010 - Executive Officer
Apr. 2011 - Managing Executive Officer
Jun. 2014 - Director
Apr. 2018 - Senior Managing Executive Officer
Apr. 2020 - Representative Director (current position)
President/Director (current position)
President and Executive Officer (current position)



Tatsuru Satoh

Representative Director
Born Dec. 14, 1955
Attendance: 15/15
Company shares held: 39,000

Career history

Apr. 1978 - Joined the Company
Jun. 2012 - Executive Officer
Apr. 2013 - Managing Executive Officer
Jun. 2013 - Director
Apr. 2016 - Senior Managing Executive Officer
Apr. 2018 - Representative Director (current position)
Executive Vice President and Executive Officer (current position)

Important concurrent jobs
Director of Kumagai Gumi Co., Ltd.



Izumi Yamashita*

Outside Director
Born Feb. 1, 1948
Attendance: 15/15
Company shares held: 0

Career history

Jul. 1971 - Joined the Bank of Japan
Apr. 1998 - Director-General of Financial Markets Department, Bank of Japan
Mar. 2002 - General Manager of Financial Marketing Division, Accenture Japan Ltd
Apr. 2003 - Executive Director of Japan Post
Apr. 2005 - Deputy Governor of Japan Post
Oct. 2007 - President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.
Jun. 2012 - Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd.
Jun. 2013 - Resigned from Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd.
Jun. 2016 - Outside Director of the Company (current position)

Important concurrent jobs
Outside Director of AEON Bank, Ltd.



Mitsue Kurihara*

Outside Director
Born Apr. 7, 1964
Attendance: 15/15
Company shares held: 0

Career history

Apr. 1987 - Joined the Japan Development Bank (currently Development Bank of Japan Inc.)
Jun. 2008 - Visiting Fellow at the Freeman Spogli Institute for International Studies of Stanford University
Jun. 2010 - Deputy General Manager of Treasury Department, Development Bank of Japan Inc (DBJ)
May 2011 - General Manager of Healthcare & Hospitality Industry Office, Corporate Finance Department Division 4, DBJ
Apr. 2013 - General Manager of Corporate Finance Department Division 6, DBJ
Feb. 2015 - Audit & Supervisory Board Member of DBJ
Jun. 2020 - Chairman, Representative Director of Value Management Institute, Inc. (current position)
Mar. 2021 - Outside Director of the Company (current position)

Important concurrent jobs
Chairman of the Board of Value Management Institute, Inc.
Outside Director of Chubu Electric Power Co., Inc.
Outside Director of Japan Finance Corporation



Yuko Toyoda*

Outside Director
Born Aug. 21, 1970
Attendance: —*2
Company shares held: 0

Career history

Oct. 2000 - Registered as Attorney at Law admitted in Japan
Nishimura & Partners (currently Nishimura & Asahi)
Jun. 2002 - Civil Affairs Bureau, The Ministry of Justice
Apr. 2006 - Nishimura Tokiwa Law Office (currently Nishimura & Asahi)
Apr. 2011 - Deputy General Manager of Group Legal Department, Nomura Holdings, Inc.
Dec. 2014 - General Manager of Control Room, Compliance Department, Barclays Securities Japan Limited
Sep. 2015 - Special Counsel of City-Yuwa Partners
Jan. 2023 - Partner of City-Yuwa Partners (current position)
Mar. 2023 - Outside Director of the Company (current position)

Important concurrent jobs
Attorney at Law

*2 Currently in office from March 2023.



Tatsumi Kawata

Director
Born Oct. 4, 1962
Attendance: 15/15
Company shares held: 12,000

Career history

Apr. 1986 - Joined the Company
Jun. 2016 - Executive Officer
Apr. 2017 - Managing Executive Officer
Jun. 2018 - Director (current position)
Jan. 2022 - Senior Managing Executive Officer (current position)



Atsushi Kawamura

Director
Born Feb. 24, 1965
Attendance: 15/15
Company shares held: 18,000

Career history

Apr. 1987 - Joined the Company
Jun. 2016 - Executive Officer
Apr. 2017 - Managing Executive Officer
Apr. 2018 - Deputy Divisional Manager of Overseas Housing and Real Estate Division
Apr. 2020 - Divisional Manager of Overseas Housing and Real Estate Division
Jun. 2020 - Director (current position)
Jan. 2023 - Senior Managing Executive Officer (current position)
Divisional Manager of Global Housing, Construction and Real Estate Division (current position)



Ikuro Takahashi

Director
Born Oct. 4, 1959
Attendance: 12/12*1
Company shares held: 13,000

Career history

Apr. 1984 - Joined the Company
Oct. 2017 - Deputy Divisional Manager of Housing Division
Jun. 2018 - Executive Officer
Deputy Divisional Manager of Housing and Construction Division
Apr. 2020 - Managing Executive Officer (current position)
Divisional Manager of Housing and Construction Division
Mar. 2022 - Director (current position)
Jan. 2023 - Divisional Manager of Housing Division (current position)

*1 since appointed Director on March 29, 2022

Statutory Auditors

* is an independent officer. "Attendance" is the number of Board of Directors meetings (left), and Board of Statutory Auditors meetings (right) attended in the fiscal year ended December 2022.



Akihisa Fukuda
Senior Statutory Auditor (full-time)
Born Apr. 16, 1957
Attendance: 15/15 14/14

Career history
Apr. 1981 - Joined the Company
Jun. 2010 - Executive Officer
Apr. 2011 - Managing Executive Officer
June 2014 - Director
Oct. 2015 - Divisional Manager of Timber and Building Materials Division
Apr. 2020 - Executive Officer
Jun. 2020 - Senior Statutory Auditor (current position)



Toshio Kakumoto
Statutory Auditor (full-time)
Born April 7, 1964
Attendance: —*3 —*3

Career history
Apr. 1988 - Joined the Company
Apr. 2017 - General Manager of General Administration Department
Jun. 2020 - Supervisory Officer
General Manager of General Administration Department
Jan. 2023 - Assistant to Officer in Charge of Internal Audits
Mar. 2023 - Statutory Auditor (current position)

*3 Currently in office from March 2023.



Yoshitsugu Minagawa*
Outside Statutory Auditor
Born Apr. 27, 1954
Attendance: 14/15 13/14

Career history
Apr. 1978 - Joined Ministry of Agriculture and Forestry (currently Ministry of Agriculture, Forestry and Fisheries)
Jul. 2010 - Director-General of Forestry Agency, Ministry of Agriculture, Forestry and Fisheries
Sep. 2012 - Vice-Minister, Ministry of Agriculture, Forestry and Fisheries
Aug. 2015 - Adviser, Ministry of Agriculture, Forestry and Fisheries
Mar. 2016 - Resigned as Adviser to Ministry of Agriculture, Forestry and Fisheries
Jun. 2016 - Outside Statutory Auditor of the Company (current position)



Yoshimasa Tetsu*
Outside Statutory Auditor
Born Dec. 23, 1948
Attendance: 15/15 14/14

Career history
Nov. 1976 - Joined Daiichi Audit Corporation (currently Ernst & Young ShinNihon LLC)
Aug. 1981 - Registered as a Certified Public Accountant
May 1987 - Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
Aug. 1997 - Representative partner of Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
Jun. 2011 - Resigned from ShinNihon LLC (currently Ernst & Young ShinNihon LLC)
Jun. 2018 - Outside Statutory Auditor of the Company (current position)



Makoto Matsuo*
Outside Statutory Auditor
Born May 28, 1949
Attendance: 15/15 14/14

Career history
Apr. 1975 - Registered as Attorney at Law admitted in Japan
Mar. 1979 - Registered as Attorney at Law admitted in the State of New York, U.S.A.
Sep. 1980 - Partner of Ozaki & Momo-o
Apr. 1989 - Established Momo-o, Matsuo & Namba
Partner of Momo-o, Matsuo & Namba (current position)
Jun. 2018 - Outside Statutory Auditor of the Company (current position)

Executive Officers

* Doubles as Director and Executive Officer

Position	Name	Department in charge
President	Toshiro Mitsuyoshi*	
Executive Vice President	Tatsuru Satoh*	Administering Lifestyle Service Division, in charge of General Administration, Legal, Secretary, External Relations, Human Resource Development/D&I, IT Solutions and Internal Audit
Senior Managing Executive Officer	Tatsumi Kawata*	Administering Environment and Resources Division, in charge of Corporate Planning , Finance, Corporate Communications and Sustainability
	Atsushi Kawamura*	Administering Timber and Building Materials Division, in charge of the Tsukuba Research Institute, Divisional Manager of Global Housing, Contruction and Real Estate Division
Managing Executive Officer	Ikuro Takahashi*	Divisional Manager of Housing Division
	Kanpei Tokunaga	President and Representative Director of Sumitomo Forestry Home Engineering Co., Ltd.
	Takahisa Higaki	Deputy Divisional Manager of Housing Division (Overseeing Innovation Strategy and Construction Materials Development)
	Koji Tanaka	Divisional Manager of Timber and Building Materials Division
	Masanobu Nishikawa	Divisional Manager of Environment and Resources Division
	Atsushi Iwasaki	Deputy Divisional Manager of Global Housing, Construction and Real Estate Division (In charge of North American Business) Sumitomo Forestry America, Inc. (President and General Manager of Housing Department)

Position	Name	Department in charge
Executive Officer	Junko Saishu	General Manager of Legal Department and Intellectual Property Department of Legal Department
	Kazutaka Horita	President and Representative Director of Sumitomo Forestry Crest Co., Ltd.
	Yoichi Hosoya	Deputy Divisional Manager of Timber and Building Materials Division (Overseeing New Business Planning)
	Yutaka Kamiya	President and Representative Director of Sumitomo Forestry Landscaping Co., Ltd.
	Takumi Shimahara	President and Representative Director of Sumitomo Forestry Home Tech Co., Ltd.
	Tomio Tozaki	General Manager of IT Solutions Department
	Nobuyuki Otani	General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department
	Yuko Iizuka	General Manager of Sustainability Department
	Kenji Inui	Deputy Divisional Manager of Global Housing, Construction and Real Estate Division(Overseeing Design and Construction), General Manager of Asia and Oceania Business Department
	Kazuo Maniwa	Divisional Manager of Lifestyle Service Division

Reasons for appointment of directors and statutory auditors

	Name	Title	Reason for appointment
Directors	Akira Ichikawa	Representative Director, Chairman of the Board	Akira Ichikawa has abundant experience and achievements related to the Sumitomo Forestry Group's business, serving as President and Director as well as Chairman of the Board.
	Toshiro Mitsuyoshi	Representative Director, President	Toshiro Mitsuyoshi has abundant knowledge and management experience related to the Sumitomo Forestry Group's business. He was appointed to a leading management position of the Group as President and Director in April 2020.
	Tatsuru Satoh	Representative Director	Tatsuru Satoh has abundant experience and achievements related to the Sumitomo Forestry Group's business and management. He was appointed as Director in 2013, serving as an Executive Officer who oversees General Administration, Personnel, IT Solutions, and other departments. He currently serves as Executive Vice President and Executive Officer.
	Tatsumi Kawata	Director	Tatsumi Kawata has abundant experience related to the Sumitomo Forestry Group's business. After successively serving as the General Manager of the Personnel Department, General Manager of the Corporate Planning Department and other roles, he was appointed as Director in 2018. He currently serves as Senior Managing Executive Officer.
	Atsushi Kawamura	Director	Atsushi Kawamura has abundant experience related to the Sumitomo Forestry Group's business. After serving as Divisional Manager of the Overseas Housing and Real Estate Department and Deputy Divisional Manager of the Overseas Business Division, he was appointed Director in 2020. He currently serves as Senior Managing Executive Officer and Divisional Manager of the Global Housing, Construction and Real Estate Division.
	Ikuro Takahashi	Director	Ikuro Takahashi has abundant experience related to the Sumitomo Forestry Group's business. After serving as General Manager of the Engineering Department of the Housing Division and Deputy Divisional Manager in the same division, he was appointed Director in 2022. He currently serves as Managing Executive Officer and Divisional Manager of the Housing Division.
	Izumi Yamashita	Outside Director	Izumi Yamashita has abundant experience in the finance industry and deep insight as a corporate manager, based on which he has been judged to play an appropriate role in strengthening the Company's corporate governance. The Company expects him to contribute to strengthening the supervisory functions of management by using his experience and insight to make recommendations to management.
	Mitsue Kurihara	Outside Director	Mitsue Kurihara is playing an appropriate role in strengthening the Company's corporate governance based on her deep insight and abundant experience in the field of finance. Based on this experience and insight, the Company expects her to help strengthen the supervisory functions of management by making recommendations to management from an expert point of view.
	Yuko Toyoda	Outside Director	As an attorney, Yuko Toyoda has extensive experience in corporate legal matters and has been judged to be playing an appropriate role in strengthening the Company's corporate governance based on her experience and insight. The Company expects her to contribute to strengthening the supervisory functions of management by making recommendations to management from an expert's viewpoint.
Statutory Auditors	Akihisa Fukuda	Senior Statutory Auditor (full-time)	Akihisa Fukuda has abundant experience related to the Sumitomo Forestry Group's business, having served as Director, as an Executive Officer who oversees Corporate Planning, Finance and Information Systems, and as Divisional Manager of Timber and Building Materials Division among other positions.
	Toshio Kakumoto	Statutory Auditor (full-time)	Toshio Kakumoto has abundant practical experience in legal affairs and risk management and compliance. After serving as president of Sumitomo Forestry Australia Pty Ltd., a subsidiary of the Company, etc., he was appointed General Manager of the General Administration Department in 2017.
	Yoshitsugu Minagawa	Outside Statutory Auditor	Yoshitsugu Minagawa has abundant experience and deep insight in the agricultural, forestry and fishing sectors, and the Company believes that he is utilizing these assets in his auditing duties.
	Yoshimasa Tetsu	Outside Statutory Auditor	As a certified public accountant, Yoshimasa Tetsu has a high level of specialized knowledge and a wealth of experience in financial and accounting matters, which we have determined is being utilized in the Company's audit operations.
	Makoto Matsuo	Outside Statutory Auditor	As an attorney with extensive experience in corporate legal affairs both in Japan and abroad, he is expected to appropriately execute the Company's audit operations with his specialized perspective.

Eleven-year consolidated financial summary

	2022/12	2021/12	2020/12 (9M)	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3	2013/3
Operating results	(¥ million)										
Net sales	¥1,669,707	¥1,385,930	¥ 839,881	¥1,104,094	¥1,308,893	¥1,221,998	¥1,113,364	¥1,040,524	¥997,256	¥972,968	¥845,184
Gross profit	392,970	321,994	191,323	242,689	232,146	219,315	204,138	183,134	169,492	160,162	141,436
Selling, general and administrative expenses	234,717	208,344	143,862	191,312	182,899	166,294	150,149	153,041	135,498	126,747	116,105
Operating income	158,253	113,651	47,462	51,377	49,247	53,021	53,989	30,093	33,994	33,415	25,330
Recurring income	194,994	137,751	51,293	58,824	51,436	57,865	57,841	30,507	36,424	33,567	26,981
Net income attributable to shareholders of parent / Net income	108,672	87,175	30,398	27,853	29,160	30,135	34,532	9,727	18,572	22,531	15,923
Recurring income (excluding actuarial differences)	187,027	134,491	46,470	61,396	54,846	55,574	52,860	42,038	36,681	34,586	26,630
Financial position											
Total assets	¥1,537,598	¥1,314,226	¥1,091,152	¥1,004,768	¥ 970,976	¥ 899,120	¥ 794,360	¥ 710,318	¥665,538	¥645,197	¥547,973
Working capital*1	578,653	470,909	297,669	273,167	236,047	209,506	190,386	178,215	158,110	120,725	91,335
Interest-bearing debt	348,323	302,763	302,933	268,491	248,885	200,630	163,817	119,069	103,369	92,975	69,229
Net assets	682,554	540,089	399,456	357,064	353,489	345,639	295,857	265,257	260,782	226,078	193,250
Cash flows											
Cash flows from operating activities	¥ 55,276	¥ 91,576	¥ 46,840	¥ 45,724	¥ 40,689	¥ 13,732	¥ 40,337	¥ 45,705	¥ 14,709	¥ 54,057	¥ 45,910
Cash flows from investment activities	(52,385)	(40,254)	(44,635)	(38,874)	(71,659)	(46,250)	(62,350)	(9,972)	(23,575)	(10,476)	(28,662)
Cash flows from financing activities	(32,998)	(7,029)	(6,782)	1,142	11,523	25,156	14,267	1,813	(17,286)	8,511	(5,305)
Cash and cash equivalents at the end of the year	147,373	170,035	122,220	112,565	105,102	125,555	132,707	141,265	103,296	128,343	75,658
Capital investment											
Property, plant and equipment*2	¥ 31,657	¥ 21,844	¥ 18,124	¥ 32,414	¥ 17,071	¥ 17,685	¥ 48,204	¥ 18,042	¥ 12,617	¥ 14,735	¥ 7,058
Intangible fixed assets	5,334	3,892	2,989	3,470	3,173	2,470	2,839	2,006	2,488	2,417	2,890
Others	7,026	2,488	2,834	2,267	2,088	3,792	3,085	400	282	252	343
Total	44,017	28,224	23,946	38,151	22,331	23,947	54,128	20,448	15,388	17,404	10,291
Depreciation and amortization	17,911	16,491	11,503	14,388	13,696	13,727	12,887	11,753	11,453	9,810	8,978
Per share data	(¥)										
Net income	¥ 543.80	¥ 457.69	¥ 167.54	¥ 153.54	¥ 160.80	¥ 168.49	¥ 194.95	¥ 54.92	¥ 104.85	¥ 127.20	¥ 89.89
Net assets	3,140.26	2,479.76	2,025.13	1,777.57	1,755.06	1,719.05	1,552.04	1,374.47	1,387.39	1,234.53	1,086.68
Cash dividends	125.0	80.0	35.0	40.0	40.0	40.0	35.0	24.0	21.5	19.0	17.0
Financial ratios	(%)										
Gross profit margin	23.5	23.2	22.8	22.0	17.7	17.9	18.3	17.6	17.0	16.5	16.7
Operating income margin	9.5	8.2	5.7	4.7	3.8	4.3	4.8	2.9	3.4	3.4	3.0
Recurring income margin	11.7	9.9	6.1	5.3	3.9	4.7	5.2	2.9	3.7	3.4	3.2
Return on assets (ROA)*3	13.7	11.5	4.9	6.0	5.5	6.8	7.7	4.4	5.6	5.6	5.1
Return on equity (ROE)*3	19.4	20.2	8.8	8.8	9.3	10.3	13.3	4.0	8.0	11.0	8.8
Equity ratio	40.8	37.7	33.7	32.1	32.8	34.7	34.6	34.3	36.9	33.9	35.1
Interest-bearing debt ratio*4	35.7	37.9	45.2	45.4	43.9	39.2	37.3	32.8	29.6	29.8	26.5
Current ratio	217.1	211.9	178.3	175.3	163.2	158.8	158.8	156.9	154.1	137.0	133.1
Interest coverage ratio (times)*5	18.4	39.7	24.9	16.9	20.1	9.6	27.1	43.1	12.6	44.2	34.9

*1 Working capital = Current assets - Current liabilities
*2 From the fiscal year ended March 2009, leased assets have been included among property, plant and equipment in accordance with a change in the accounting standards for lease transactions.
*3 ROA and ROE are calculated using the simple average of beginning and end of term balance sheet figures.
*4 Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity)
*5 Interest coverage ratio (times) = Cash flows from operating activities / Interest payments
*6 In conjunction with the change in fiscal year-end, the fiscal year ended December 2020 is an irregular transition period covering the nine months from April to December 2020 on a consolidated basis.

ESG Information

		2022/12	2021/12	2020/12	2020/3	2019/3
Environment (E)						
Energy consumption (MWh)		2,880,398	2,878,334	2,848,460	2,903,124	3,015,835
Water use volume (thousand m ³)		2,937	2,858	2,851	2,897	2,978
Greenhouse gas emissions (t-CO ₂ e)	Scope 1	239,635	252,833	262,105	265,192	264,011
Greenhouse gas emissions (t-CO ₂ e)	Scope 2	116,292	117,939	108,421	115,449	117,602
Greenhouse gas emissions (ten thousand t-CO ₂ e)	Scope 3	940.0	983.5	911.9	1,025.5	987.7
Renewable energy introduction rate (%)		75.7	74.5	74.1	72.2	73.4
Renewable energy introduction rate in electricity used in the Group overall (%)		17.5	17.2	17.4	15.8	15.0
Sustainability procurement survey rate for imported wood product suppliers (%)		100.0	100.0	100.0	100.0	100.0
Sustainable wood use rate among principal structural materials (%)		100.0	100.0	95.8	80.6	-
Recycling rate at domestic manufacturing plants (%)		99.4	99.1	99.1	99.0	99.1
ZEH order ratio for new custom-built detached houses (%) (order basis)		77.2	67.4	51.5	51.0	40.0
Rate of new custom-built detached houses certified as long-life quality housing (%)		96.3	94.9	94.7	94.4	93.8
Area under forest ownership/management (ten thousand ha)	Domestic	4.8	4.8	4.8	4.8	4.8
	Overseas	24.0	22.9	22.9	21.9	21.9
Carbon storage amount in area under forest ownership/management (carbon dioxide equivalent) (10,000 t-CO ₂)	Domestic	1,373	1,361	1,348	1,330	1,310
	Overseas*1	5,264	5,240	5,212	933	738
Social (S)						
Number of employees (persons)	Non-consolidated	5,139	5,091	5,073	4,914	4,824
	Consolidated	21,948	21,254	20,562	19,332	19,159
Ratio of female employees (%)	Non-consolidated	23.1	22.6	22.0	21.6	21.0
	Consolidated in Japan	33.4	34.4	32.4	32.7	32.0
	Consolidated overseas	28.2	30.0	30.8	30.2	32.0
Ratio of female employees in management position (%)	Non-consolidated	6.3	5.6	4.8	4.2	3.7
	Consolidated in Japan	8.9	8.4	7.1	6.1	6.0
	Consolidated overseas	23.2	20.9	19.5	17.1	16.0
Ratio of newly graduated female recruits (%)	Non-consolidated	33.1	26.9	30.2	26.9	24.8
	Consolidated in Japan	34.6	35.1	43.4	45.7	43.5
	Consolidated overseas	39.5	32.8	38.7	-	-
Employment ratio of persons with disabilities (%)	Non-consolidated	2.40	2.38	2.25	2.40	2.32
	Consolidated in Japan	2.23	2.04	1.85	1.77	1.76
Rate of childcare leave taken by male employees (%)*2	Non-consolidated	49.0	50.4	46.8	31.3	24.1
	Consolidated in Japan	25.4	28.0	13.2	6.2	4.3
Rate of childcare leave taken by female employees (%)*2	Non-consolidated	110.3	108.8	84.4	100.0	97.7
	Consolidated in Japan	114.3	118.8	122.0	115.3	104.3
Rate of paid leave taken (%)	Non-consolidated	68.4	64.1	60.7	60.2	53.2
	Consolidated in Japan	66.6	59.6	58.1	63.0	50.5
Training hours per employee (hours)	Non-consolidated	15.5	13.0	10.5	18.0	13.6
Training expenses per employee (thousand yen)	Non-consolidated	105	77	59	102	97
Turnover ratio (%)	Non-consolidated	3.2	2.7	1.8	2.5	2.7
New graduate employee retention rate (three years with the company) (%)	Non-consolidated	82.9	83.3	82.3	84.4	82.0
Employee satisfaction (%)	Non-consolidated	77.0	78.2	80.1	78.8	81.0
Governance (G)						
Number of Board of Directors meetings held		15	16	10	15	16
Number of Directors		9	9	9	8	10
Ratio of Outside Directors (%)		33	33	33	25	20
Attendance rate of Outside Directors at Board of Director meetings (%)		100	100	100	100	100

*1 Overseas conservation forests have been added to the scope of aggregation from the fiscal year ended December 2020.

*2 Rate of childcare leave taken = Number of employees who started childcare leave during the fiscal year / Number of employees who had a child born during the fiscal year.

Major Evaluations and Awards Achieved

In recent years, there has been growing interest in ESG investment, which considers not only financial aspects but also environmental, social, and governance factors as investment criteria. The Sumitomo Forestry Group received the following ESG-related evaluations and awards. (As of March 31, 2023)

External Evaluations

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



Included as a constituent stock in all six ESG indices selected by the GPIF



**2023 CONSTITUENT MSCI JAPAN*
ESG SELECT LEADERS INDEX**

**2023 CONSTITUENT MSCI JAPAN*
EMPOWERING WOMEN INDEX (WIN)**

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Initiative Participation and Endorsement





Publication of Integrated Report 2023

Tatsumi Kawata
Director, Senior Managing Executive Officer

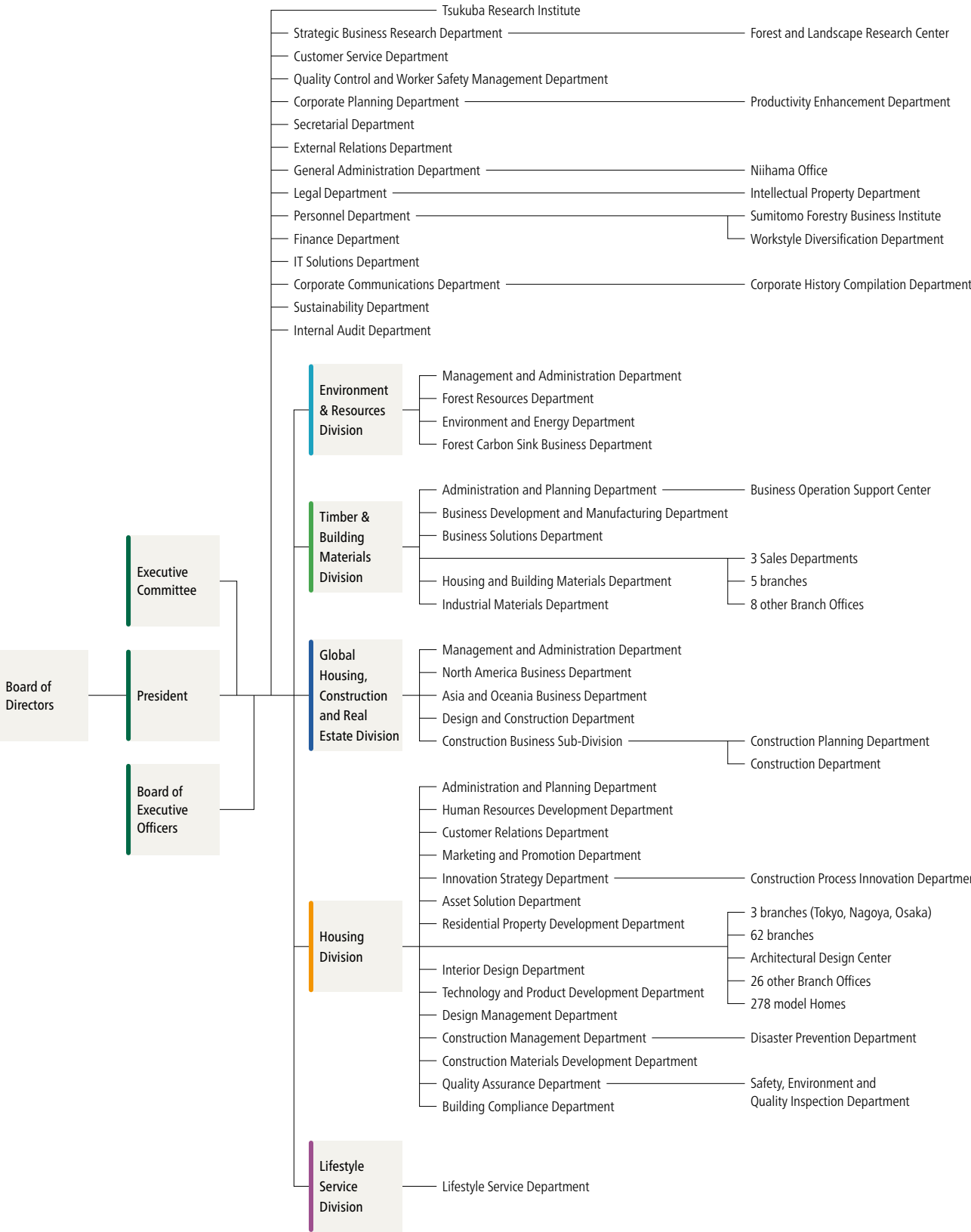
This report highlights the Sumitomo Forestry Group’s materiality and the initiatives in the Medium-Term Management Plan for realizing the Long-term Vision Mission TREEING 2030.

In preparing this report, we referred to the International Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation and the Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry. In addition, in order to convey the Group’s value creation in an easily understood manner, many related departments cooperated and collaborated closely during the preparation. For important non-financial information, we are working to improve reliability by obtaining a limited warranty from a third-party warranty organization. As the officer in charge of preparing the integrated report, I hereby declare that the process of preparing this report is adequate and that the contents of the report are accurate.

We hope that this report will help stakeholders further deepen their understanding of the Group’s medium- to long-term growth and enhancement of corporate value. We will continue striving to further enhance information disclosure and deepen dialogue with our stakeholders. We look forward to your continued support as we move forward.

IR FAQ

<div>Question</div> <div>1</div>	<p>What is your outlook for the future of the single family homes market in the United States?</p> <p>The United States is characterized by a large young population that includes Generation Z and Millennials, and the population of home buyers is increasing. On the supply side, however, the number of new housing starts has been sluggish for more than a decade since the global financial crisis, and the country’s housing supply is said to be short of around four million to six million houses. Normally, 70% to 80% of all the United States home transactions are existing homes, but the inventory of these homes remains at a historically low level. In particular, the cities in the Sun Belt area, where we are making a foray, are expected to require a relatively larger number of houses hereafter than the national average due to the speed of economic expansion and the high rate of population growth. Against this backdrop, we expect demand for new housing to remain stable.</p>
<div>Question</div> <div>2</div>	<p>How do you plan to grow your housing business in the United States hereafter?</p> <p>In January 2023, we made Southern Impression Homes Group a consolidated subsidiary. This company engages in land development for single family homes for rent, construction, sales, and rental management operations in Florida, one of the leading housing markets in the United States. In this way, we will continue to strive for expansion based on the organic growth of our existing subsidiaries, including not only the single family homes for sale business but also the single family homes for rent business, as well as consider M&A when opportunities arise.</p> <p>In addition, we are promoting the Fully Integrated Turn-Key Provider (FITP) business, which provides integrated panel design, manufacturing, delivery, and installation. Toward this end, we started construction of a new plant in December 2022 (it is scheduled to start operations in 2024). In addition to increasing the number of houses sold and supplied in the existing single family homes business, we will also work to solve issues such as soaring labor costs due to labor shortages and prolonged construction periods, thereby boosting earnings and diversifying revenue sources.</p>
<div>Question</div> <div>3</div>	<p>How will you increase sales and profits of detached houses in the current Japanese market? What is your strategy for the Housing Business?</p> <p>Our share of the number of houses for sale in the number of owner-occupied housing starts in Japan had been in the high 2% range, but increased to 3.28% in the fiscal year ended December 31, 2022. We aim to increase our share of the total number of housing starts by selling 10,000 custom-built houses, spec homes, and apartments per year by 2030, with the total number of housing starts falling. In the current Medium-Term Management Plan, we are continuously working to propose the design of high value-added products such as ZEH and the installation of environmentally friendly equipment, while marketing a design product called Forest Selection BF, which offers as many as 1,500 floorplans, with the aim of winning orders from a wide range of customers. In addition to appealing to landowners with reconstruction needs, we will continue to aim for more orders from customers who are first-time home buyers, by strengthening alliances with real estate agents and providing land together with the Residential Property Development Department, which engages in the spec homes business.</p>
<div>Question</div> <div>4</div>	<p>How is the progress of your plan for investments and loans in the Medium-Term Management Plan?</p> <p>At the end of the first year of the Medium-Term Management Plan, investments and loans totaled about 60 billion yen, compared to the three-year plan of 300 billion yen, which is slightly lower than initially expected. The reason for this is that after careful consideration, there were some M&A projects that we decided not to invest in, and we intentionally postponed these in consideration of future prospects.</p> <p>As indicated in the Special Feature section (see page 16), the timber industrial complexes we build as timber and wood product manufacturing and processing bases in Japan, with the goal of encouraging cascade utilization of domestic timber, are very important for the promotion of the country’s forestry industry. In the case of large-scale timber industrial complexes, we invest between 15 and 30 billion yen. We are also considering an investment in another location following Shibushi in Kagoshima Prefecture, which we have already announced.</p> <p>Going forward, in addition to the aforementioned timber industrial complexes, we will actively invest in forestry funds and the overseas non-residential wooden building field as decarbonization-related investments.</p> <p>Apart from the 300-billion-yen investment and loan plan, we will also carefully select and acquire land necessary for the expansion of the single family homes business in the United States, while fully controlling the holding risk.</p>
<div>Question</div> <div>5</div>	<p>What are your thoughts on the balance between financial condition, investments and shareholder returns?</p> <p>Our basic approach is to conduct operations while maintaining a balance in the business. The Medium-Term Management Plan that runs to the fiscal year ending December 31, 2024 is a phase of investment to achieve our Long-Term Vision for 2030. In this regard, we plan to emphasize investment rather than financial condition to some extent. As for shareholder returns, our basic policy is to pay continuous and stable dividends while taking profits into account.</p>

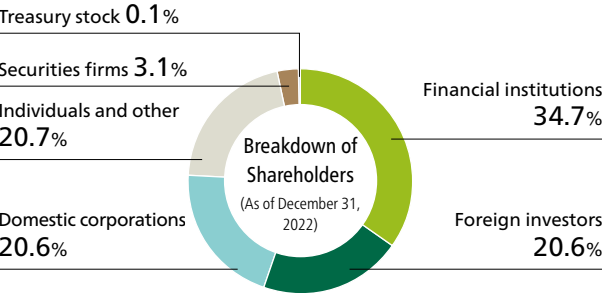


Corporate profile

Company name	Sumitomo Forestry Co., Ltd.
Founded	1691
Incorporated	1948
Paid-in capital	¥50,074 million
Head office	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Consolidated subsidiaries	348 (Overseas 311)
Affiliated companies	164 (Overseas 153)
Number of employees (consolidated)	21,948
Homepage	https://sfc.jp/english/
Accounting auditor	Ernst & Young ShinNihon LLC
Contacts	Sumitomo Forestry Co., Ltd. Corporate Communications Department IR Group Tel :81-3-3214-2270 Fax:81-3-3214-2272 IR contact https://inquire.sfc.jp/sfc/m/contact/english/

Shareholders & stock information

Stock exchange listing	Tokyo
Total number of authorized shares	400,000,000
Total number of shares issued	201,218,236
Ordinary General Meeting of Shareholders	March
Number of shareholders	63,921



Percentages in breakdown of shareholders are rounded down.

Major shareholders

Shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	24,454	12.1
Sumitomo Metal Mining Co., Ltd.	10,110	5.0
The Iyo Bank, Ltd.	5,849	2.9
Custody Bank of Japan, Ltd. (trust account)	5,710	2.8
Kumagai Gumi Co., Ltd.	5,197	2.5
SMBC Nikko Securities Inc.	4,648	2.3
Sumitomo Corporation	4,383	2.1
Sumitomo Life Insurance Company	4,227	2.1
The Hyakujushi Bank, Ltd.	4,197	2.0
Sumitomo Mitsui Banking Corporation	3,536	1.7

(Note) Number of shares held and shareholding ratio are rounded down. Shareholding ratio is calculated by subtracting treasury stock from the total number of outstanding shares.