

# Management Environment, Risks and Opportunities

## Mega Trends

■ Climate change and biodiversity conservation ■ Resources and energy issues ■ Values and lifestyles ■ Demographic and household trends

■ Regional revitalization ■ Respect for human rights ■ Trend of globalization ■ Political and economic situation ■ Advancements in digitalization

### Risks and opportunities behind the nine material issues

#### Risks for Sumitomo Forestry

Diminishing value of forests caused by increasing severity of natural disasters, and fiercer competition due to the market entry of companies from other industries into industries making use of forests and wood

Growing stakeholders' requests and pressure for responses to climate change

Increased environmental impact on and impairment of natural capital caused by the use and disposal of unsustainable resources

Changes in demographics and consumer needs

Disruptions to business expansion owing to the negative impact brought forth on communities

Occurrence of occupational injuries and declining employee satisfaction and productivity

Loss of business opportunities due to delayed responses to growing markets

Destruction of existing business value caused by technological innovation

More profound impact on business activities resulting from unforeseen circumstances, such as natural disasters, infectious diseases, financial crises, and others

#### Opportunities for Sumitomo Forestry

Expansion of business opportunities and stronger sources of competitiveness due to the maximization of value of forests and wood

Creation and expansion of business opportunities contributing to carbon neutrality through the use of forests and wood

Expansion of business opportunities using the characteristics of trees which are naturally renewable cyclically

Increase of business opportunities that capture the diversifying needs for housing and living associated with societal changes

Co-prosperity of communities and the Company through co-existence

Productivity improvements and innovation creation through increased workforce vitality and diversity and inclusion

Growing overseas housing markets and creation of new business opportunities using forests and wood

Productivity improvements in the Company and the whole market driven by DX and innovation as well as creation of innovative value in customer experiences

Contribution to sustainable economic growth through resiliently built business operations and structures

### Nine material issues



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

### Strategies (specific initiatives)

#### Long-Term Vision, Business Policy

- 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

#### Medium-Term Management Plan Basic Policy

- 1 Efforts to address decarbonization challenges using wood resources
  - Develop new businesses domestically and internationally that pursue the value of forests as carbon absorption
  - Promote initiatives that enhance the competitiveness of domestic wood
  - Expand our medium- and large-scale wooden construction business
- 2 Promotion of a more resilient earnings base
  - Regain profitability of our housing and construction and timber and building materials business and promote transformation that enables us to anticipate and respond to future market changes
  - Improve asset efficiency
- 3 Acceleration of global expansion
  - Expand our housing and real estate business operations in the United States and Australia and create a profit base in Asia
- 4 Strengthen management base for sustainable growth
  - Promote digitalization
  - Enhance the securing and nurturing of human resources and improve employee engagement
  - Reinforce risk management
- 5 Further integration of business operations and ESG
  - Steadily implement initiatives to achieve RE100/SBTs (Science-Based Targets)