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Integrated Report 2024



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. This Integrated Report for 2024, a report on performance for the fiscal year ended December 2023, was compiled to provide specifics about the progress each business segment is making with regard to the value being created within our value creation process in order to achieve the targets of our Long-term Vision and Medium-term Management Plan for 2030. In addition, with regard to the Global Construction and Real Estate Business (formerly the Overseas Housing, Construction and Real Estate Business), which is a major driver of growth, the report explains more specifically business strategies and various measures. At the core of these efforts are various technologies that maximize the value of forests and trees, which the Group has cultivated for over 330 years, and the power of our diverse human resources, both in Japan and overseas. This report also focuses on the power of these human resources, which are explained in the special feature. We hope that this report will help us to further deepen our dialogue with our stakeholders.

Scope of reporting

Reporting period Fiscal year ended December 2023 (January 1, 2023 to December 31, 2023)

* 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.


Regarding change of segment

Starting from the fiscal year ended December 31, 2023, the Housing and Construction business was renamed the Housing business, and the Construction business, previously included in the Housing business, was transferred to the Global Construction and Real Estate business.

Starting from the fiscal year ending December 31, 2024, the Global Housing, Construction and Real Estate business is renamed the Global Construction and Real Estate business.

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 nonfinancial 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 guaranteeing the appropriateness and objectivity of the non-financial information disclosed, the environmental and social performance indicators in the Sustainability Report 2024 ESG Data Book have been assured by a third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. Please refer to the link below for details.

<https://sfc.jp/english/sustainability/esg-data/pdf/esg-data.pdf>



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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>



Value Creation Story

The Sumitomo Forestry Group's Sustainability Management

The Sumitomo Forestry Group has been engaged 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. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society."

We formulated Mission TREEING 2030 in February 2022, our Long-term Vision which identifies Nine Material Issues from the three perspectives of our planet, people and society, and the market economy,

with a view to our ideal state in 2030. We aim to expand growth and realize a decarbonized society through business activities that spin the Wood Cycle, a value chain centered on wood.



Corporate Philosophy [▶ P.2](#)

Long-term Vision [▶ P.22](#)

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.

Business policy for achieving Mission TREEING 2030

- | | |
|---|---|
| <p>1 Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy</p> <p>3 Striving for transformation and the creation of new value</p> | <p>2 Advancing globalization</p> <p>4 Transforming our business foundation for growth</p> |
|---|---|

Material management issues

Nine Material Issues [▶ P.52](#)

Mission TREEING 2030 Phase 1 Medium-term Management Plan

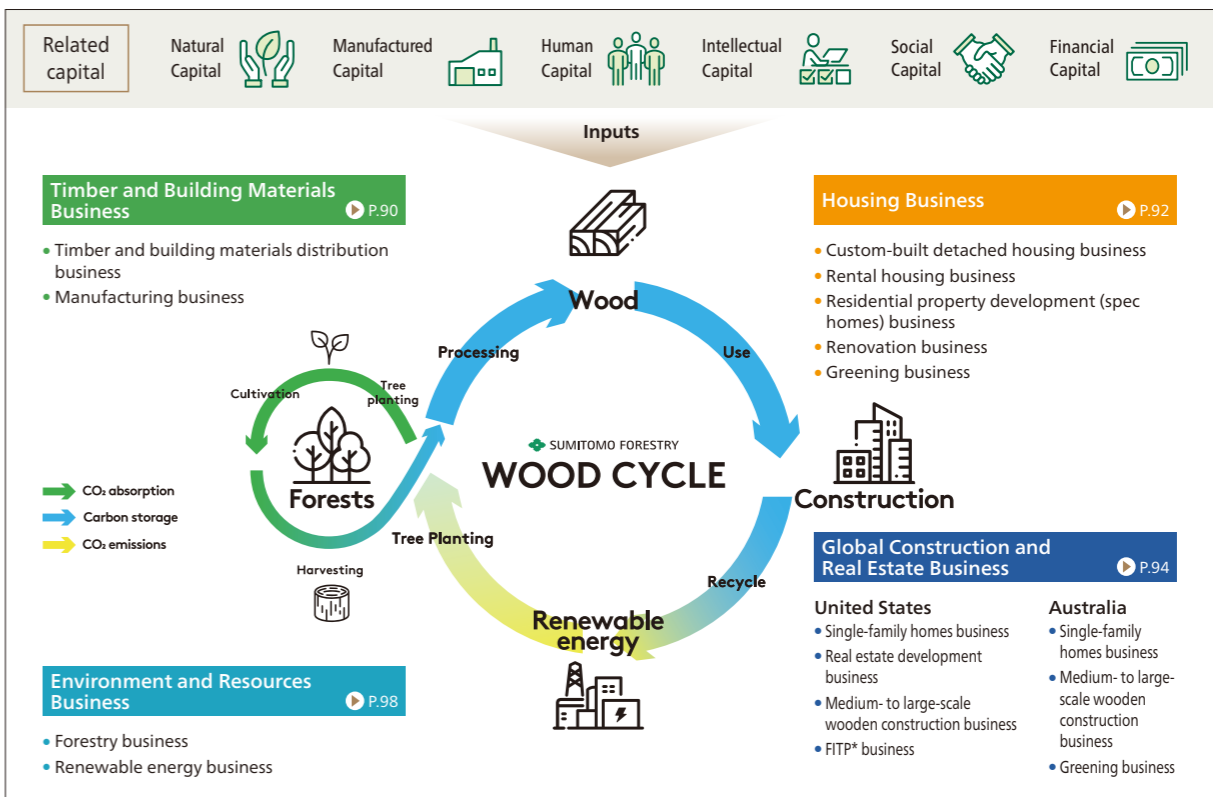
(Fiscal year ended December 31, 2022 to fiscal year ending December 31, 2024)

Three years for creating a foundation aimed at future growth and contribution to decarbonization

- | | | |
|-----------------------|--|---|
| <p>Basic Policies</p> | <p>1 Efforts to address decarbonization challenges using wood resources</p> <p>3 Acceleration of global expansion</p> <p>5 Further integration of business operations and ESG</p> | <p>2 Promotion of a more resilient earnings base</p> <p>4 Strengthen management base for sustainable growth</p> |
|-----------------------|--|---|

[▶ P.41](#)

Value Creation Process [▶ P.34](#)



Stakeholders of the Sumitomo Forestry Group

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> Shareholders and Investors Global Society and Local Communities Government and Regulatory Authorities Business Partners | <ul style="list-style-type: none"> Employees and Their Families Global Environment Industries and Companies in the Same Business Students NPO/NGO | <ul style="list-style-type: none"> Customers |
|--|--|---|

Stakeholder Engagement [▶ P.68](#)

Outcomes Value created



* The Fully Integrated Turn key Provider (FITP) business provides integrated services from design of panels to manufacturing, delivery, and installation.



Utilizing trees as a renewable resource, we will contribute to the realization of a sustainable and prosperous society through our diverse business portfolio.

In recent years, major earthquakes have struck many parts of the world, and there is an imminent need to build a system for rapid reconstruction of housing and day-to-day infrastructure. In Japan, an earthquake-prone country, there is a particularly urgent need to build a resilient society. In addition, as global warming progresses further, the risk of heavy rains and extreme heat is expected to increase even more in the future. The Sumitomo Forestry Group engages in a wide range of businesses centered on the sustainable material of wood. We are cultivating forests that control climate change by maintaining and managing healthy forests in Japan and overseas and supporting people's safe and secure living through the provision of high-quality housing.

Specifically, we have formulated a Long-term Vision for 2030 called Mission TREEING 2030 and are promoting businesses that help enhance the added value of trees and forests, from forest management to the distribution and manufacturing of timber and building materials, wooden constructions, and wood biomass power generation, based on the three pillars of "Accelerate the cyclical forest business," "Promote wood change," and "Standardize carbon neutral design." Under "Accelerate the cyclical forest business," as part of our efforts to contribute to the realization of a decarbonized society by 2050, we have established a forest fund and are working on climate change countermeasures globally. In 2023, we launched our first fund to create high-quality carbon credits and realize the value of forests, including the maintenance of biodiversity and the conservation of water resources.

Sumitomo's Business Spirit states: "Benefit self and benefit others, private and public interests are one and the same," which means that a business can only be successful if it brings benefits not only to Sumitomo's own interests but also to the country and society. The history of the Group dates back to the procurement of timber for fuel and mining with the opening of the Besshi Copper Mine in 1691. In 1894, we formulated the "Great Afforestation Plan" to restore vegetation and regenerate the surrounding forests that had been devastated by excessive logging and smoke damage caused by copper smelting.

Sumitomo's Business Spirit, which emphasizes fairness and integrity and benefits for society, continues to be passed down in our Corporate Philosophy and Our Values more than 330 years after our founding.

The Sumitomo Group values "harmony with the public interest" based on Sumitomo's Business Spirit, and will continue to protect and pass on the spirit inherited from our predecessors. Although the future of the business environment remains uncertain, we will contribute to the realization of a sustainable and prosperous society by creating businesses that contribute to solving various social issues together with our stakeholders by utilizing the renewable resource of trees.

A handwritten signature in black ink, appearing to read "Akira Ichikawa".

Akira Ichikawa
Representative Director, Chairman of the Board

At a Glance

Founded
1691



Group companies
Japan 39
Overseas 337
(As of December 31, 2023)



Number of employees (consolidated)
24,815
(As of December 31, 2023)



Equity ratio
41.6%
(Fiscal year ended December 31, 2023)



Net debt-equity ratio
0.4 times
(Fiscal year ended December 31, 2023)



ROE
14.8%
(Fiscal year ended December 31, 2023)



ROA
9.5%
(Fiscal year ended December 31, 2023)



PBR
1.1 times
(Fiscal year ended December 31, 2023)



Dividend per share
125.0 yen
(Fiscal year ended December 31, 2023)



Area of forests owned and managed
Japan Approx. 48,000 ha
Overseas Approx. 238,000 ha
(As of December 31, 2023)



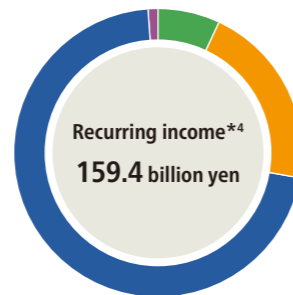
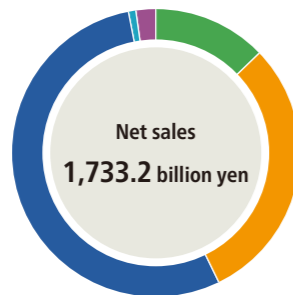
Number of units sold and delivered annually
Japan 9,295 units*1 **United States 10,221 units**
Australia 3,402 units **Others 1,501 units*2**
(Fiscal year ended December 31, 2023)



*1 Custom-built detached houses, single-family rentals, and spec homes.
*2 Total of multi-family and single-family rentals in real estate development in the U.S., Australia, and other countries (Europe and Asia), including JV formats.

Fiscal 2023 breakdown by segment*3

- Timber and Building Materials **13%** 236.1 billion yen
- Housing*4 **30%** 534.0 billion yen
- Global Construction and Real Estate **54%** 948.1 billion yen
- Environment and Resources **1%** 24.8 billion yen
- Others **2%** 26.0 billion yen



- Timber and Building Materials **7%** 11.2 billion yen
- Housing*4 **21%** 32.8 billion yen
- Global Construction and Real Estate **71%** 112.5 billion yen
- Environment and Resources **0%** 0.6 billion yen
- Others **1%** 2.2 billion yen

*3 The composition by segment excludes inter-segment eliminations (net sales -35.9 billion yen, recurring income +0.2 billion yen).
*4 Recurring income is shown because the profits of equity method companies are included.

Timber and Building Materials Business P.90

Based on the global network we have built through many years of business development in Japan and overseas, we are developing a wide range of businesses as the leading timber and building materials trading company in Japan by transaction amount, including stable procurement of high-quality timber from appropriately managed forests and the distribution of timber manufactured by our Group companies.



Housing Business P.92

In addition to our core custom-built detached housing business, we are developing a rental housing business, a spec-home business, a renovation business, and a greening business that propose the comfort unique to wood by utilizing the design and engineering capabilities we have cultivated.



Global Construction and Real Estate Business P.94

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 22 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.98

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.100

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.



Our History

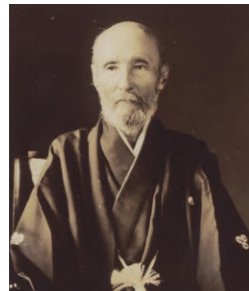
Our sustainable business model draws out the potential of trees

1600s 1800s 1900s 1950s 1960s 1970s 1980s

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)

1865

Saihei Hirose appointed manager of Besshi

1882

Rules Governing the House of Sumitomo established

1894

Teigo Iba appointed manager of Besshi. Launched the Great 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

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 materials trading company in Japan in terms of volume.

Growth of housing business in Japan and overseas

In the 1970s, in response to changes in socioeconomic conditions, housing policy shifted from securing "quantity" to improving "quality," including the housing environment.

To respond to such social demands, Sumitomo Forestry entered the custom-built wooden housing business in 1975. By making full use of its domestic and overseas timber procurement networks to provide high-quality wooden houses, "Sumitomo Forestry homes" grew into a leading brand of custom-built wooden houses.

Furthermore, in 2003, Sumitomo Forestry launched a housing business in the United States, where wooden houses are the predominant form of housing. After that, the Company also entered the housing business in Australia, where wooden houses are mainstream. In the housing market, where the residential culture of each area is strongly reflected, Sumitomo Forestry expanded its business by partnering with local companies who share its management approach.

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 manufacturing business based on plywood manufacturing that would serve as a springboard for its overseas manufacturing business.

1986

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



NPIL plant

1975

Started the custom-built wooden housing business



Custom-built wooden housing

1977

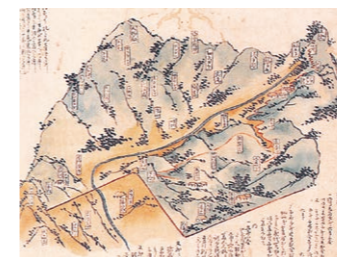
Entry into the greening business

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 Mine 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.

Start of the Great 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 Great Reforestation Plan for restoring forest that had been lost due to mining activities. As a result of large-scale reforestation 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.



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

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.

Our History



Entered the elderly care services business

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

Promotion of medium- to large-scale wooden constructions

In Japan, planted forests usable as a resource are not fully maintained, raising concerns about the loss of the multifaceted functions of forest lands. 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 and other structures. To address this issue, the Group has been promoting woodification and the use of wood in the field of non-residential construction since 2011.

Wooden construction makes 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 is increasing both in Japan and overseas. With the aim of realizing net zero carbon buildings*¹, Sumitomo Forestry is pursuing the medium- to large-scale wooden



construction business not only in Japan but also in the United States, Australia, and Europe.

*¹ A building that emits virtually zero CO₂ during use.

Promotion of the renewable energy business

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.

1990s

1990

Listed on the First Section of the Tokyo Stock Exchange

1991

Tsukuba Research Institute established, unified the R&D organization for building materials, housing, and resources



New research building at Tsukuba Research Institute

2000s

2003

Started housing business in the United States



Houses built for sale in Seattle

2005

Developed first wooden beam Rahmen structure (Big-Frame Structure) in Japan



My Forest BF

2007

Full-scale entry to the elderly care services business



Gran Forest Kobe Mikage

2008

Started housing business in Australia



Show home by Henley Properties Group in Australia

2010s

2011

Entered the medium- to large-scale wooden construction business in Japan



Sophia University Yotsuya Campus Building 15 (Completed in 2022)

2016

Net sales exceeded 1 trillion yen for the first time since the Company's founding

2018

Started full-scale real estate development business in the United States

Unveiling of W350 Plan aimed at realizing the Timberized Eco City

2020s

2021

Full-scale entry into the large-scale single-family rental housing development business in the United States

2022

Looking ahead to 2030, the Company announced its Long-term Vision Mission TREEING 2030, which defines the Group's vision. As the first phase of this plan, the Company launched the three-year Medium-term Management Plan Mission TREEING 2030 Phase 1.

Mission TREEING 2030

2022

Entered the medium- to large-scale wooden construction business overseas



36 Wellington Project in Australia (Completed in 2023)

2022

Entered the Fully Integrated Turnkey Provider (FITP) business in the United States

2023

Established the Eastwood Climate Smart Forestry Fund I

(billion yen)
2,000

1,500

Trend in net sales

1,000

500

0

1990/3

1995/3

2000/3

2005/3

2010/3

2015/3

2020/3*²
(9M)*³

2020/12

2023/12
(planned)*⁴

(billion yen)
2,000

1,500

1,000

500

0

2023
Net sales
1,733.2
billion yen

*² Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) has been applied since the beginning of the fiscal year ended March 31, 2020.

*³ The accounting period for the fiscal year ended December 31, 2020 is the nine-month period from April to December 2020 due to a change in the accounting period.

*⁴ The planned figure represents the initial plan as of February 14, 2024.



Toshiro Mitsuyoshi
President and Representative Director

Maximizing the value of forests and trees through the implementation of the Wood Cycle - the value chain of the Sumitomo Forestry Group, we aim to achieve sustainable growth through our contributions to a decarbonized society.

Our Medium-term Management Plan is designed to consolidate our foothold toward the realization of our Long-term Vision for 2030. In 2023, its second year, our performance exceeded the initial forecast. Now that we find ourselves at a major turning point both in Japan and overseas, we will ensure that all employees in the Group work together to unlock greater growth, under the unwavering Sumitomo's Business Spirit.

Review of 2023

Two years have already passed since the announcement of our Long-term Vision Mission TREEING 2030, which incorporates the ideal state of the Sumitomo Forestry Group into a long-term business concept, and our Medium-term Management Plan Mission TREEING 2030 Phase 1 (2022-2024), which is positioned as a three-year period to establish a foothold for the Long-term Vision. In 2023, the second year of the Medium-term Management Plan, net sales exceeded the initial forecast at 1,733.2 billion yen (up 135.2 billion yen compared to the initial forecast), recurring income was 159.4 billion yen (up 39.4 billion yen), and net income was 102.5 billion yen (up 25.5 billion yen).

In 2023, the U.S. housing market, which has become our main market, experienced a significant decline in affordability due to soaring home prices since the pandemic and rising mortgage rates. On the other hand, inventory of existing homes, which historically accounted for 90% of single-family home sales, was four million units before the Global Financial Crisis and two million units before the COVID-19 pandemic, but has fallen to a low level of about one million units due to the impact of soaring mortgage rates, and newly built single-family homes have now become a way of covering housing demand.

We effectively used an incentive called rate buydown, in which builders cover a portion of the first few years of mortgage interest paid by customers, which led to results

that significantly exceeded initial expectations. While the chronic housing shortage of four to six million units is expected to continue in response to the demand from homebuyers mainly representing Generation Z and Millennials, sustainable growth is expected mainly in the growing market of the Sun Belt.

■ Looking Toward Achieving the Medium-term Management Plan

In 2024, the final year of the current Medium-term Management Plan, the U.S. single-family homes business is expected to grow further, and recurring income is expected to reach 173.0 billion yen, which was the target at the time of formulating the plan. In major advanced economies other than Japan, the business environment has become more severe than at the time of formulating the Medium-term Management Plan due to continued high interest rates to control inflation and rising material and labor costs, but I believe that the fact that we are on track to achieve our performance targets is the result of the strategies and measures we have been working on so far.

The KPIs for financial indicators include ROE of 15% or more, an equity ratio of 40% or more, and a net D/E ratio of 0.7 or less. Although the hurdles to achieving the ROE target are somewhat high, partly due to net assets inflated by an increase in foreign exchange translation adjustments

Message from the President

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				
		Fiscal 2021 results	Fiscal 2022 results	Fiscal 2023 results	Fiscal 2024 targets*1	
Performance during the Medium-term Management Plan	Net sales	1,385.9 billion yen	1,669.7 billion yen	1,733.2 billion yen	2,065.0 billion yen	
	Recurring income	137.8 billion yen	195.0 billion yen	159.4 billion yen	173.0 billion yen	
	Net income attributable to shareholders of the parent company	87.2 billion yen	108.7 billion yen	102.5 billion yen	105.5 billion yen	

*1 Excludes actuarial differences. Initial plan as of February 14, 2024.

resulting from the depreciation of the yen and an increase in net assets, we believe that the targets for equity ratio and net D/E ratio can generally be achieved at this point.

Toward the realization of our Long-term Vision Mission TREEING 2030, in the next Medium-term Management Plan, we will continue to actively invest in growth, mainly in the fields of forests, wood, and construction, in order to

continue to expand our business in growing markets such as the U.S., Australia, and Southeast Asia, and to strengthen the competitiveness of our domestic business, while maintaining a strong financial base. At the same time, we will strive to maximize our corporate value by promoting appropriate shareholder returns.

Medium-term Management Plan P.40

Seeking to unlock greater growth centered in the U.S. which offers the highest potential of any housing market in the world

With the aim of achieving annual sales of 23,000 units in the U.S. and 5,500 units in Australia by 2030, as set in our Long-term Vision, based on organic growth we will continue to consider M&A if there are excellent opportunities. In January 2023, in Florida, which ranks second in the U.S. in terms of the number of permits for single-family housing starts, we welcomed Southern Impression Homes, which mainly builds and sells single-family rental houses and develops housing lots, to the Group. This has enabled us to establish a base in Florida,

where we had yet to fully enter the market. Subsequently, Brightland and DRB, two existing housing Group companies, opened branches in Florida and have also entered the single-family homes business there. In addition, in March 2024, we acquired the business of Biscayne Homes, which has a strong relationship with Metro Development Group, the state's No. 1 housing lots developer, and has a substantial housing land pipeline. We aim to sell 5,000 units per year in Florida in 2030, but given the potential of the state's housing market and the Group's

continued and aggressive business development, we believe that there is a good chance that we will achieve our sales target before 2030.

In the U.S. real estate development market, demand for commercial and office properties has been sluggish since the pandemic, and it will take time to see improvements in the capital markets and adjustment in supply and demand for a full-fledged recovery, demand for multi-family rental housing is expected to remain resilient against the backdrop of a shortage of single-family homes and a decline in affordability. In November 2023, we acquired JPI, a developer and builder of multi-family rental housing based in Texas and California. As a result, our multi-family housing starts in the U.S. including Crescent will exceed 8,000 units per year, and during the next Medium-term Management Plan, our supply capacity for multi-family rental housing will exceed 10,000 units each year. Accordingly, this is expected to be the second pillar after the single-family homes business.

Actively expanding into new areas and acquiring land requires that we improve the overall governance system and the management capabilities of individual subsidiaries. In addition, we will promote rationalization and productivity improvement through joint purchasing of materials and system integration, build a resilient earnings structure that surpasses that of major listed homebuilders, and accelerate the construction of a business model that is resilient to market changes. One example of this is the expansion of the FITP*2 business. We will promote shortening of construction timelines and cost reductions through the FITP business, which covers the entire process from manufacturing to construction of structural members such as trusses, floors, and wall panels, and build a solid earnings base for single-family houses and multi-family housing. The FITP business, which helps to address labor shortages and stabilize supply chains, will contribute to the establishment of a sales capability for 23,000 units. As of December 31, 2023, we had five plants already in operation in Maryland, Texas and other states, and a new plant started operations in North Carolina in May 2024. We will continue to expand our area coverage in the future.

Special feature 1: Strengthening our global expansion P.26

*2 Fully Integrated Turn key Provider

■ Implementing structural reforms in the domestic housing business with a sense of urgency

The number of new housing starts in Japan in 2023 totaled approximately 819,000 units, below 900,000 units for the fourth consecutive year, and the number of owner-occupied

housing construction starts continued to fall below the previous year. Timber prices have returned to pre-pandemic levels, but rising energy costs have led to soaring prices of building materials other than timber, which has resulted in a difficult business environment coupled with chronic labor shortages. Against this backdrop, the gross profit margin of the non-consolidated Housing segment in 2023 improved significantly to 23.4%, up 4.2 points year-on-year, thanks in part to the effects of the revision of the price for custom-built detached houses that have been implemented in stages since 2021. Recurring income in the Housing segment as a whole reached a record high of 32.8 billion yen, thanks in part to the contributions of the spec home business, real estate brokerage, rental management, and the greening business, and we were able to achieve a certain level of success even under difficult circumstances.

One of the strengths of our housing business is the ability to deliver full-fledged custom-designed houses with wood textures that can meet the needs of our customers based on the high-quality Big-Frame (BF) Structure offering high seismic and environmental performance. Sumitomo Forestry's homebuilding is supported by a large number of employees and a system of cooperating building contractors, from the ability to procure materials such as wood to sales, design, construction, and after-sales maintenance. The number of new housing starts in Japan is expected to decline from the current level of 800,000 units to 600,000 units by 2040. By further refining our strengths, we intend to consolidate our stable supply capacity of approximately 10,000 custom-built houses, rental housing, and spec home units per year, and increase our share of the domestic housing market in the process. In 2023, our market share of custom-built detached houses rose to 3.69%, a significant increase from 2020 (2.92%) before the start of the current Medium-term Management Plan.

In Japan's construction industry, labor shortages are becoming more serious against the backdrop of the aging of trades workers and the problem of finding successors to contractors who support on-site workers. The environment surrounding our business is changing drastically due to soaring labor costs caused by these labor shortages and rising material costs, which are expected to exacerbate further. We also need to respond with a sense of urgency more than ever before in human resources development and the development and rationalization of construction systems, and we will strive to improve profitability while making full use of DX and AI technologies.

Specifically, in 2023, we established the Innovation Strategy Department to collect and organize the current

Message from the President

business flow from receiving orders to design and construction in the custom-built housing business, thoroughly analyzing the profit structure, and comparing it with peers. In order to resolve the issues that emerged from this, we will review our business processes and embark on a drastic reform of our business model unbound by conventional framework. In addition, we will implement “business structural reforms” or “business value engineering” free from established approaches, such as reviewing products and specifications, proposing additional added value which will lead to improved customer satisfaction, and streamlining construction and improving productivity which will lead to work style reforms for employees and on-site workers. In terms of new growth areas, efforts toward building non-residential wooden constructions are also indispensable. The wooden conversion rate in the domestic housing market is already about 80%, but the wooden conversion rate in the non-residential market, such as schools and offices, is still less than 10%, and we believe that this is a market with high potential in the future, partly due to the government’s support for wooden construction.

Our detached houses have a great advantage known as our proprietary Big-Frame Structure. In addition to being able to ensure strong seismic performance through streamlined structural calculations, it is one of most competitive construction methods because the entire supply chain, from material procurement to processing, has already been built around the structural frame, and a nationwide construction system is also in place. The key to promoting the use of wood in the non-residential sector is the expansion of Big-Frame Structure, and we are working to develop a system for this purpose. In May 2024, we launched “The Forest Barque,” a wooden commercial

construction brand that uses Big-Frame Structure, and we are making steady progress with it. Big-Frame Structure is a unique strength of our Group that is not possessed by developers or general contractors with a proven track record in wooden construction. In order to accelerate the development of Big-Frame Structure into ZEH condominium-type rental housing and non-residential properties by utilizing the efficient design and production system and supply chain of Big-Frame Structure, we have formed a task force team and will steadily promote the development of technologies that will enable the construction of a four-story building of 3,000 m².

In order to realize our Long-term Vision, we will maintain the annual number of construction starts at 8,000 units in our mainstay custom-built housing business and restore profitability, and also implement a clear growth strategy to expand our businesses such as rental housing, non-residential construction, spec homes, renovation, real estate brokerage and management, and environmental greening, which have significant room for growth. We believe we can double recurring income in the Housing business from the current level of approximately 30 billion yen to 60 billion yen in 2030. In dialogue with shareholders and investors, we sometimes receive opinions that we should concentrate our management resources on overseas businesses, which are relatively profitable within the Group, but we expect that the domestic wooden constructions market will expand mainly for non-residential properties due to the trend toward decarbonization in the construction industry. Together with the Environment and Resources and Timber and Building Materials businesses, we consider this to be one of the businesses that are indispensable for the future growth of the Group as a whole.

Housing Business P.92

Evolving the Wood Cycle and accelerating decarbonization businesses

In our Long-term Vision, we aim to simultaneously enhance the three following values through our business activities: value for our planet, value for people and society, and value for the market economy, and one of our business policies is “Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy.”

Trees have an important function called “carbon storage” that allows them to store absorbed CO₂ internally as carbon. As harvested trees continue to be used as wood products

such as for wooden buildings and furniture over a long period of time, the absorbed CO₂ cannot be emitted into the atmosphere for a long time. The Group is developing business activities centered on wood, from forest management to timber distribution, wooden constructions, and biomass power generation. This makes Sumitomo Forestry an extremely rare company whose business itself contributes to a decarbonized society. By further promoting our businesses in the fields of forests, wood, and



construction in our unique value chain of the Wood Cycle, we will contribute to the absorption and fixation of CO₂ not only by our Company but also by society as a whole.

In terms of progress in 2023, in the area of forests, in June, we established the Eastwood Climate Smart Forestry Fund I, a forest fund targeting forest assets in North and Central America. Ten Japanese companies, including Sumitomo Forestry, will invest in the project, with assets of approximately 60 billion yen and a plan to invest for 15 years. The acquisition of forest assets after the formation of the fund is also progressing smoothly, and a total of 112,580 acres (approximately 45,600 hectares) of forest assets have been acquired so far. We aim to expand the area of forests owned and managed to 500,000 hectares by 2030. We are also working on the formation of a second fund in Japan, Southeast Asia, South America, Oceania, and other regions. By utilizing the fund mechanism, we will appropriately manage forests on an area and capital scale that cannot be realized by an individual company, and implement global climate change countermeasures. In addition, through these forest funds, we will increase the CO₂ absorption capacity of forests, contribute to the realization of a decarbonized society by creating and

returning high-quality carbon credits, and increase the value of forests as natural capital, such as maintaining biodiversity and conserving water resources.

In the field of wood, we are working to expand the use of wood by promoting its carbon fixation function and the diverse value it offers to society. In particular, there is an urgent need to utilize domestic timber from forests planted after World War II when it is due to be cut down, and we are working to expand the use of domestic logs and ensure a stable supply of wood products through the establishment of a timber industrial complex. In November 2023, in Iwaki City, Fukushima Prefecture, three companies, Koei Shizai Co., Ltd., Wada Timber Ltd., and Sumitomo Forestry, established KowanoMori Co., Ltd to manufacture timber and processed wood products, mainly from domestic cedar. The company’s new plant is scheduled to start operations in March 2026. It will contribute to the revitalization of the timber market by strengthening the supply chain in which raw timber is supplied by upstream forest owners and material production companies, and timber and processed wood products are distributed to sawmills, pre-cut factories, and downstream housing manufacturers in collaboration with local stakeholders.

Message from the President

In the field of construction, we are working on medium- to large-scale wooden constructions underway in Japan and overseas. Nearly 40% of global CO₂ emissions come from the construction sector, but wooden buildings can make a significant contribution to the reduction of embodied carbon, which is CO₂ emissions during the procurement of raw materials, processing, transportation, construction, and disposal of building materials, compared to reinforced concrete and steel structures. There is also ample room for growth as a business opportunity for us. As a specific example of construction last year, we completed a 15-story partially reinforced concrete wooden office building in Melbourne, Australia, in October 2023. In 2024, we plan to complete wooden office buildings in the U.S. and U.K. In Japan, in addition to accelerating collaboration with Kumagai Gumi Co., Ltd. and other general contractors on timber hybrid construction, we are promoting wooden construction for lodging facilities and other facilities through real estate development projects.

In Japan and overseas, various stakeholders have

expressed a high level of interest and expectations for the future of our efforts to implement the Wood Cycle in the fields of forests, wood, and construction. At the same time, we have received requests to show more concrete contributions to a decarbonized society. So far, we have shown that harvesting trees, replanting them, and utilizing wood can contribute to decarbonization by increasing the amount of carbon storage in society as a whole, using Japanese cedar as a model. In the next Medium-term Management Plan, which begins in 2025, we will present a specific model for the forests owned and managed by Sumitomo Forestry in Japan and overseas, the manufacture of wood products, and the spread of wooden buildings. On top of that, we would like to quantify the contribution to decarbonization by specific businesses, such as forest funds, timber industrial complexes, and medium- to large-scale wooden constructions, and show that the promotion of our business creates value for the planet, value for people and society, and value for the market economy.

Timber and Building Materials Business P.90

Sumitomo Forestry's human capital management

Our business is supported by employees who put into practice Sumitomo's Business Spirit of placing prime importance on integrity and sound management. This is not limited to employees in Japan, but also partners and employees of overseas operating companies who share the same values. The fact that many of our employees devote themselves to their work with a sincere attitude at all times is one of our strengths that is indispensable for the long-term growth of the Group.

Many of the initiatives in the fields of forests, wood, and construction set forth in the Long-term Vision run across existing business segments, and require innovation based on ideas and actions that are not bound by conventional frameworks and ways of thinking. It is a challenge to continuously develop employees who can strive for self-improvement, remain dedicated to achieving goals, have a spirit of challenge, promote the transformation of existing businesses, and have the power to "shape" new businesses, in addition to sincerity.

Against this backdrop, the Group has established a human resources strategy based on three pillars: (1) securing and developing human resources who will transform and create businesses; (2) a system to maximize

employee performance and a free and open corporate culture; and (3) promotion of health management. At the same time, we have introduced a new personnel and evaluation system from 2024 that aims to maximize the overall strength of the organization, such as enabling the early selection of excellent employees.

In organizations of the past, it was considered efficient and good for everyone to work together under the command of a single leader, but in today's era where diverse values are mixed and the absolute answer is unknown, I believe that it is very important to create an organization in which each individual can make decisions and act in the course of daily work, while maintaining the same direction as a whole.

In April 2024, Sumitomo Forestry established the Sumitomo Forestry Group Declaration on Diversity, Equity and Inclusion, which clarifies the significance of this area. We have already stated in our Code of Conduct that we respect diversity and create work from new perspectives, but by establishing this Declaration, we aim to have all Group employees take ownership to create a work environment where each and every employee is respected, in an equitable environment, and accepted in an

organizational society.

By promoting human capital management unique to Sumitomo Forestry through the establishment of a human resources strategy, the introduction of a new personnel

evaluation system, and this Declaration, we will further strengthen the management foundation of the Sumitomo Forestry Group as a whole and strive for sustainable growth.

Human Resources Strategy P.62

Enhancing corporate value through stakeholder engagement

In our financial results presentation for the second quarter of 2023, we formulated and disclosed measures to realize management that is mindful of equity cost and share price. Since the disclosure, there has been much feedback from shareholders and investors, and much dialogue on equity cost and capital policy. In addition, in February 2024, the Tokyo Stock Exchange featured Sumitomo Forestry as one of the best examples of a company working to improve the P/B ratio evaluated by investors, and there have been cases where new investors have approached us for IR meetings.

I believe that dialogue with various stakeholders, including shareholders and investors, is essential for enhancing corporate value, and I have been actively promoting IR activities since I became President. Soon after my appointment, I used to communicate with overseas investors through an interpreter, but I switched all dialogue to English because I had realized firsthand the importance of direct dialogue in my own words through my long work experience, including overseas assignments. We have been able to build a relationship of trust with investors, and fortunately, there have been cases where investors have

acquired our shares after the IR meeting.

The P/B ratio was around 0.7x at the beginning of 2023, but has recently continued to exceed 1.0x and rose to 1.5x in May 2024. By demonstrating sustainable growth scenarios and achievements in the future, we believe that our P/B ratio has ample potential to exceed the current level and aim for even greater heights. We recognize that it is our responsibility as a company to continue to stably record profits in our overseas businesses, including the U.S., Australia, and ASEAN markets, where strong growth is expected, and to contribute to a decarbonized society while enhancing the competitiveness of our domestic businesses and improving profitability. In addition, I believe that we must clearly present the financial and capital strategies that support these scenarios, and to make the clear-cut shareholder return policy, which we have received opinions on from shareholders and investors, easier to understand. Going forward, I would like to continue to work with our stakeholders toward enhancing our corporate value.

Stakeholder Engagement P.68

Sumitomo's unwavering Business Spirit calls for pursuing growth consistently

While the long-standing threat of COVID-19 has passed, globally, geopolitical risks are rising, such as Russia's military invasion of Ukraine, the protracted Hamas-Israeli conflict, and tensions in the Taiwan Strait. Now we have reached a major turning point: the prolonged tightening of monetary policy to tame inflation in major advanced economies has turned into a focus on interest rate cuts, and in Japan the Bank of Japan's negative interest rate policy was lifted.

Since our founding in 1691, we have aimed to provide value not only to our Company but also to society as a whole, based on the idea of "benefit self and benefit others,

private and public interests are one and the same." In these times of rapid change, we are reminded of the importance of pursuing further growth based on Sumitomo's Business Spirit of placing prime importance on fairness, integrity and sound management, and not pursuing immoral business. The Sumitomo Forestry Group will work together as one to actively promote DX and SX (Sustainability Transformation) to achieve Mission TREEING 2030, and contribute to the creation of a sustainable and prosperous society together with our many business partners and stakeholders in Japan and overseas.

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.



Value for our planet



Value for people and society



Value for the market economy

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 41.) 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

Nine Material Issues and Medium-term Management Plan – Sustainability Section P.52

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

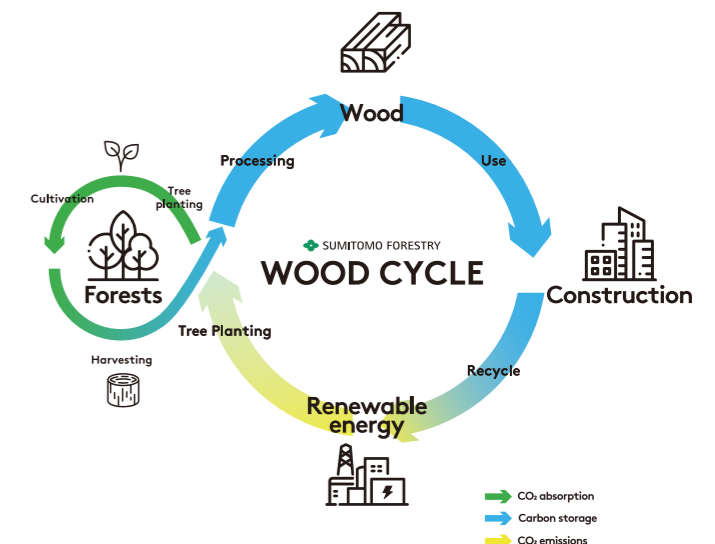
The Sumitomo Forestry Group's Wood Solutions

	Forests	Wood	Renewable energy	Construction
Concept	Accelerate the cyclical forest business	Promote wood change		Standardize carbon neutral design
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	Forestry fund related investments (~2024) 12.0 billion yen	Timber industrial complexes investments (~2024) 20.0 billion yen		Overseas non-residential wooden building investments (~2024) 30.0 billion yen
2030 targets	Owned/managed forest area 500,000 ha	Timber industrial complexes domestic timber usage 1.0 million m³/year		Number of housing units supplied yearly 50,000 units (in Japan and overseas)

*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 in the initial plan as of February 14, 2022.

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 resources. 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.



Value Creation Process P.34

Contributions to Decarbonized Society

The Sumitomo Forestry Group is working toward the decarbonization of society as a whole by reducing greenhouse gas emissions from its business activities, increasing the CO₂ absorption volume of forests, promoting carbon storage through increased use of wood, and achieving long-term carbon storage through wooden construction.

The Sumitomo Forestry Group's potential carbon stock

(As of December 2023)

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

Indicators and data on each of the forests, wood, and construction fields*1

*1 Data collection period: January to December 2023

<h3>Accelerate the cyclical forest business</h3> <div style="display: flex; align-items: center;">  <div> <p>Forests</p> </div> </div> <div style="margin-top: 20px;"> <p>Key initiatives</p> <ul style="list-style-type: none"> • Formation of forestry funds P.36 • Launch of Mangrove Conservation Project in Indonesia • Consulting services for the proper management of tropical peatlands • Entry into afforestation and carbon credit creation business in Australia </div> <div style="margin-top: 20px;"> <p>Update on forest funds</p> <p>In June 2023, we established and started operating our first forest fund "Eastwood Climate Smart Forestry Fund I" in the U.S., and have acquired a total of 112,580 acres (approx. 45,600 ha) of forest assets to date. Additionally, we are considering the formation of a second fund in Japan and Southeast Asia.</p> </div>	<p>Area of owned forests in Japan</p> <p>Approximately 48,000 ha</p> <p>Area of owned/managed forests overseas</p> <p>Approximately 238,000 ha</p> <p>Ratio of Company-owned forest area in Japan harvested annually</p> <p>Less than 1%</p> <p>Domestic and overseas reforestation rate</p> <p>100%</p> <p>Number of trees planted annually</p> <table border="0"> <tr> <td>Japan</td> <td>Overseas</td> </tr> <tr> <td>0.37 million trees</td> <td>9.22 million trees</td> </tr> </table>	Japan	Overseas	0.37 million trees	9.22 million trees	<p>Number of seedlings produced annually</p> <p>Container seedlings in Japan</p> <p>Approximately 1.90 million capacity</p> <p>Seedling production overseas</p> <p>Approximately 9.89 million</p> <p>Ratio of domestic forests that are sustainably managed with consideration to biodiversity</p> <p>100%</p> <p>Forest certification acquisition rate*2</p> <table border="0"> <tr> <td>Japan</td> <td>Overseas</td> </tr> <tr> <td>100%</td> <td>95.8%</td> </tr> </table> <p><small>*2 Forest certification acquisition rate for the operating area (planted area)</small></p>	Japan	Overseas	100%	95.8%	<p>Carbon fixation in forests</p> <p>Carbon stock of forests</p> <p>65,744 thousand tons*3</p> <hr/> <p>Japan</p> <p>13,837 thousand tons</p> <hr/> <p>Overseas</p> <p>51,907 thousand tons</p> <p><small>*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)</small></p>
Japan	Overseas										
0.37 million trees	9.22 million trees										
Japan	Overseas										
100%	95.8%										
<h3>Promote wood change</h3> <div style="display: flex; align-items: center;">  <div> <p>Wood</p> </div> </div> <div style="margin-top: 20px;"> <p>Key initiatives</p> <ul style="list-style-type: none"> • Establishment of a timber industrial complex based on the cascade utilization of domestic timber P.37 • Global network from the procurement of timber and building materials to the manufacture and distribution of products • Increase the amount of harvested wood products (HWP) handled and manufactured to increase the amount of carbon fixation </div> <div style="margin-top: 20px;"> <p>Update on timber industrial complexes</p> <p>As the first step, in November 2023, Sumitomo Forestry and two other companies jointly established KowanoMori Co., Ltd in Iwaki City, Fukushima Prefecture, which manufactures sawn timber and processed wood products, mainly from domestic cedar. The company's new plant is scheduled to start operations in March 2026.</p> </div> <div style="display: flex; align-items: center; margin-top: 20px;">  <div> <p>Renewable energy</p> </div> </div>	<p>Sustainability procurement survey implementation rate for imported wood product suppliers*4</p> <p>100%</p> <p>Recycling rate of manufacturing site waste</p> <table border="0"> <tr> <td>Japan</td> <td>Overseas</td> </tr> <tr> <td>99.6%</td> <td>95.7%</td> </tr> </table> <p><small>*4 Ratio of suppliers who completed the sustainability procurement survey among all suppliers who were subject to timber procurement due diligence by the Company's Timber Procurement Committee.</small></p> <p><small>*5 Total power supply from the six wood biomass power generation facilities in Japan. 233,000 households when converted to ownership ratio.</small></p>	Japan	Overseas	99.6%	95.7%	<p>Volume of wood and wood products handled</p> <p>8,050,000 m³</p> <p>Power supply from wood biomass power generation (converted to number of households)*5</p> <p>404,000 households</p>	<p>Carbon fixation through wood products</p> <p>Cumulative wood products overseas</p> <p>15,117 thousand tons*6</p> <p><small>*6 HWP carbon stock from overseas housing and manufacturing facilities was calculated with the cooperation of Tokyo University of Agriculture and Technology using figures for Japanese housing as reference.</small></p>				
Japan	Overseas										
99.6%	95.7%										
<h3>Standardize carbon neutral design</h3> <div style="display: flex; align-items: center;">  <div> <p>Construction</p> </div> </div> <div style="margin-top: 20px;"> <p>Key initiatives</p> <ul style="list-style-type: none"> • Participation in medium- to large-scale wooden construction projects in the U.S., Australia, and the U.K. • Reduction of operational carbon through the spread of ZEH, ZEB, LCCM housing, and net-zero carbon buildings P.38 • Became the sole distributor in Japan of the CO₂ emissions visualization software "One Click LCA" to support the reduction of CO₂ emissions by businesses • Started a project to promote the acquisition of environmental labeling system EPD for wood and building material manufacturers. </div> <div style="margin-top: 20px;"> <p>Update on medium- to large-scale wooden constructions</p> <p>In October 2023, we completed a 15-story partially reinforced concrete wooden office building in Melbourne, Australia. Wooden office buildings are scheduled to be completed in the U.S. and U.K. by the end of 2024.</p> </div>	<p>ZEH order ratio of new, custom-built detached houses in Japan*7</p> <p>79.7%</p> <p>Ratio of new, custom-built detached houses in Japan that have acquired long-life quality housing certification*8</p> <p>95.9%</p> <p><small>*7 Value that includes ZEH, Nearly ZEH, ZEH Oriented</small></p> <p><small>*8 Limited to private residences and those with at least the applicable floor area.</small></p>	<p>Recycling rate of waste from housing demolition sites</p> <p>96.6%</p> <p>Cumulative number of houses transferred</p> <table border="0"> <tr> <td>Japan</td> <td>Overseas</td> </tr> <tr> <td>Approximately 350,000 units</td> <td>Approximately 110,000 units</td> </tr> </table>	Japan	Overseas	Approximately 350,000 units	Approximately 110,000 units	<p>Carbon fixation through housing</p> <p>Cumulative houses in Japan</p> <p>7,726 thousand tons*9</p> <hr/> <p>Cumulative houses overseas</p> <p>2,457 thousand tons*6</p> <p><small>*9 Carbon stock of Japanese housing HWP was calculated with the cooperation of Tokyo University of Agriculture and Technology based on the number of housing unit starts, the number of owners, and wood usage per floor area to determine carbon stock and amounts of change from housing.</small></p>				
Japan	Overseas										
Approximately 350,000 units	Approximately 110,000 units										

The Sumitomo Forestry Group continues to expand and grow, with overseas business driving the performance of the Global Construction and Real Estate business. In the U.S., the core of our overseas business, we are pursuing full-scale entry into the Fully Integrated Turn key Provider (FITP) business, expansion into the enormous market in Florida, and expansion of our real estate development business, aiming for further growth through these efforts.

Annual housing units supplied

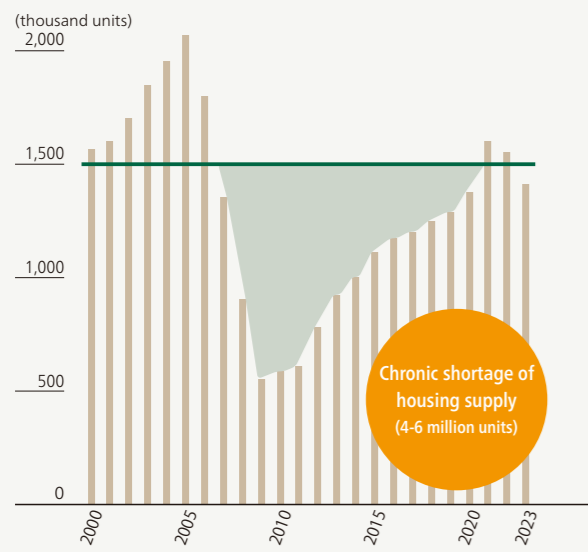


Market environment for the U.S. single-family homes business

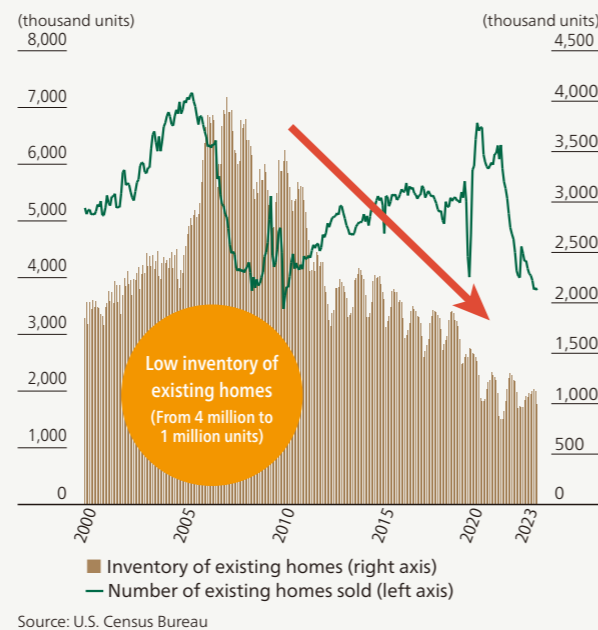
In the United States, there has been a period of stagnation in new housing starts since the global financial crisis in the late 2000s, resulting in a shortage of supply. The lock-in effect*2 is not expected to dissipate quickly, given that the current inventory of existing homes is at a low level of about 1 million units and mortgage rates are not expected to decline significantly in the short term. In addition, there is an ongoing structural shortage of housing supply as a large segment of the population reaches the age to purchase homes, with the shortage estimated to be between 4 and 6 million units. Despite market fluctuations, the demand environment is expected to remain firm going forward.

*2 Refers to homeowners refraining from selling an existing home in order to retain their lower mortgage interest rate and avoid a new mortgage at higher interest rates.

Number of new housing starts



Inventory and sales of existing homes



Growth strategies

Promoting the FITP business

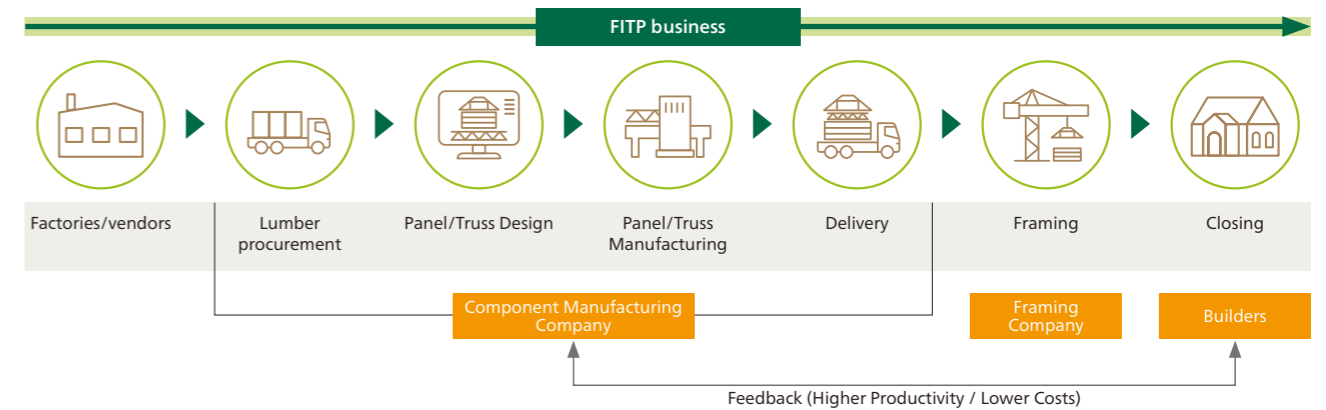
Eliminates labor shortages, streamlines construction, reduces costs

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 design of wall panels, floors, and roof trusses to manufacturing, delivery, and installation. In September 2022, we acquired component manufacturer near Washington, D.C., handling panels, trusses, and other components. In December of the

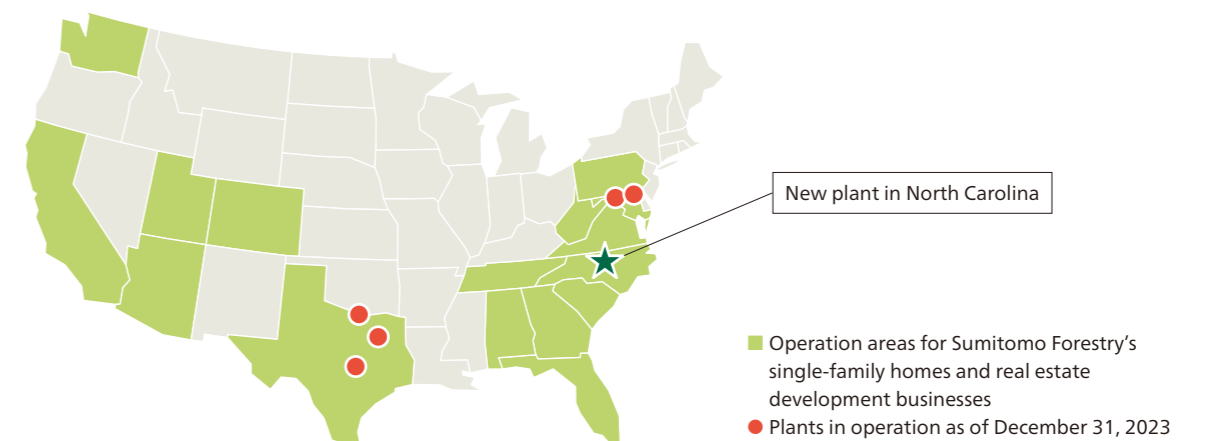
same year, construction began on a new component manufacturing plant in North Carolina, and we are gradually expanding our FITP business in the areas where our single-family homes and real estate development businesses are operating.

By advancing the FITP business, we will work to solve the future labor shortage problem facing the U.S. housing industry and establish a stable supply of materials, shortened construction times, and improved quality to achieve our goal in the Long-term Vision of 23,000 units sold annually. We will streamline the entire construction process and improve safety during construction.

FITP business process flow



U.S. FITP business locations and areas



▶ Strengthening the business base in Florida

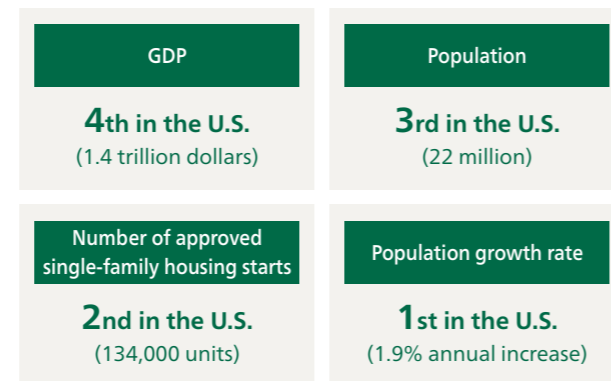
Strengthening business foundation in the second largest market in the United States, to reach 5,000 units per year

In 2022, through spec home business operator Brightland Homes Group, Sumitomo Forestry acquired Southern Impression Homes Group, a developer and manager of single-family rental homes, allowing the Group to enter the market in Florida.

Sumitomo Forestry subsidiary DRB Group, also engaged in the spec home business, established its Orlando branch in 2023, and in March 2024, through DRB Group, we acquired the business of Biscayne Homes, which operates a spec home business mainly in the Tampa area of Florida. We are focusing our efforts to expand our business in this state, which boasts the second largest market for approved single-family housing starts in the United States. Going forward, we will continue to watch for new M&A as well as organic growth to expand the number of units supplied in

the state from the current approximately 700 units per year to 5,000 units per year.

High-potential housing market in the U.S. state of Florida



* Data from 2022.

* Population growth rate is from July 1, 2021 to July 1, 2022.

▶ Initiatives for growth

We will work to develop our business infrastructure to achieve our goal in the Long-term Vision of 23,000 units sold in the United States. First, in the huge market of the U.S. state of Florida, we will promote further increase in the number of units delivered by securing sites in each metropolitan area while sharing information among Sumitomo Forestry Group companies. While expanding the areas of development with a focus on areas where high demand is expected, we will build greater capability to support various customer needs, such as highly affordable

housing and single-family rental homes. Through the FITP business, we will streamline construction, shorten construction times, and curb building costs. We will also maintain financial soundness by carefully selecting land acquisitions and moving assets off the balance sheet, managing the business with attention to capital efficiency and profitability. We will also work to improve environmental performance by developing products with enhanced energy-saving functions.

Acquisition of Biscayne Homes' business

Biscayne Homes, whose business we acquired in March 2024, has been engaged in the construction and sale of single-family homes and townhomes, and has established good relationships with major residential land developers in Florida, providing it with an ample housing lot pipeline. The company's business and housing lot pipeline will be handled by DRB Group's newly established Tampa branch, where we will utilize DRB Group's construction, sales, and material procurement functions to strengthen its business base in the area.



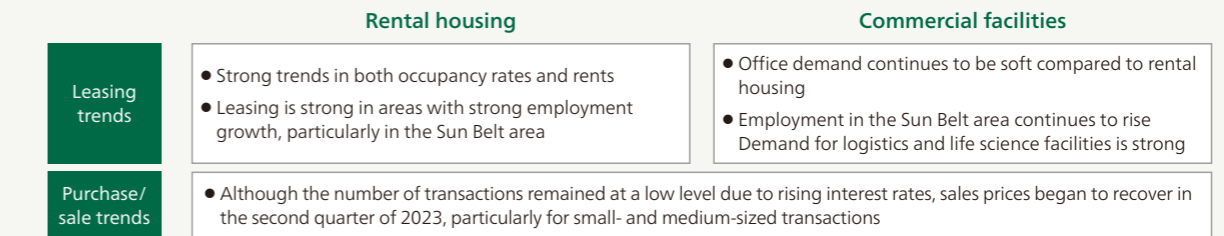
In the Biscayne Homes community, the focus is on large pool lagoons.



This is an example exterior of houses supplied by Biscayne Homes.

Market environment in the U.S. real estate development business

The real estate development market continues to face challenging conditions due to soaring interest rates and declining office demand. Against this backdrop, the Sun Belt area*1 in which we operate continues to enjoy a robust employment environment, and leasing of rental housing has remained strong in terms of both occupancy rates and rents.



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

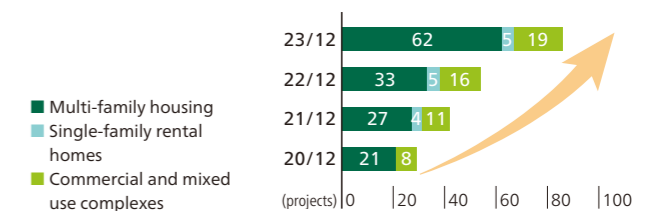
Growth strategies

▶ Acquired U.S. multi-family housing developer JPI Group as a subsidiary

Expanding real estate development business in the United States and building a stable income portfolio
In November 2023, Sumitomo Forestry acquired JPI Group, a company specialized in the development of multi-family housing in the United States, making it a consolidated subsidiary. This acquisition provides us with design and construction functions held in-house, enabling us to meet a wide range of price points in addition to supporting cost and quality control, creating strengths in the development of multi-family housing that combines functionality and design. With the addition of JPI Group to the Sumitomo Forestry Group, the number of multi-family housing starts by the Group in the United States exceeded 8,000 units in 2022, which is equivalent to the 6th largest in the United States*2.

*2 The total number of units started in 2022 by the three U.S.-based companies in the Sumitomo Forestry Group (Crescent Group, JPI Group and SFA MF) was 8,118 units. This is equivalent to the 6th rank in the NMHC 2023 ranking of the nation's multi-family housing providers.

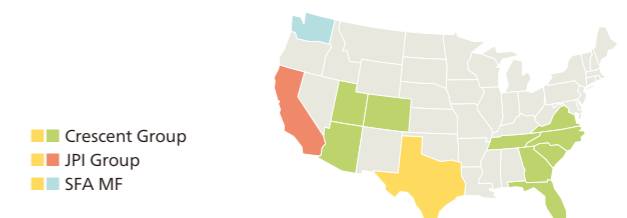
Number of projects in the U.S. real estate development business for which construction has started (as of the end of each fiscal year)



▶ Initiatives for growth

By bringing JPI Group into the Sumitomo Forestry Group, we have expanded our business area to include the enormous markets of Texas and southern California. We will continue to closely monitor the immediate interest rate trends and market conditions, carefully selecting quality projects from a medium- to long-term perspective and moving forward with commercialization.

Operation areas in the U.S. real estate development business



Human Resources Who Will Help Us Achieve Our Long-term Vision —Transforming Our Business Foundation for Growth—

In order to realize our Long-term Vision for 2030, the Group has established a human resources strategy based on three basic policies in order to connect the diverse abilities and values of our diverse workforce to new challenges and growth, derived from the concept of “promoting a free and open-minded corporate culture that respects diversity,” which is one of Our Values. At the same time, we will work on diversity, equity and inclusion with the aim of transforming our organizational culture.



Tatsumi Kawata
Representative Director
Executive Vice President

To create a foundation for future growth and contribution to decarbonization in the fields of forests, wood, and construction, as stated in our Long-term Vision Mission TREEING 2030, we must further promote globalization, take on the challenge of new business domains, and transform existing businesses. To continuously secure and develop human resources who have the ability to give shape to these goals and to improve employee engagement, the Group has established a human resources strategy based on the three following pillars: “securing and developing human resources who will transform and create businesses,” “a system to maximize employee performance and a free and open corporate culture,” and “promotion of health management.”

At the same time, in April 2024, we established the Sumitomo Forestry Group Declaration on DEI (Diversity, Equity and Inclusion), which clarifies the importance of DEI for the Group. By promoting DEI based on this Declaration, we aim to break away from a stereotypical thinking, foster an organizational culture that is conducive to innovation, create an environment and culture that enables flexible work styles tailored to individual circumstances, and create a work environment where psychological safety is ensured and everyone can demonstrate their abilities. We will be able to realize our Long-term Vision by creating synergies through the implementation of our human resources strategy and various measures based on the three pillars, and building a more solid business foundation based on these effects.

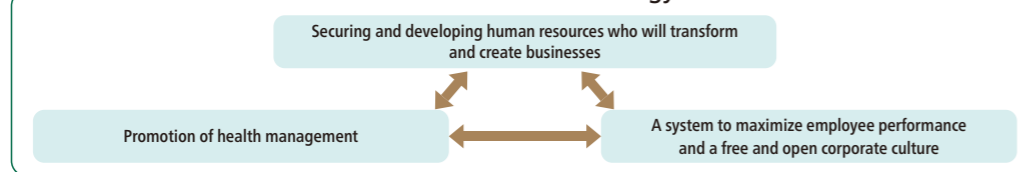
Mission TREEING 2030

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

2030 recurring income target **250.0 billion yen**

- | | | | | |
|--|---|---|---|---|
| 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 |

Human Resources Strategy



Human resources strategy issues and countermeasures

Pillars of our human resources strategy	Issues	Countermeasures
<p>Securing and developing human resources who will transform and create businesses</p>	<ul style="list-style-type: none"> Acquisition of specialized and globally minded human resources to respond to business diversification Development of management levels that can draw out the diverse potential and motivation of employees and co-create strategies Development of employees with the ability to improve operations, transform businesses, and create businesses 	<ul style="list-style-type: none"> Introduction of a system for the recruitment of specialized human resources Securing of globally minded human resources by strengthening the recruitment of international students Human resource development through skill maps and one-on-one meetings Implementation of management skills training for all managers to draw out the abilities of each and every employee Participation in various training programs to acquire the business skills necessary for formulating strategies for business creation, and dispatch to cross-industry exchanges and training Systematic assignments for the purpose of selecting and developing next-generation managers
<p>A system to maximize employee performance and a free and open corporate culture</p>	<ul style="list-style-type: none"> Creation of a free and open-minded organizational culture that enables employees to work with passion, draws out their autonomy, and ensures psychological safety to make the most of their diverse abilities and values. Respect for the career aspirations of employees and support for reassignment and reskilling so that they can play an active role in a wide range of areas 	<ul style="list-style-type: none"> New graduate and mid-career recruitment by job type and work area Establishment of a career advancement system based on the individual's aspirations through the Dual Career Ladder (a method that offers both managerial and specialized career pathways) Implementation of talent management based on the evaluation of individual employees' skills and behaviors Establishment of an integrated core human resources system for the Group in Japan Reskilling according to the human resource needs of each Group company and the skills possessed by employees Spreading of understanding and awareness of diversity, equity, and inclusion Implementation of corporate culture reform projects tailored to the characteristics of the organization Implementation of psychological safety training for management
<p>Promotion of health management</p>	<ul style="list-style-type: none"> Improvement of productivity and revitalization of the organization by maintaining and improving employee health 	<ul style="list-style-type: none"> Guidance on improvement for high-risk employees and departments using the results of health checkups and stress checks Creation of opportunities to maintain and improve health Education to improve health literacy Regular provision of information by public health nurses and clinical psychologists, and strengthening cooperation with health personnel at each site

Promoting DEI

To grow our business sustainably, it is important to create a vibrant work environment for all involved. Embracing diversity in terms of race, religion, ethnicity, nationality, gender, etc., and respecting human rights without discrimination form the foundation of a fair work environment.

In April 2024, we established the Sumitomo Forestry Group Declaration on DEI, clarifying the terminology, importance, and purpose of DEI for the Sumitomo Forestry Group, and reaffirming our commitment to promote these values. We will strengthen various measures and accelerate

the promotion of DEI in a way that harnesses the diverse abilities and values of each and every employee to take on challenge and growth.

Future measures to promote diversity, equity and inclusion

E-learning	Role model referrals	Distribution of guide map on promotion of DEI
DEI forum	Establishment of in-house community	Distribution of posters

For information about diversity, equity and inclusion, please visit our website using the link below.
<https://sfc.jp/english/sustainability/social/employment/>



Management Environment Analysis

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	Opportunities for Sumitomo Forestry
<ul style="list-style-type: none"> • 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 and impairment of natural capital caused by the use and disposal of unsustainable resources • Changes in demographics and reduction in 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 	<ul style="list-style-type: none"> • 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 the promotion of diversity, equity 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

Strategies

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 sinks
 - Promote initiatives that enhance the competitiveness of domestic wood
 - Expand our medium- to large-scale wooden construction business
- 2 Promotion of a more resilient earnings base
 - Regain profitability of our housing business and our 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 personnel 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)

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

Value Creation Process



Corporate Philosophy

The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

Inputs

(Fiscal 2023)

Natural Capital

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

Manufactured Capital

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

*1 Fully Integrated Turn-Key Provider (FITP) business providing integrated services from panel design to manufacturing, delivery and construction

Human Capital

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

Intellectual Capital

- R&D spending: 2,878 million yen

Social Capital

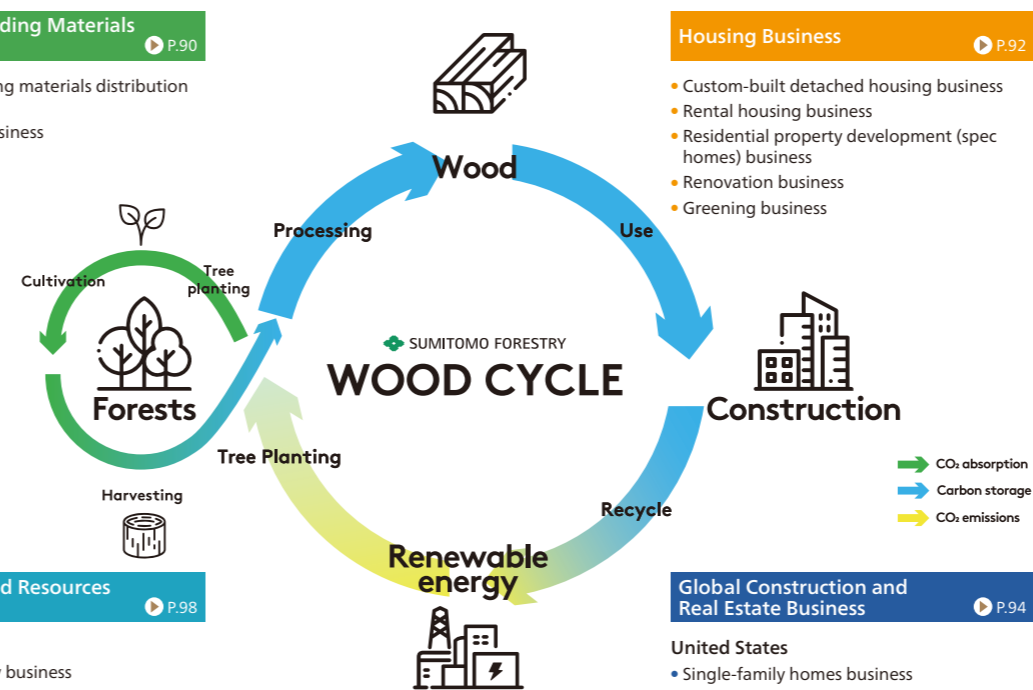
- Accumulated number of homes delivered: approx. 350,000 units (Japan) and approx. 110,000 units (overseas)

Financial Capital

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

The Wood Cycle

The Wood Cycle refers to the Sumitomo Forestry Group's value chain from upstream to downstream centered on wood, spanning from forest management to the manufacture and distribution of timber and building materials, wooden construction, and wood biomass power generation. By promoting decarbonization projects in the three fields of forests, wood, and construction, and by implementing the Wood Cycle, we aim to contribute to the realization of a decarbonized society by promoting CO₂ absorption and carbon storage not only for the Group but also for society as a whole.



Business activities

Medium-term Management Plan Basic Policy (P.41)

- 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

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

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

Outputs

Breakdown by Segment*3 (Fiscal 2023)

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

Net sales: 1,733.2 billion yen

Recurring income: 159.4 billion yen

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

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

Outcomes

(Fiscal 2023)

Value for our planet (P.24)

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

Value for people and society (P.62)

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

Value for the market economy (P.43)

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

*4 Method to calculate carbon stock of forests: Cumulative amount x Bulk density x Biomass magnification factor x (1+ratio of underground area as a ratio of above ground area) x Carbon content (utilizing the specific number of each tree species)
 *5 Harvested Wood Products (HWP)
 *6 The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year
 *7 Limited to private house and applicable floor area or more
 *8 Net Promoter Score (NPS). NPS is an index used to measure customer loyalty (the amount of trust and affinity for the company and brand)

Explanation of Value Creation Process

The Sumitomo Forestry Group is developing business activities based on the Wood Cycle, a value chain centered on wood, from forest management to wood processing and distribution, construction of wooden houses, and wood biomass power generation. We will contribute to the absorption and

fixation of CO₂ not only by our Company but also by society as a whole, by planting trees and by increasing the amount of CO₂ absorbed by forests, promoting carbon fixation inside wood, and using wood in buildings and furniture to store carbon over a long period of time.

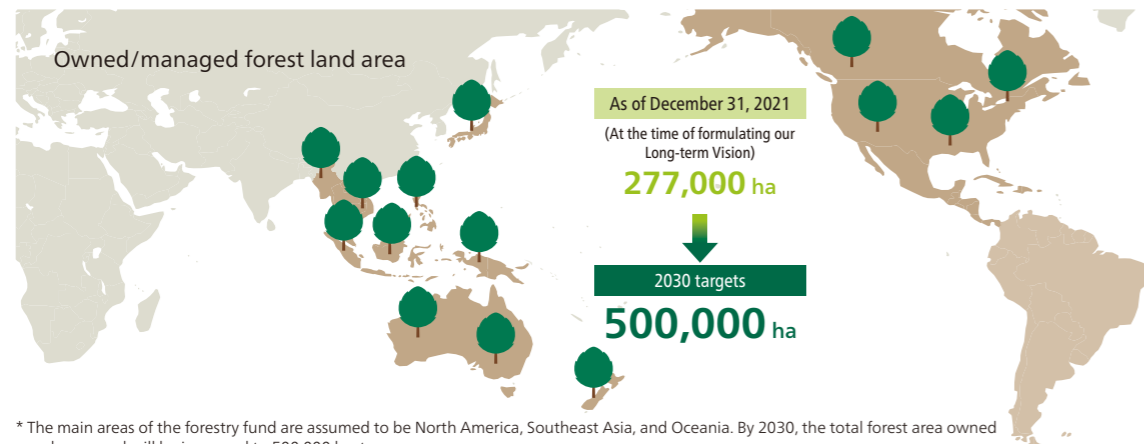
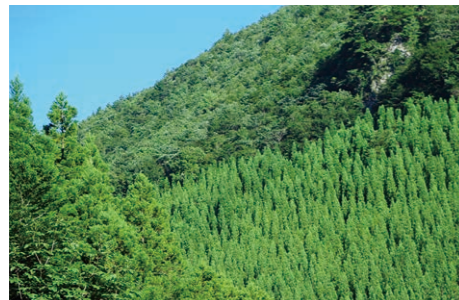
Environment and Resources Business

P.98



Accelerate the cyclical forest business

In the Environment and Resources business, we own and manage approximately 48,000 hectares of forest land in Japan and approximately 238,000 hectares overseas, based on the sustainable forest approach, in which trees are planted, grown, harvested, and replanted. Forests are divided into protected forests for the purpose of biodiversity and landslide prevention, and economic forests that go through a cycle of afforestation and logging. The Group firmly zones protected forests and economic forests, and promotes cyclical forest management in a sustainable manner in economic forests. In the future, we will establish a global forestry fund to protect and expand forests and peatlands, and build a mechanism for allocating carbon credits (emission credits) to contribute to the decarbonization of society. In addition, we will address global environmental issues through innovative forest management technologies developed through the NeXT FOREST Project in collaboration with IHI Corporation.



Forestry fund formation: Contributing to the realization of a decarbonized society

In June 2023, Eastwood Forests, LLC, a member of the Group, established the Eastwood Climate Smart Forest Fund I, a large-scale forestry fund for decarbonization, with investments from 10 Japanese companies. The fund will acquire forest assets, mainly in North America, where the market for forest asset transactions has been established and the carbon credit system is in place, and will produce timber from appropriate forest management and generate carbon credits. The acquisition of forest assets after formation of the fund is also progressing smoothly, and as of February 2024, approximately 45,600 hectares of forest assets have been acquired. Through the fund's mechanism, the Sumitomo Forestry Group and participating companies will contribute to the realization of a decarbonized society by appropriately managing forests in terms of area and assets that cannot be achieved on its own, and by maximizing the conservation of biodiversity and the CO₂ absorption and fixation functions of forests.

Timber and Building Materials Business

P.90



Promote wood change

The Timber and Building Materials business encompasses the procurement, manufacture and supply of timber and wood products. Based on our unique procurement policy, we utilize the global network we have built up over many years of expanding our distribution business to stably procure and distribute legal and sustainable timber and wood products. Wood is lightweight, strong, resistant to deterioration, and has excellent heat insulation, as well as the ability to store absorbed carbon even after product processing. In addition, compared to steel and concrete, wood can significantly reduce CO₂ emissions during manufacturing. As the leading trading company in the domestic timber and building materials distribution markets in terms of volume, we will further advocate the various forms of value of wood to society, promote wood change through the establishment of timber industrial complexes, and expand the volume of harvested wood products (HWP) handled and manufactured, which will lead to an increase in carbon storage for society as a whole.

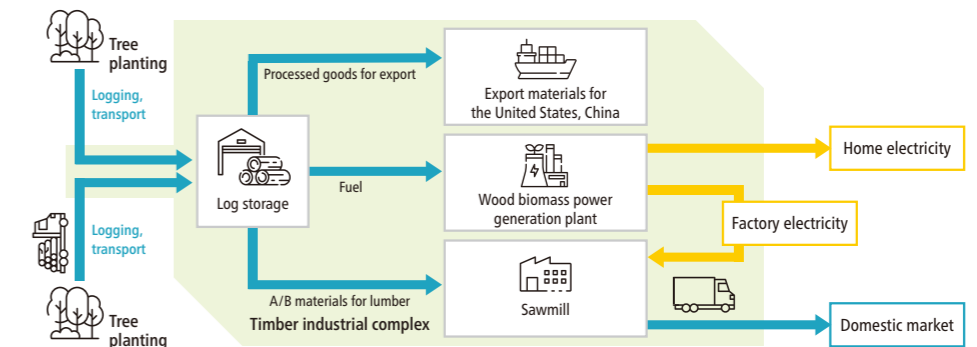


Establishment of timber industrial complexes: Aiming to expand the use of domestic timber

In timber industrial complexes, the value of low-grade and offcuts is maximized through the cascade use of all raw timber. The Group aims to build a cyclical business by promoting the substitution of wood-derived materials in various fields such as single-family homes and non-residential buildings, and to increase the value of forests and expand the use of domestic timber. By collaborating with business partners in each area and mutually complementing their functions, we will realize the Wood Cycle and contribute to improving Japan's wood self-sufficiency rate and benefit local communities.

In February 2022, Sumitomo Forestry and Shibushi City, Kagoshima Prefecture, signed a basic agreement on the location of a new plant. With the aim of building a plant that can process logs for export and manufacture high-strength structural materials that can be used not only for residential but also for non-residential buildings, we are formulating a business plan and selecting equipment. In addition, in November 2023, we established KowanoMori Co., Ltd, aiming to build a new plant in the Iwaki-yotsukura Central Industrial Park in Fukushima Prefecture. KowanoMori Co., Ltd is actively promoting the use of domestic timber for housing materials, which use a high proportion of imported timber, and aims to increase the ratio. In particular, we will work to convert dimensional lumber, which has a low proportion of domestic timber, to domestic materials.

Timber industrial complex overview



Explanation of Value Creation Process

Housing Business

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Construction

Standardize carbon neutral design

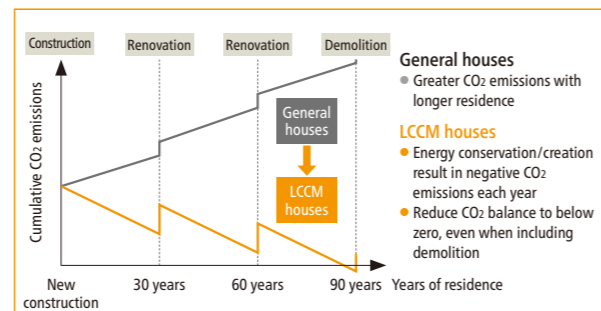


Since entering the custom-built detached housing business in Japan in 1975, the Sumitomo Forestry Group has been promoting long-life, high-quality wooden houses, thereby providing a good living environment. Currently, we are developing a wide range of businesses related to housing and lifestyles, such as rental housing, community development (spec homes), the greening business, and the renovation business, utilizing the design and technical capabilities cultivated in the detached custom-built housing business. The Group will contribute to the decarbonization of society by reducing CO₂ emissions in the area of living by promoting the use of its own Big-Frame Structure and the spread of ZEH (Net Zero Energy House), LCCM (Life Cycle Carbon Minus)^{*1} housing, and ZEB (Net Zero Energy Building). Going forward, we will continue to contribute to the realization of a sustainable society by expanding sales of environmentally friendly housing and promoting the standardization of decarbonized design.

*1 A house that reduces CO₂ emissions and generates renewable energy during construction, residence, and demolition, resulting in a negative CO₂ balance throughout the entire life cycle of the house, including at the time of construction.

LCCM housing: Able to reduce CO₂ emissions much more than ordinary houses

Our LCCM houses are made of wood, which reduces CO₂ emissions from raw material procurement to construction, and the structural frame is made of domestic timber that uses renewable biomass fuel for the drying process, making it possible to reduce CO₂ emissions even more. In addition, Big-Frame Structure is characterized by high variability that makes it easy to change the floor plan and renovate, and contributes to long-term carbon fixation by extending the life of the house.



Benefits of ZEH and Big-Frame Structure

	ZEH	ZEH and Big-Frame Structure	Benefits
Economical	Reduction of utilities costs	LS30 ^{*2} design reduces maintenance costs	● Able to live in the house for 10, 20 or 30 years at reduced cost
Health	Advanced insulating performance	Wood insulation is better than iron and wooden spaces are gentle on the mind and body	● Able to live a healthy life at a comfortable room temperature throughout the year
Disaster prevention	Solar power generation system	Earthquake resistance of shelter-class ^{*3} Securing water for daily use	● Sense of security that you can remain at home in the event of an emergency

*2 The exterior of the building is a highly weather-resistant "LS (Long Support) 30" specification that does not require maintenance for 30 years from the date of completion, preventing deterioration of the roof and exterior walls and reducing the time and cost required for maintenance.

*3 Seismic performance equivalent to that of disaster prevention bases (equivalent to seismic grade 3).

Global Construction and Real Estate Business

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Construction

Standardize carbon neutral design

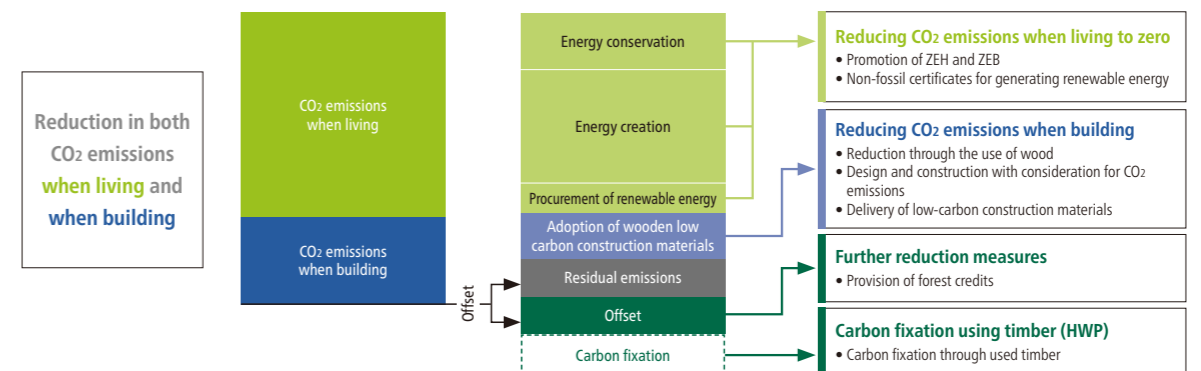


Since the Sumitomo Forestry Group began its Housing business in the United States in 2003, it has been actively pursuing new entry into promising growth markets. Currently, we are developing housing, construction, and real estate businesses in Australia and other parts of Asia. We value construction that suits the culture and climate of each region, and we are also working on the development of environmentally conscious housing overseas, such as a zero-emission house^{*4} in Australia and landed houses (single family homes) with solar panels as a standard feature in Indonesia. In addition, since wooden construction stores carbon absorbed by wood for a long time, we are developing medium- to large-scale wooden constructions, which are attracting increasing attention both in Japan and overseas. By widely disseminating high-quality wooden buildings globally, we are contributing to the realization of a decarbonized society.

*4 Environmentally friendly housing that can be expected to have an energy-saving effect of 70% or more compared to conventional housing.

Standardizing carbon neutral design: Helping to reduce CO₂ emissions across the construction industry

Global energy-based CO₂ emissions in 2021 totaled 36.3 billion tons^{*5}, of which 37% were in the construction sector, making decarbonization of the construction sector a top global issue. First, the Group will promote the reduction of CO₂ emissions generated during daily life, which account for 70% of the construction sector, by expanding the use of ZEH and ZEBs. In addition, as the world's building area is expected to double by 2060 due to the economic development of emerging countries, we will promote decarbonization at both the construction stage and in housing and operation by focusing on the development and diffusion of LCCM housing. Due to the economic development of emerging countries, there will be an increasing emphasis on reducing CO₂ emissions when building in the future. As the sole distributor in Japan for One Click LCA, a software that calculates CO₂ emissions at the time of construction, we have started a calculation contract business and promoted the acquisition of the EPD environmental certification label to support the decarbonization of the construction industry as a whole.



*5 Source: Global Alliance for Buildings and Construction (2022)

Medium-term Management Plan

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 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.

Mission TREEING 2030

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



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 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 business Utilization of (domestic) timber Expansion of the elderly care business Expansion 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 Department by 20% compared to March 31, 2019. <p>Promoting further integration of business operations and ESG</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.
Review	<ul style="list-style-type: none"> Recurring income for the fiscal year ended March 31, 2018 was 55.6 billion yen*, 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.

*1 Excluding the effect of actuarial differences

Current Medium-term Management Plan

	Mission TREEING 2030 Phase 1 Fiscal year ended December 2022 to fiscal year ending December 2024
Basic Policies	<p>Three years for creating a foundation aimed at future growth and contribution to decarbonization</p> <ul style="list-style-type: none"> Further growth of the Global Construction and Real Estate business, now a major earnings pillar, and recovery of earning power in Japan Three 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 wood resources</p> <ul style="list-style-type: none"> Develop new businesses domestically and internationally that pursue the value of forests as carbon sinks Promote initiatives that enhance the competitiveness of domestic wood Expand our medium- to large-scale wooden construction business <p>Promotion of a more resilient earnings base</p> <ul style="list-style-type: none"> Regain profitability of our housing business and our timber and building materials business and promote transformation that enables us to anticipate and respond to future market changes Improve asset efficiency <p>Acceleration of global expansion</p> <ul style="list-style-type: none"> Expand our housing and real estate business operations in the United States and Australia and create a profit base in Asia <p>Strengthen management base for sustainable growth</p> <ul style="list-style-type: none"> Promote digitalization Enhance the securing and nurturing of personnel and improve employee engagement Reinforce risk management <p>Further integration of business operations and ESG</p> <ul style="list-style-type: none"> Steadily implement initiatives to achieve RE100/SBTs (Science-Based Targets)
Targets by Business Division	<ul style="list-style-type: none"> Timber and Building Materials <ul style="list-style-type: none"> Rebuild overseas manufacturing business Investment 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 business Expand the spec homes business, the non-residential business, the renovation business, etc. Global 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 Asia Commercialize medium- to 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.
Review and Progress	<ul style="list-style-type: none"> Performance for the fiscal year ended December 31, 2023 greatly exceeded the initial forecast, as the Global Construction and Real Estate business drove overall earnings. Progress of the Medium-term Management Plan <ul style="list-style-type: none"> Although the market environment has changed significantly since the plan was formulated, i.e., the significant increase in mortgage rates in the U.S. housing market, the results for the fiscal year ending December 31, 2024 are expected to achieve the targets of the Medium-term Management Plan in terms of both net sales and recurring income. <ul style="list-style-type: none"> Net sales 2,065.0 billion yen (+295.0 billion yen compared to the target) Recurring income 173.0 billion yen (exactly as targeted) Net income attributable to shareholders of the parent company 105.5 billion yen (-10.5 billion yen compared to the target) <p>* Initial plan as of February 14, 2024.</p>

Medium-term Management Plan

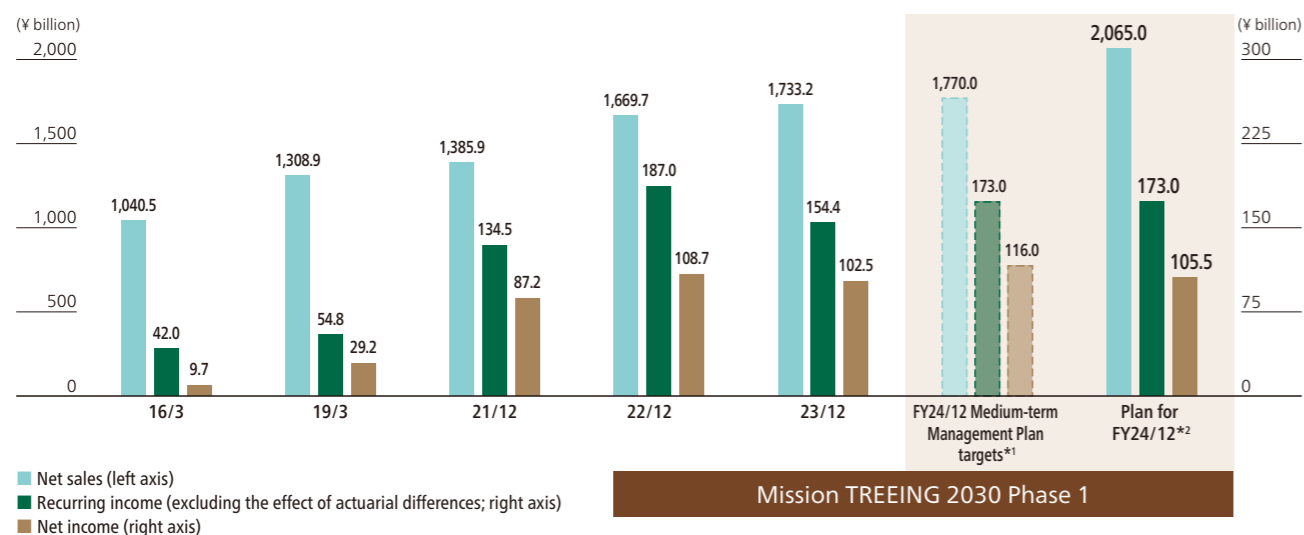
Progress of the Medium-term Management Plan and outlook for the final fiscal year

In the area of forests, in June 2023, we established and began operating the Eastwood Climate Smart Forestry Fund I, a forest fund in the United States with a total investment of 60.0 billion yen and a management period of 15 years. With the commencement of operations of this first fund, we have made progress in acquiring specific forest assets. In the area of wood, we are promoting initiatives for timber industrial complexes in Shibushi City, Kagoshima Prefecture and other locations in Japan, and in January 2024, we established a new Biorefinery Strategy Department with the aim of creating new businesses in areas that are expected to grow. In the area of construction, we have steadily accumulated a track record of projects using wood, such as medium- to large-scale wooden constructions in Japan and overseas, and we are continuing to promote the dissemination of One Click LCA, a software that efficiently visualizes embodied carbon (CO₂ emissions during

construction), along with the acquisition of the EPD environmental certification label. In November 2023, JPI Group, which develops multi-family housing in the U.S., became a consolidated subsidiary, providing a significant boost toward achieving an annual supply of 50,000 units by 2030. As a result, the Group had the sixth-largest housing starts in the U.S. in 2022 and is now expanding the area in which the U.S. real estate development business operates.

In the fiscal year ending December 31, 2024, the final year of the plan, we will continue to focus on expanding the Global Construction and Real Estate business, restoring profitability in domestic businesses, and investing in the Environment and Resources business, as well as strengthening governance, promoting digitalization, and bolstering personnel development to achieve our Long-term Vision Mission TREEING 2030 and further strengthen our management foundation.

Performance Targets



Segment Targets (¥ billion)

	Net sales				Recurring income					
	FY22/12 result	FY23/12 result	Year-on-year change	FY24/12 Medium-term Management Plan targets*1	Plan for FY24/12*2	FY22/12 result	FY23/12 result	Year-on-year change	FY24/12 Medium-term Management Plan targets*1	Plan for FY24/12*2
Timber and Building Materials	273.7	236.1	-13.7%	264.0	237.0	14.9	11.2	-24.8%	11.5	14.0
Housing	508.7	534.0	+5.0%	547.0	540.0	15.4	32.8	+112.3%	32.0	31.5
Global Construction and Real Estate	873.5	948.1	+8.5%	954.0	1274.0	161.8	112.5	-30.4%	129.0	132.5
Environment and Resources	21.9	24.8	+13.6%	26.5	27.0	1.4	0.6	-59.4%	4.0	1.5
Others	24.6	26.0	+6.0%	29.0	28.0	1.9	2.2	+13.2%	5.0	2.4
Adjustments	-32.7	-35.9	-	-50.5	-41.0	-0.4	0.2	-	-8.5	-8.9
Total	1,669.7	1,733.2	+3.8%	1,770.0	2,065.0	195.0	159.4	-18.2%	173.0	173.0
				(Reference) Excluding the effect of actuarial gains and losses		187.0	154.4	-17.4%	173.0	173.0

*1 Plan at the time of formulating the Medium-term Management Plan.
*2 Initial plan as of February 14, 2024.

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



Making steady progress with our growth strategy aimed at the Long-term Vision, having greatly improved the P/B ratio

Nobuyuki Otani
Director and Managing Executive Officer

In the current Medium-term Management Plan, corresponding to Phase 1 of our Long-term Vision Mission TREEING 2030, the basic policy of our financial strategy is to build a robust financial structure and balance investing in growth and returning profits to shareholders. While investing in growth to expand the scale of our business and promote decarbonization, we aim to maintain an equity ratio of 40% or more and a net debt-to-equity ratio of 0.7 times or less as KPIs, and to achieve a stable return-on-equity (ROE) of 15% or more.

In March 2024, I was appointed as a director in charge of corporate planning, finance, and sustainability. I have served as General Manager of the Overseas Administration Department and General Manager of the Corporate Planning Department, and have been involved in business in the United States, Australia, and Asia. I will contribute to the growth of the Group while utilizing the knowledge that I have cultivated.

Financial and capital strategies in the Medium-term Management Plan

Under the current Medium-term Management Plan, we are diversifying our U.S. housing and real estate business, which has been a pillar of earnings, and restoring the earnings power of the domestic housing business, which was an issue in the previous Medium-term Management Plan, as well as promoting investments and initiatives in decarbonization-related businesses. As a period to gain a foothold toward the realization of our Long-term Vision, we believe that it is

necessary to build an earnings base and actively invest in growth areas, and that it is important to maintain both financial soundness and profit growth fully aware of capital efficiency. Specifically, we aim to further enhance our corporate value by investing in growth for the future while maintaining financial soundness with an equity ratio of 40% or more and a net debt-to-equity ratio of 0.7 times or less, as well as stably achieving high profitability with ROE of 15% or more.

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

ROE in excess of the cost of equity

In the fiscal year ended December 31, 2023, net sales totaled 1,733.2 billion yen (up 135.2 billion compared to the initial forecast), recurring income was 159.4 billion yen (up 39.4 billion yen), net income was 102.5 billion yen (up 25.5 billion yen), and ROE was 14.8% (compared to the initial forecast of 11.8%), thanks to growth in the U.S. single-family homes business and improved profitability in the domestic housing business.

We recognize that the Company's cost of equity is approximately 7%, and ROE has been significantly exceeding this cost. As for the target of ROE of 15% or more, the level of difficulty has increased compared to when the Medium-term Management Plan was first formulated due to the increase in foreign currency translation adjustment accounts included in net assets amid the depreciation of the yen, but in order to achieve the target, we must first focus on the profits of the Global Construction and Real Estate segment, which accounts for 70% to 80% of total profits. In particular, we believe it is important to increase profits in the U.S. single-family homes business within this segment, which has a large weighting and relatively high profitability.

In the U.S. housing market, the supply-demand relationship for new homes remains tight against the backdrop of an increase in the population of home buyers, including Millennials and Generation Z, along with a

shortage of available existing homes in the market.

Although it will be affected by interest rate movements in the short term, we believe that the market will continue to grow in the medium to long term.

In 2023, we expanded into Florida and also actively promoted other initiatives to grow sales and profits, improve profitability, and prepare for labor shortages, such as promoting the FITP*1 business, which provides integrated panel design, manufacturing, delivery, and installation. In addition to our housing and real estate business in the U.S., over the past few years, we have been promoting countermeasures such as improving profitability in the domestic housing business by reviewing sales prices in response to soaring material prices and by rationalizing building processes, reducing our asset holdings by selling some nursing homes to domestic funds, and reducing cross-shareholdings. With regard to cross-shareholdings, the Board of Directors periodically verifies whether they will lead to an increase in the Company's corporate value, and if it is determined that the rationality or necessity of the shareholdings cannot be confirmed, the cross-shareholdings are reduced. In 2023, we sold eight issues, six of which were sold outright. We will continue to aim for profit growth fully aware of capital efficiency throughout the Group.

*1 Fully Integrated Turn key Provider

Trend in main financial indicators

	2020/3	2020/12*2	2021/12	2022/12	2023/12	2024/12 plan*3
Equity ratio	32.1%	33.7%	37.7%	40.8%	41.6%	41.7%
Net debt-to-equity ratio (times)	0.5	0.5	0.3	0.4	0.4	-
Return on equity (ROE)	8.8%	8.8%	20.2%	19.4%	14.8%	13.3%
Dividend payout ratio	26.1%	20.9%	17.5%	23.0%	24.7%	25.2%

*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 Plan as of February 14, 2024.

Increasing P/E and P/B ratios

From 2020 to 2022, our P/E ratio was low due to uncertainty about the outlook for the U.S. housing market while EPS grew, but it has improved recently due to increased dividends and enhanced disclosures along with growth in profits. Our P/B ratio has also improved from below 1.0 times to 1.5 times in May 2024.

In order to further improve our P/B ratio, we will improve

ROE by increasing profits centered on further growth of our housing and real estate business in the U.S. and investing aggressively with full awareness of asset efficiency. At the same time, we will strive to improve our P/E ratio by further expanding opportunities for dialogue with stock markets, such as by enhancing disclosure of growth businesses and financial and capital strategies.

Trend in P/E ratio



Source: Bloomberg

Trend in P/B ratio



Source: Bloomberg

Actively investing in growth to achieve our Long-term Vision

In order to improve ROE and ROIC, we have adopted IRR as a quantitative criterion for new investments, and in principle, it is a requirement that efficiency indicators such as IRR calculated from the business plan exceed the hurdle rates (WACC, etc.) set by country and business.

Under the Medium-term Management Plan, we plan to invest a total of approximately 300.0 billion yen over the three-year period, of which 62.0 billion yen are allocated for decarbonization-related investments, such as forest funds, timber industrial complexes, and overseas wooden non-residential buildings. The cumulative amount of investments and loans over the past two years has been 178.7 billion yen, and although there are differences by item, overall progress has been steady. Specific investments and loans in the fiscal year ended December 31, 2023 include the

acquisitions of JPI, a company that develops and constructs multi-family housing in the U.S., a truss manufacturer related to the FITP business, Southern Impression Homes, which sells single-family rentals in Florida, and investments in overseas wooden office building development projects. We will continue to actively invest in growth based on the business policies set forth in our Long-term Vision.

Accumulating real estate for sale to reach our target annual sales in the U.S. of 23,000 units by 2030

Apart from the aforementioned investment and loan plan, we are also acquiring real estate for sale, mainly land for housing in the U.S., where demand for housing is expected to be resilient, and we are paying particular attention to risk control and improving inventory turnover.

Investment plan

		Total for fiscal 2022 and fiscal 2023	Three years of MTP*4	Rate of progress
Main decarbonization-related investments	Timber industrial complex investment	0.5	20.0	2%
	Overseas wooden non-residential investment	11.3	30.0	38%
	Forestry fund related investment	0.7	12.0	5%
Investments and loans by segment outside of the above segments	Timber and Building Materials	7.6	35.0	22%
	Global Construction and Real Estate Business	128.9	130.0	99%
	Housing	15.3	25.0	61%
	Environment and Resources	5.3	30.0	18%
	Others	9.4	15.0	62%
Total		178.7	297.0	60%

*4 Former segment classification.

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

By imposing certain restrictions with an established limit on real estate for sale as an investment rule, we manage the situation to prevent excessive inventory levels. The concept of the investment limit is that even in the event of a certain loss, financial soundness will not be significantly impaired. Based on these concepts and rules, we are controlling the balance of real estate for sale. In addition, by using option contracts and land bankers, we are striving to secure land with less risk. With regard to the procurement of funds for

the acquisition of real estate for sale in the U.S., we have established certain covenants for each subsidiary to maintain the financial soundness of subsidiaries and control the balance of real estate for sale.

In order to achieve our target of selling 23,000 units annually in the U.S. by 2030, it is essential to continuously acquire real estate for sale. We will continue to strive for sound growth in our business through a system to control inventory risk as well as our growth strategy.

and we would like to present a more concrete path toward achieving our Long-term Vision for 2030. We will continue to invest in growth centered on our housing and real estate business in the U.S. and decarbonization-related businesses, while at the same time improving capital efficiency and providing appropriate shareholder returns.

Our TSR over the past 10 years has been 290.0% cumulatively, outperforming TOPIX. Going forward, we will continue to engage in dialogue with shareholders, investors, and many other stakeholders, and appropriately utilize their suggestions and opinions in the management of the Group, which will lead to an increase in corporate value.

Maintaining financial soundness to support medium- to long-term growth

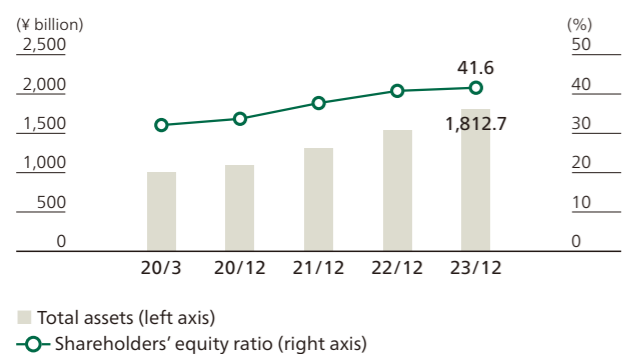
In order to achieve the Medium-term Management Plan and realize the Long-term Vision, we must maintain financial stability and soundness that can withstand the effects of economic fluctuations. This is especially important in the context of the expansion of our housing and real estate business in the U.S., which is sensitive to market conditions. Over the years, we have been working to maintain financial soundness, and in May 2024, our credit rating from a domestic credit rating agency*¹ was upgraded from "A" to "A+" in recognition of our stronger earnings base, particularly in the U.S. housing business. Although the balance of interest-bearing debt has increased due to

business expansion, the equity ratio has been maintained at 40% or more and the net debt-to-equity ratio has been kept at 0.7 times or less.

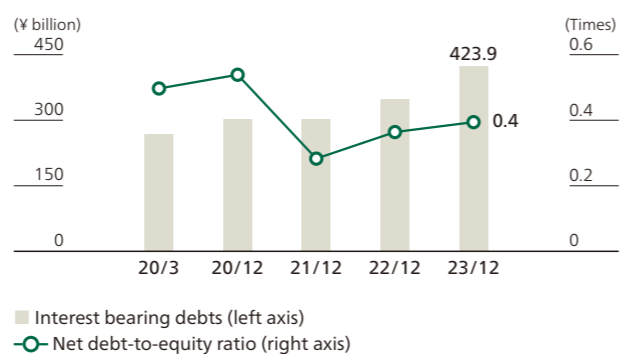
In addition to investing in and financing decarbonization-related businesses as set forth in our Long-term Vision, we expect an increase in demand for funding, including for the acquisition of real estate for sale, mainly in the U.S. housing market, and the expansion of our real estate development business. We will continue to maintain financial discipline while balancing aggressive investment in growth and financial soundness.

*¹ Rating and Investment Information, Inc.

Total assets/Shareholders' equity ratio



Interest bearing debts/Net debt-to-equity ratio



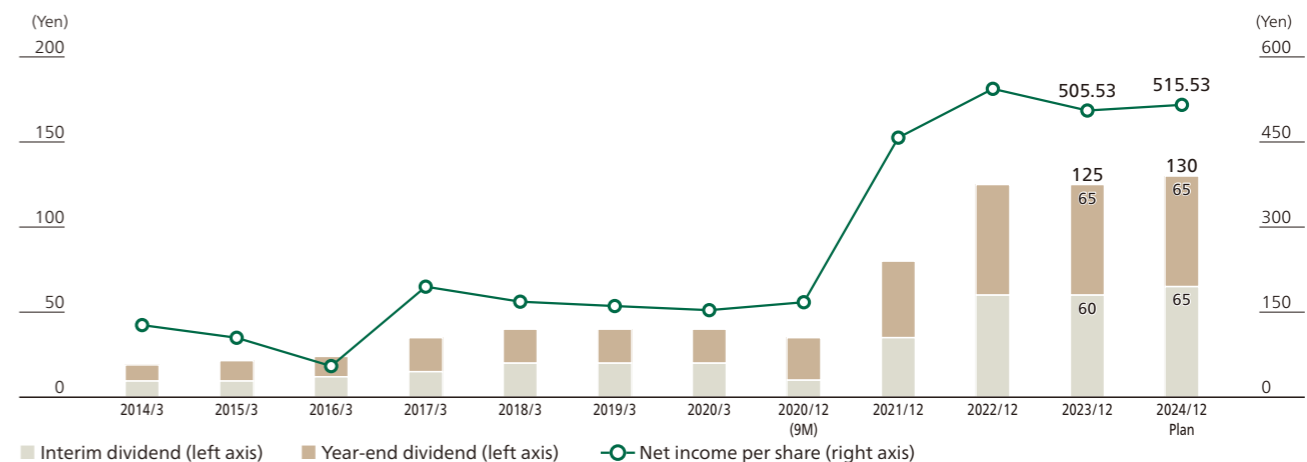
Discussing the next Medium-term Management Plan including shareholder return policy

We recognize that returning profits to shareholders is one of our most important issues, and our current basic policy is to implement this on a continuous and stable basis. In the fiscal year ended December 31, 2023, income decreased, but the annual dividend per share was 125 yen, the same as

the previous fiscal year. For the fiscal year ending December 31, 2024, we plan to increase the annual dividend per share by 5 yen to 130 yen per share.

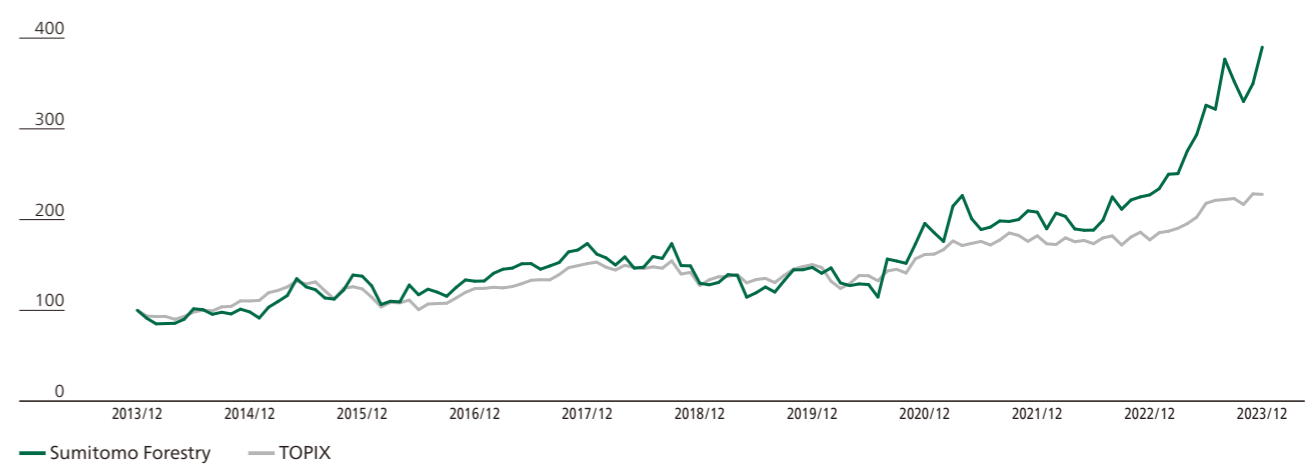
We are currently actively discussing the details of the next Medium-term Management Plan, which begins in 2025,

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

TSR



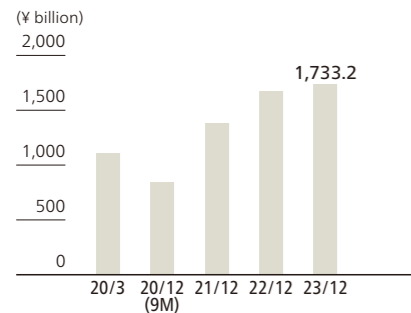
	1 year	3 years		5 years		10 years	
		Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
Sumitomo Forestry	+85.5%	+110.4%	+28.1%	+221.4%	+26.3%	+290.0%	+14.6%
TOPIX	+28.3%	+41.1%	+12.1%	+78.9%	+12.3%	+127.8%	+8.6%

* 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, 2013 up to December 31, 2023. The Sumitomo Forestry's chart indicates index figures of investment results (assuming no reinvestment of dividends) by setting investment amounts as of December 31, 2013 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, 2023 assuming investments were made one year prior (December 31, 2022), three years prior (December 31, 2020), five years prior (December 31, 2018), and ten years prior (December 31, 2013). 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.

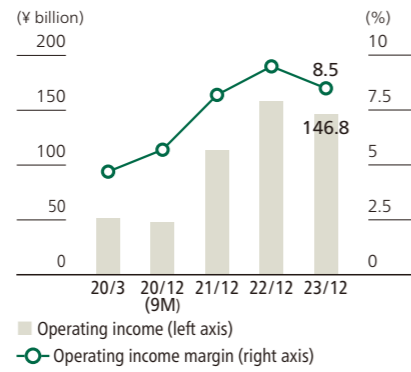
Financial and Non-Financial Highlights

Financial highlights

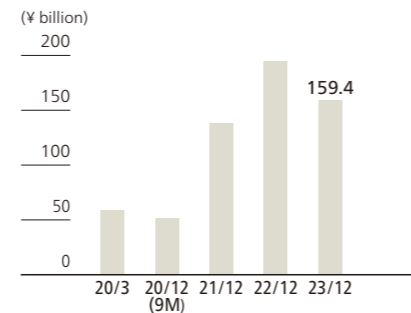
Net sales



Operating income/ Operating income margin

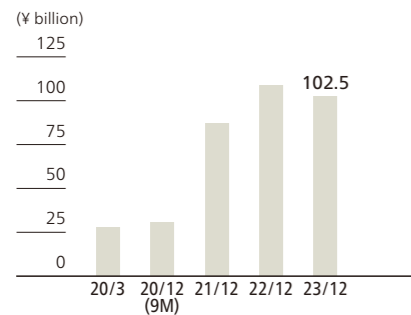


Recurring income



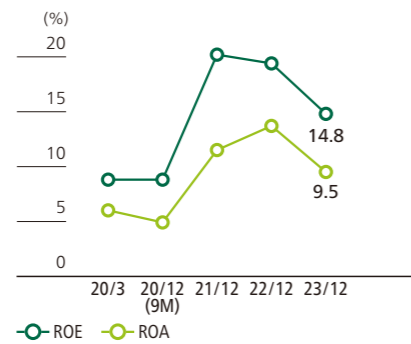
In the fiscal year ended December 31, 2023, the Group's overall net sales were 1,733.2 billion yen, up 3.8% year on year and recurring income was 159.4 billion yen, a 18.2% year-on-year decrease. The downturn in profits was because of a decline in margins due to the decreased sales unit price of the U.S. single family home business on a local currency basis and a decrease in properties for sale in the U.S. real estate development business, despite net sales increasing due to the depreciation of the yen. In 2023, in the U.S. housing market, which has a significant impact on our business performance, we were able to generate earnings that exceeded our initial expectations due to the recovery in demand after a slump in market conditions caused by rising mortgage rates in the second half of 2022, implementing measures in line with market trends as appropriate. In Japan, although the housing business environment was severe, profit margins improved partly due to the effects of price revisions implemented in the previous year. As a result, we were able to post net sales and ordinary income that significantly exceeded our initial forecast.

Net income attributable to shareholders of parent



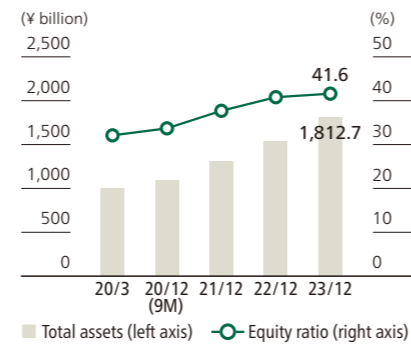
Net income declined 5.7% year on year to 102.5 billion yen.

ROE (Return on equity) / ROA (Return on assets)



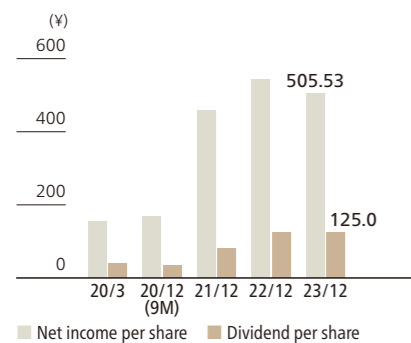
Although ROE is on a downward trend due to the impact of currency translation adjustments, we are working to improve profitability through effective forward-looking investments with a target ROE of 15% or more in mind.

Total assets / Equity ratio



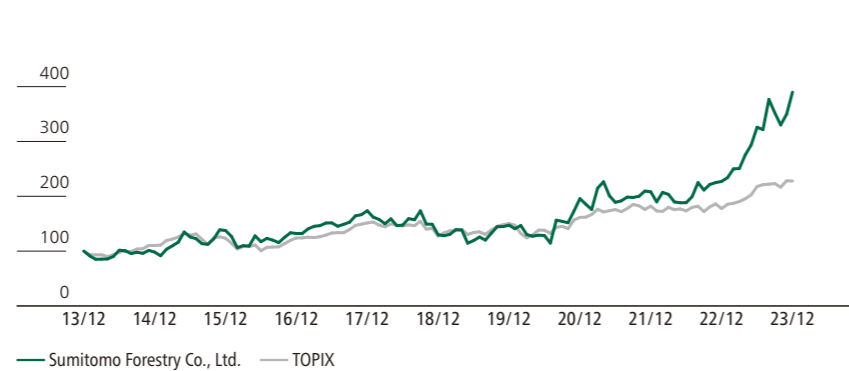
Total assets amounted to 1,812.7 billion yen due to an increase in real estate for sale due to the expansion of the spec-home business in the U.S. The equity ratio was 41.6%.

Net income per share / Dividend per share



The annual dividend per share for the fiscal year ended December 31, 2023 was 125 yen, including an interim dividend of 60 yen and a year-end dividend of 65 yen.

TSR*1

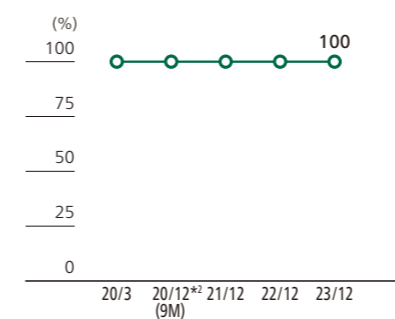


Our TSR has outpaced TOPIX. We will continue to improve profitability and pay stable dividends while striving to achieve TSR that exceeds the cost of equity.

* The end of the fiscal year was changed from March 31 to December 31 starting in the fiscal year 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 2013 set as 100.

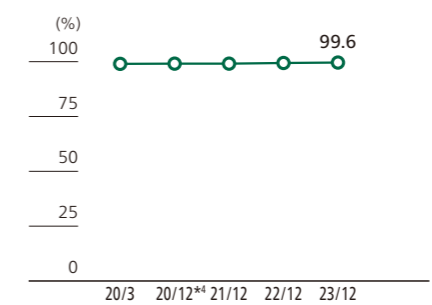
Non-financial highlights

Sustainability procurement survey implementation rate of suppliers of imported timber



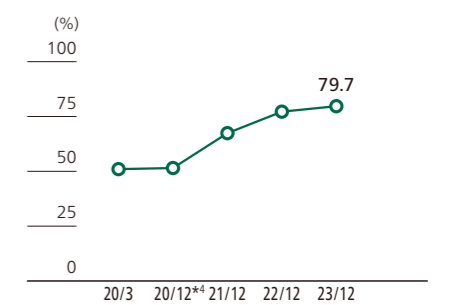
Under the Sumitomo Forestry Group Procurement Policy, we conduct due diligence on suppliers and timber procurement. We confirm the legality of transactions as well as considerations for human rights, labor, biodiversity conservation, and local communities, and practice sustainable procurement.

Recycling rate at manufacturing plants in Japan*3



We are continuously working to reduce waste emissions by redoubling the separation of industrial waste at each manufacturing plant and effectively using it as a resource (heat utilization) and selling it for value, without the use of incineration.

Rate of ZEH among new custom-built detached houses*5



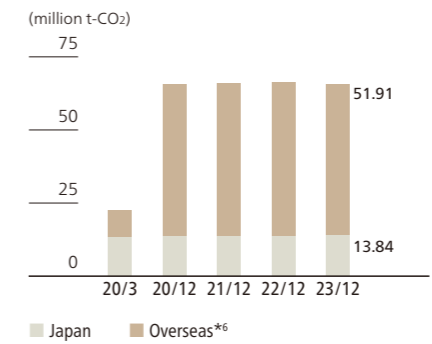
We are promoting the spread of ZEH by further strengthening the thermal insulation performance of buildings and openings and installing solar power generation systems as standard specifications.

Area of forest owned, managed



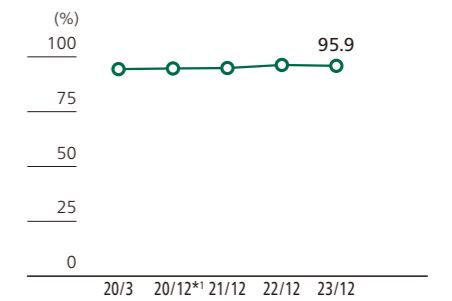
To make permanent use of timber resources while maintaining the public benefit of forests, we are promoting sustainable forest management in Japan and overseas under appropriate management.

Carbon storage amount in area of forest owned and managed (Carbon dioxide equivalent)



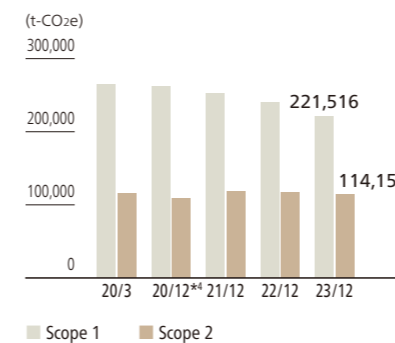
We strive to maintain and improve the public benefit of forests by implementing appropriate management for afforestation, such as tree planting, clearing underbrush, pruning, and thinning of forests that we own and manage.

Ratio of houses certified as Long-life Quality Housing among new custom-built detached houses



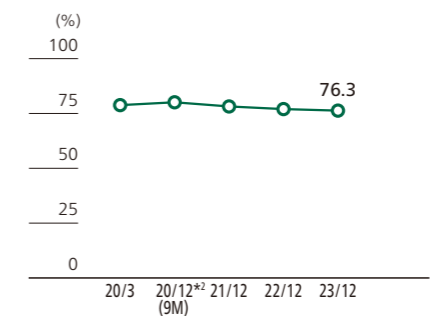
Sumitomo Forestry has set as a standard specification that "Sumitomo Forestry homes" must clear all conditions for certification as "Long-life Quality Housing" with the highest grade (evaluation under the Housing Performance Indication System).

CO2 emissions



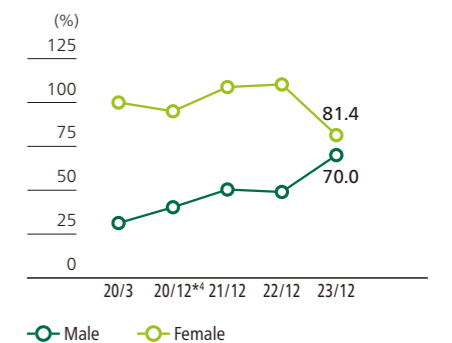
Scope 1 and 2 emissions in FY2023 decreased by 5.7% compared to FY2022 due to a reduction in coal consumption from Mombetsu Biomass Electric Power.

Employee satisfaction (non-consolidated)



The results of the employee satisfaction surveys show that 76.3% of employees answered "absolutely or somewhat agree" to the question "Are you satisfied with your work at the Company?" in FY2023.

Rate of taking childcare leave (non-consolidated basis)*7



The percentage of male employees taking childcare leave was 70%, a significant improvement from 49% in FY2022.

*2 Data collection period: April to December 2020
*3 Sumitomo Forestry Crest, the Agro-Products division of Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy
*4 Data collection period: January to December 2020
*5 The above includes Nearly ZEH and has ZEH Oriented in narrow areas since fiscal year ended March 2019, and ZEH Oriented in heavy snowfall areas since fiscal year ended March 2020. Hokkaido has been comprised since fiscal year ended December 2020.
*6 From fiscal year ended December 2020, conservation forests overseas were added to the scope of the collection.
*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.

Efforts for Sustainability Management

ESG initiatives in management

As the first phase of our Long-term Vision Mission TREEING 2030, announced in February 2022, the Sumitomo Forestry Group set forth Mission TREEING 2030 Phase 1 (2022-2024), a three-year Medium-term Management Plan to create a foundation aimed at future growth and contribution to decarbonization. One of our five basic policies under this plan is the further integration of business operations and ESG. Based on this policy, we have established the Mid-term Sustainability Targets 2024, which incorporate our sustainability strategy and initiatives to address material issues. In conjunction with the formulation of our Long-term Vision, we have newly identified Nine Material Issues, connecting respective issues to value for our planet, value for people and society, and value for the market economy. With this, we are working to carry out business activities that simultaneously satisfy these three values by further enhancing each value without compromise.

We have furthermore expanded on our qualitative indicators up to 2024 for resolving material issues through specific quantitative targets for each division. The progress and achievement status for each quantitative target are checked by the Sustainability Committee and reported to the Board of Directors in a steadfast PDCA cycle. We believe that addressing the SDGs and other social issues will lead to increased corporate value that cannot be measured solely from an economic perspective.

Sustainability Committee

In response to growing demands for medium- to long-term initiatives and information disclosure in the areas of Environment, Society, and Governance (ESG), such as addressing climate change, SDGs, and human rights issues, the Sustainability Committee was established in fiscal 2018 to replace the CSR Committee, which had previously consisted of general managers.

The Sustainability Committee is comprised of directors who serve as executive officers, as well as the divisional managers of each business division, with the President and Executive Officer acting as the committee chairman. The committee formulates and promotes strategies for the Group's medium- to long-term ESG issues, including climate change and nature-related issues, manages the progress of the Mid-term Sustainability Targets, including risk and opportunity analysis, and monitors the operation and effectiveness of Our Values and the Code of Conduct, and other guidelines. As of January 2024, the Sustainability Committee meets regularly six times a year instead of four, in order to strengthen efforts to address issues related to quality and occupational safety. All proceedings of the committee are reported to the Board of Directors to integrate business operations with the resolution of 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, including ESG aspects, considering the entire supply chain. If a risk is identified, a report is made regarding the risk's nature and measures to deal with it, which is used to determine implementation. We also encourage similar ESG risk checks for new businesses and projects that can be implemented under the authority of the respective division or affiliated

company that are not subject to deliberation at these meetings. In fiscal 2023, 17 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 across the entire Group.

Nine Material Issues

Identifying material issues

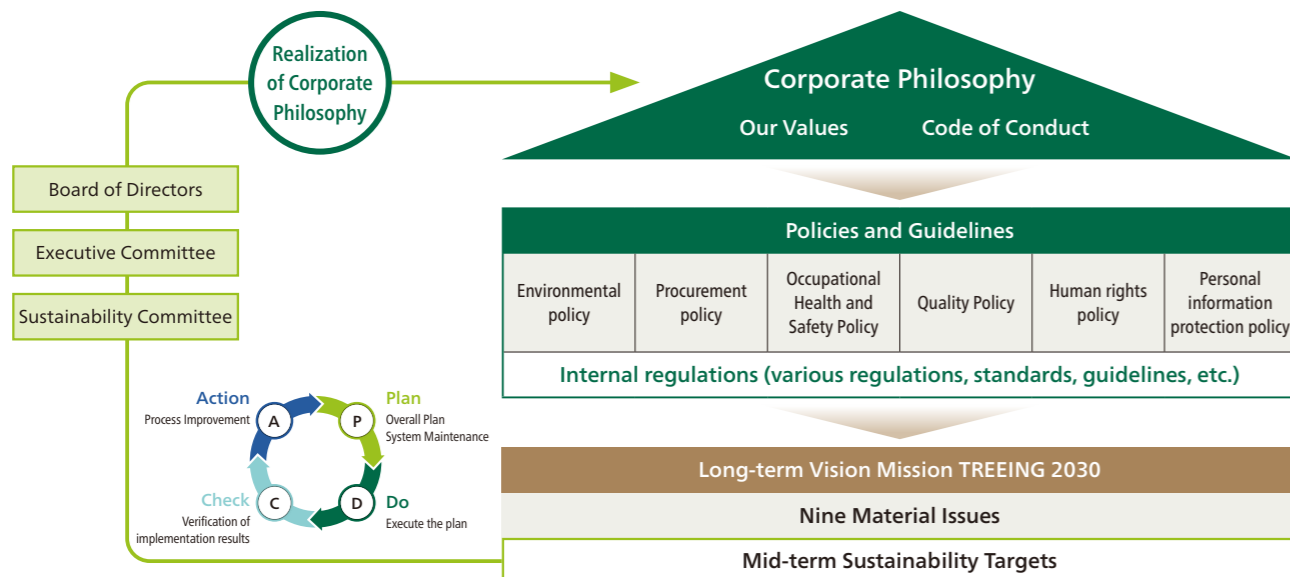
In fiscal 2014, the Sumitomo Forestry Group identified important CSR issues, updating issues set in fiscal 2008. Since then, major changes have occurred around the world, including adoption of the Sustainable Development Goals (SDGs) and the conclusion and entry into force of the Paris Agreement, and in Japan, the Government Pension Investment Fund's (GPIF) signing of the United Nations Principles for Responsible Investment (PRI) 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 DX, as well as changes in preferences of stakeholders such as employees and customers, 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

To identify material issues, 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 five 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 discussions among management-level personnel. 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."

The Sumitomo Forestry Group's Sustainability Management



Nine Material Issues and related SDGs




Value for our planet	Value for people and society	Value for the market economy
1 To enhance the value of forests and wood through sustainable forest management (SDGs 13, 15)	4 To provide comfortable and secure spaces for society at large (SDGs 3, 9, 11)	7 To create new markets with forests and wood (SDGs 9, 11)
2 To realize carbon neutrality by leveraging forests and wood resources (SDGs 7, 13)	5 To improve the livelihood of the local communities where we operate (SDGs 3, 8, 11)	8 To transform markets through DX and innovation (SDG 9)
3 To realize a circular bioeconomy by leveraging forests and wood resources (SDGs 11, 12, 15)	6 To create a vibrant environment for all workers (SDGs 3, 5, 8)	9 To establish a robust business structure (SDG 16)

Nine Material Issues and the Mid-term Sustainability Targets

In response to these accelerating global trends toward ESG investment, the Sumitomo Forestry Group developed its Long-term Vision Mission TREEING 2030 in February 2022, which newly identified Nine Material Issues. In addition, specific targets have been set for each material issue, and efforts are being made to achieve them.

For other indicators, please refer to the sustainability portion of our website linked below.
<https://sfc.jp/english/sustainability/esg-data/pdf/esg-data.pdf>



Nine Material Issues		Initiatives	Indicators for Evaluation (numerical targets)	FY2023 Results	FY2024 Targets	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.	Sustainable use of forest resources	Seedlings supplied Forests in Japan Amount of biofuel material used (such as wood chips and pellets)*1	2.09 million seedlings 1,737,749 t	2.53 million seedlings 2,482,964 t	13, 15	
	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.	Biodiversity conservation	Establishment of evaluation methods for biodiversity conservation	Gathering information	Establishing evaluation methods		
		Promotion of decarbonization	Renewable energy consumption rate [Efforts to achieve RE100]*2 Percentage of orders for ZEH out of new custom-built detached housings	5.4% 79.7%	35.1% 80.0%	7, 13	
		Utilization of sustainable forest resources	Sales quantity of KIKORIN-PLYWOOD (monthly)	24,590 m ³	35,000 m ³		
	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.	Resource recycling (industrial waste)	Recycling rate at new housing construction sites*3 Recycling rate at housing demolition sites*4	95.1% 99.9%	98.0% 100%	11, 12, 15	
		Resource recycling (supply chain management)	Number of EPD acquisition proposals to suppliers Ratio	109 companies/69.3%	65 companies/71.0%		
		Utilization of sustainable forest resources	Unused resources (biomass use) handling volume	22,595 m ³	19,202 m ³		
 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.	Customer satisfaction	Ratio of Certified as Long-life Quality Housing*5 Questionnaire at the time of moving in (non-consolidated NPS value*6)	95.9% 53.5 pt	95.0% 53.0 pt	3, 9, 11	
	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.	Response to declining birthrate and aging population	Number of rooms at private nursing homes	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]	-5 employees	+28 employees	3, 8, 11	
	6 To create a vibrant environment for all workers Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	Human rights	Efforts related to grievance mechanisms*7	Operational structure under consideration	Continuous operation		
		Work-life balance (workstyle reform)	Male childcare leave acquisition rate	Non-consolidated Consolidated in Japan	70.0% 28.0%	100% 43.0%	
		Diversity	Female officer ratio	Non-consolidated	13.8%	19.4%	3, 5, 8
		Human resources development	Training cost per employee	Non-consolidated Consolidated in Japan	117,000 yen 42,000 yen	150,000 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.	New market development	Development of medium-to large-scale wooden construction business (US / Australia / Europe)	Commercialization	Commercialization	9, 11	
	8 To transform markets through DX and innovation Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	Research & development	Number of contracts for joint research partners Ratio of all themes	31 contracts/59.6%	38 contracts/54%		
		DX-related	Data linkage with customers Adoption rate Number of facilities that have introduced sensor equipment in elderly care business	867 companies/62% 19	820 companies/59% 19	9	
	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.	Governance/compliance	Strengthening information security level of overseas affiliated companies*8	45%	100%		
Climate change		Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	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 Medium-term Management Plan	16		

*1 Covers Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, Sumitomo Forestry Wood Products, and Sumitomo Forestry Timber and Building Materials business.
 *2 Percentage of electricity purchased by the Company from renewable energy sources. Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as an entire country.
 *3 Includes new housing construction sites in the Housing business, 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.

*5 Limited to private house and applicable floor area or more.
 *6 Net Promoter Score (NPS). NPS is an index used to measure customer loyalty (the amount of trust and affinity for the company and brand).
 *7 Grievance and/or complaint mechanisms related human rights issues for stakeholders.
 *8 The Sumitomo Forestry Group's unique security base level achievement rate.

Responding to the Environment Issues and Climate Change

Material Issues and Related SDGs Results Ratings in the table below
Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

Indicators for Evaluation (numerical targets)	Managing department	FY2023 Targets	FY2023 Results	FY2023 Evaluation	FY2024 Targets
Seedlings supplied Forests in Japan	Environment and Resources Division	2.23 million	2.09 million	▲	2.53 million
Renewable energy consumption rate [Efforts to achieve RE100]*1	All the Sumitomo Forestry Group Companies	7.4%	5.4%	▲	35.1%
Amount of electricity supplied by renewable energy business*2	Environment and Resources Division	764,701MWh	730,450MWh	×	856,022MWh
Recycling rate at domestic manufacturing plants	Timber and Building Materials Division	99.0%	99.6%	●	99.0%
Water consumption	The Sumitomo Forestry Group	2,757,494m³	2,915,826m³	▲	2,777,269m³

*1 Percentage of electricity purchased by the Company from renewable energy sources. Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as an entire country.
*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 formulated its Long-term Vision Mission TREEING 2030 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 Medium-term Management Plan that will build the groundwork for future growth and our contribution to decarbonization. One of our five basic policies under this plan is the further integration of business operations and ESG. Based on this policy, we have established and operate the Mid-term Sustainability Targets 2024, which incorporate our sustainability strategy and the newly-identified Nine Material Issues. We are enhancing our environmental management based on these goals.

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 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 highly impact business are reported to the Board of Directors to discuss their countermeasures.

Support for the TCFD and TNFD recommendations

Climate change and changes in the natural environment, including loss of biodiversity, are recognized as crises that will seriously affect ecosystems and human society on our planet. It has been pointed out that as climate change worsens, weather conditions will change around the world, which could have a profound impact on companies' business activities and supply chains. In addition, if ecosystems, consisting of plants, animals, water, and other elements, are affected by climate change and business activities, companies may not be able to supply the goods and services that depend on this nature.

The Sumitomo Forestry Group, whose business is centered on forests and trees, has been quick to recognize the risks and opportunities associated with climate change and changes in the natural environment, and has taken the lead in supporting international initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD) in order to properly assess and manage the risks to which its business is exposed.

Regarding climate change, we announced our endorsement of the TCFD recommendations in July 2018, joined the TCFD Consortium in 2019, and have been working on information disclosure with reference to the framework proposed by the TCFD. Similarly for nature-related concerns, when the TNFD was organized in June 2021, we kept a close eye on its progress and joined the TNFD Forum in February 2022. In December of the same year, based on the TNFD beta framework (version 0.3), we used the LEAP approach as a trial for dependence/impact on nature and risks/opportunities, as required by the TNFD recommendations in wood procurement operations, and disclosed the results in the Sustainability Report 2023.

The LEAP approach is an integrated approach developed by the TNFD to evaluate nature-related issues such as contact with nature, dependencies/impacts on nature, and risks/opportunities in business, and consists of four processes: Locate, Evaluate, Assess, and Prepare.

Support based on the TCFD/TNFD frameworks
Both the TCFD and TNFD call for disclosure of the following four items: (1) governance of the organization with respect to climate and nature-related risks and opportunities, (2) strategy, (3) management of climate and nature-related risks and impacts, and (4) metrics and targets in assessing and managing climate and nature-related risks and opportunities, and the Sumitomo Forestry Group is working to proactively enhance its disclosure toward that end.

Following the release of the TNFD v1.0 framework in September 2023, the LEAP approach was used to analyze four businesses that are considered to have particularly significant contact with nature: The Timber and Building Materials Business, the Housing Business, the Global Construction and Real Estate Business, and the Environment and Resources Business. The insights gained from the three TCFD scenario analyses conducted since 2018, including the formation of a working team involving members from business departments as well as head office departments, and from the trial TNFD scenario analysis conducted in 2022, are being utilized in this area. In May 2024, we disclosed the results of our analysis under the TCFD and TNFD scenarios in an integrated form for the first time in our Sustainability Report 2024.

For governance, the Sustainability Committee, chaired by the President and composed of directors who also serve as executive officers, as well as divisional managers, meets four times a year to comprehensively discuss and manages the progress of medium- to long-term risks related to ESG issues throughout the value chain, and the discussions of the committee are reported to the Board of Directors. Beginning in fiscal 2024, the committee will meet regularly, six times a year.

In our Long-term Vision Mission TREEING 2030 announced in February 2022, one of our business policies is "maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy." The issues identified using the TCFD and TNFD frameworks will be reflected as targets for each business unit and headquarters

Responding to the Environment Issues and Climate Change

division in the next Medium-term Management Plan, Mission TREEING 2030 Phase 2 (2025-2027), which will be formulated during fiscal 2024.

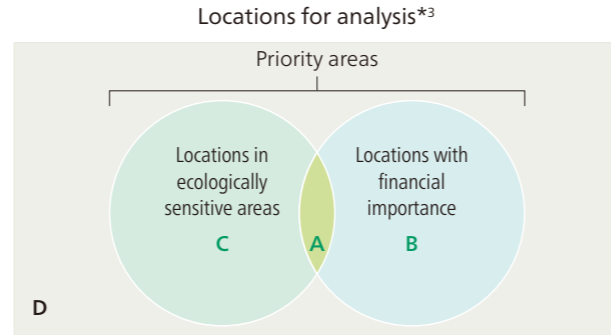
Identification of priority locations under the TNFD (Locate)



In this analysis, 148 operational locations and upstream and downstream sites of the supply chain were evaluated for four businesses divisions that are considered to have particularly significant contact with nature (Timber and Building Materials Business, Housing Business, Global Construction and Real Estate Business, and Environment and Resources Business), and TNFD-recommended nature-related risk analysis tools such as ENCORE*¹ and IBAT*² were used to evaluate the locations in terms of financial importance and ecological sensitivity. As a result, we identified 37 priority locations as defined by the TNFD framework that need to be addressed on a priority basis.

*1 Abbreviation for Exploring Natural Capital Opportunities, Risks and Exposure. A nature-related risk analysis tool developed by the Natural Capital Finance Alliance, an international financial industry association for the natural capital sector, and others.

*2 Abbreviation for Integrated Biodiversity Assessment Tool, developed by the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) and others, which integrates biodiversity information from around the world.



*3 (A) Locations in financially important and ecologically sensitive areas, (B) Locations with financial importance, (C) Locations in ecologically sensitive areas, (D) Others

Diagnosis of priority locations under TNFD (Evaluate)



In the Evaluate process, we qualitatively evaluated the dependence and impact of each of the 37 priority locations, based on the results obtained from the analysis tools used in Locate, plus regional characteristics and other factors. Both positive and negative impacts were assessed, with use of analytical tools as well as our own internal insights from our business. The major results of this diagnosis are as follows.

Business segments	Dependence	Positive impacts	Negative impacts
Timber and Building Materials Business	<ul style="list-style-type: none"> Wood supply services from forest ecosystems Soil retention and flood prevention services 	(Not applicable due to primary nature of production activities)	<ul style="list-style-type: none"> Alteration of surrounding forests and soil degradation due to procurement of logs Water pollution to surrounding water bodies due to wastewater from manufacturing plants
Housing Business	<ul style="list-style-type: none"> Soil retention and landslide prevention services 	<ul style="list-style-type: none"> Maintenance and improvement of ecosystem services (rainwater recharge, water purification, habitat provision) by enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites 	<ul style="list-style-type: none"> Waste discharge, use of water resources, and invasion of non-native species due to subdivision development
Global Construction and Real Estate Business			
Environment and Resources Business	<ul style="list-style-type: none"> Surface water and soil supply services from forest ecosystems Raw material supply services for power generation fuel (wood, PKS, coal) Surface water supply services for steam turbine power generation 	<ul style="list-style-type: none"> Maintenance and improvement of ecosystem services (carbon storage, water circulation, disaster mitigation, habitat provision) through sustainable forest and peatland management Promotion of regional sustainable forest management through support of wood resource demand through the use of wood chips in power generation projects 	<ul style="list-style-type: none"> Impact on livelihoods of forest-dependent communities Fragmentation of habitats for plants and animals due to cutting down trees Waste emissions and water and air pollution from power generation facilities

Major risks and opportunities identified under the TCFD and TNFD (Assess)



In the TNFD's Assess process, risks and opportunities were analyzed for 25 of the priority locations, which were selected evenly so as not to be biased toward specific businesses, and a qualitative assessment was made of the remaining risks and the priority of capturable opportunities, taking into account existing initiatives.

The major risks and opportunities identified in the TCFD scenario analyses conducted through 2023 and the main

risks and opportunities identified in this TNFD/LEAP analysis are shown on the next page. Forests and trees, the core of Sumitomo Forestry Group's businesses, absorb and store carbon from the atmosphere as they grow, while at the same time nurturing biodiversity and providing ecosystem services. These traits led to common or similar analysis results for several items in the TCFD scenario analysis and TNFD/LEAP analysis, suggesting that in the Sumitomo Forestry Group's business, efforts toward decarbonization are related to expanding nature-related business opportunities as well. (Only TCFD scenario analysis was conducted for the Lifestyle Services Business).

C: Items identified only in TCFD scenario analysis **C/N**: Items identified in both TCFD scenario analysis and TNFD/LEAP analysis **N**: Items identified in TNFD/LEAP analysis only

Divisions and main businesses	Major transition risks	Major physical risks	Major opportunities
Timber and Building Materials Business (Distribution and manufacture of wood and building materials)	C Increase in costs due to introduction of carbon tax and stricter environmental regulations	Decrease in wood value and sales due to increased preference for more robust buildings as a result of more severe disasters	Increase in demand for renovations to environmentally conscious housing due to stricter environmental regulations, increase in sales of wood building materials
	C/N Increase in costs required to comply with stricter laws and regulations related to illegal and unsustainable forest harvesting	Decrease in sales and increase in restoration costs due to severe flood damage from heavy rains and other factors or due to shutdown of operations	Increase in sales due to development of biorefinery technologies and new products
	N Increase in costs of addressing growing litigation and stricter laws and regulations due to the impact of waste, water use, soil contamination, and land alteration on protected areas, etc.	Decrease in sales due to less water available as a result of reduced water availability in surrounding areas	Reduction in water procurement costs through further water conservation in manufacturing processes and reduced and more efficient water use
Housing Business (Custom-built houses, spec homes, greening in Japan)	C Decrease in sales of wooden buildings due to long-term and relative decline in the value of wood as a result of progress in decarbonizing technologies for steel, concrete, and other construction materials	Decrease in sales of wooden detached houses due to increased preference for more robust buildings as a result of more severe disasters	Increase in sales of environmentally conscious multi-family housing, etc. due to customer preferences, policy changes, etc.
	C/N —	Increase in cost of premium payments to insurance companies due to increased disaster risk	Increase in sales due to sales at premium prices in conjunction with enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites
	N Increase in costs required to comply with stricter laws and regulations associated with adverse impacts on surrounding communities and ecosystems due to waste, water use, and soil contamination	—	Decrease in costs (e.g., greenkeeping) through green space management with reduced ecological impact (e.g., reduced use of pesticides and fertilizers, less intense pruning)
	Global Construction and Real Estate Business (Overseas single-family homes business, building materials manufacturing, and real estate development in Japan and abroad)	C Increase in costs due to introduction of carbon tax and stricter environmental regulations	Increase in material procurement costs due to severe disasters causing building damage, extended construction times, and supply chain disruptions
C/N Increase in costs due to soaring wood procurement prices in response to increased demand for wood products to promote decarbonization, etc.		Increase in cost of insurance premiums for properties under construction due to increased natural disaster risk	Increase in sales due to acquisition of new customers who value the natural environment in conjunction with enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites
N Increase in pollution control costs due to delay in introduction of technologies to reduce environmental impact		—	Reduction in costs through promotion of efficient construction methods (use of panels and trusses) during construction
Environment and Resources Business (Forest management, biomass power generation)	C Increase in costs due to introduction of energy-saving heavy equipment in conjunction with the introduction of carbon tax and stricter environmental regulations	Increase in forest fires due to higher average temperatures, increased costs of wood procurement and replanting	Increase in demand for renewable energy and increased sales of biomass-derived energy businesses due to strengthened decarbonization policies
	C/N Increase in costs required to comply with stricter laws and regulations in conjunction with the introduction of policies to promote certification of wood biomass raw materials and PKS	Decrease in sales due to shutdown of operations in conjunction with forest fires and landslides	Increase in sales due to the generation of carbon credits in connection with the promotion of forest and peatland management and forest fund management
	N Decrease in sales due to unplanned shutdowns following criticism from local communities and NGOs for wood production violating the rights of indigenous and local residents	—	Increase in sales due to promoting credit markets through participation in rulemaking for biodiversity credits
Lifestyle Services Business (Nursing home management, insurance business, etc.)	C Decrease in sales in the gasoline card business in conjunction with the shift from gasoline vehicles to electric vehicles	Increase in costs for renovation of owned facilities and BCP response due to more severe disasters	Increase in insurance subscribers, shorter policy periods, increased renewal frequency, and increased sales due to more severe disasters

Opportunities and risks for which financial impact quantification was attempted via TNFD/LEAP analysis

Of the risks and opportunities identified for each business in the 2023 TCFD analysis, those items that affect more than one business and have a particularly large financial impact are shown in Table 1 on the following page. It was clearly revealed that the increased operating costs associated with the introduction of carbon taxes, environmental regulations, and the intensification of weather-related disasters would affect all divisions, including the Timber and Building Materials Business, while the growing decarbonization mindset of customers would provide opportunities in all divisions, including the Environment and Resources Business.

For the TNFD analysis, there were 71 major remaining risks identified from the qualitative assessment results that have not been addressed, and 36 major opportunities that have

relevant resources within our organization and are likely to be captured. Of these, 30 risks were rated as high priority in terms of magnitude of impact and probability of occurrence, and 34 opportunities were rated as high priority in terms of business attractiveness and our strengths.

Of the above, the risks and opportunities whose financial impact could be quantified are shown in Tables 2 and 3. Among the remaining risks, the financial impact of increased restoration costs due to severe flood damage due to shutdown of operations at four directly-operated manufacturing locations was shown to be significant under the scenario of increased risk of inland flooding in Indonesia and shutdown of manufacturing sites. Among the capturable opportunities, the financial impact of increased sales from the development of new products related to the mass timber market, such as CLTs was shown to be significant

Responding to the Environment Issues and Climate Change

Table 1: Items financially affected for multiple businesses in TCFD scenario analysis

Items (risks)	Factors of Particular Impact*	Related Business
Transition Risks		
Policy and Regulations: Introduction of carbon pricing	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 Construction and Real Estate, Environment and Resources, Lifestyle Services
Policy and Regulations: Forest conservation policies	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
Policy and Regulations: Introduction of environmental regulations	Risks • Increase in cost of introducing heavy equipment and trucks due to various national regulations on the use of used vehicles (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 Construction and Real Estate, Environment and Resources, Lifestyle Services
Markets: Shift in customer orientation toward decarbonized products	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 Construction and Real Estate, Environment and Resources, Lifestyle Services
Markets: Increased cost of raw materials	Risks • Increase in raw material costs due to higher energy costs (Timber and Building Materials)	Timber and Building Materials, Housing, Global Construction and Real Estate
Technology: Advances in next-generation technologies	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 Construction and Real Estate, Environment and Resources
Physical Risks		
Acute: Intensifying weather disasters	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 Construction and Real Estate, Environment and Resources, Lifestyle Services

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

Table 2: Of the above, risks for which financial impact could be quantified

Items (risks)	Items with quantified financial impact	Business	Magnitude of impact	Probability of occurrence
Transition Risks				
Legal responsibility: Introduction of environmental regulations	Increase in costs required to comply with stricter wood use laws and regulations related to illegal and unsustainable forest harvesting	Timber and Building Materials (manufacturing, distribution)	High	Medium
Markets: Change in raw material procurement	Increase in costs due to soaring fuel costs resulting from increased demand and competition for wood biomass raw materials/PKS	Environment and Resources (biomass power generation)		
Physical Risks				
Acute: Occurrence of disasters	Decrease in sales and increase in restoration costs due to shutdown of operations in conjunction with severe/more frequent flood damage from heavy rains	Timber and Building Materials (manufacturing)	High	Medium
Chronic: Occurrence of disasters	Increase in cost of insurance premiums for properties under construction due to increased natural disaster risk	Housing (custom-built detached housing), Global Construction and Real Estate (detached housing, spec homes)		
	Decrease in sales due to construction delays caused by fragile construction infrastructure and increased risk of natural disasters resulting from land modification in the surrounding areas	Global Construction and Real Estate (spec homes and multi-family housing, real estate development)		

Table 3: Of the above, opportunities for which financial impact could be quantified

Items (opportunities)	Items with quantified financial impact	Business	Business attractiveness	Internal strengths
Business performance				
Markets: Expansion of credit markets	Increase in sales due to promoting credit markets through participation in rulemaking for biodiversity credits	Environment and Resources (domestic company-owned forests, overseas forest management)	Medium	High
Markets: Changes in the wood products market	Increase in sales due to development of new products for biorefineries/CLTs/reuse of waste, etc.	Timber and Building Materials (manufacturing)		
Products and services: Changes in the wood products market	Increase in sales due to sales of forest management technologies such as remote sensing, drone surveys, and satellite applications	Environment and Resources (domestic company-owned forests, overseas forest management)	High	Medium
Products and services: Diffusion of nature-based solutions (NbS)	Increase in sales through offering industrial tourism and eco-tourism products	Environment and Resources (domestic company-owned forests)		
	Increase in sales through the development of payments for ecosystem services (PES) programs for companies and municipalities that enjoy forests' public benefits	Environment and Resources (domestic company-owned forests, overseas forest management)		
Resource efficiency: Shift to more efficient resource use	Decrease in costs due to conversion from natural wood to planted forest wood	Timber and Building Materials (manufacturing)	Medium	High
	Reduction in costs through promotion of efficient construction methods (use of panels and trusses) during construction	Global Construction and Real Estate (real estate development)		
	Decrease in the cost of industrial waste disposal by promoting the conversion of incinerated ash into valuable resources	Environment and Resources (biomass power generation)		
Reputation: Diffusion of green infrastructure	Increase in sales due to acquisition of new customers who value the natural environment in conjunction with enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites	Global Construction and Real Estate (detached housing and spec homes, real estate development), Housing (custom-built detached housing)		

under the scenario in which the promotion of wood use is incorporated in government policies worldwide as a means to achieve carbon neutrality and nature positivity.

Sumitomo Forestry Group's countermeasures under the TCFD/TNFD (Prepare)

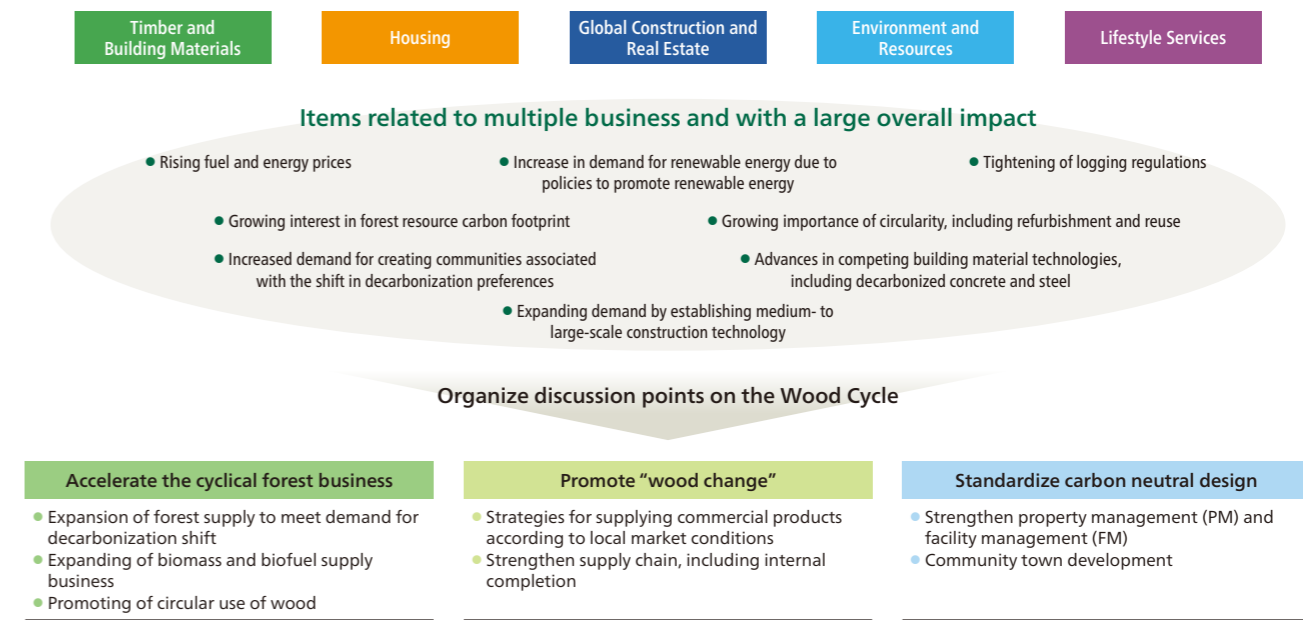


In the TCFD scenario analysis conducted in 2022 for all divisions, risks and opportunities identified by the

business-by-business analysis that affect multiple businesses were identified. Of these, particularly important ones were set as cross-organizational issues, and all divisions jointly discussed countermeasures to deal with these.

The TNFD/LEAP analysis, on the other hand, utilized some of the TCFD's scenario analysis of physical risks to examine the main proposed countermeasures to address the identified priority risks and opportunities. We plan to conduct a full-scale scenario analysis under TNFD in the future.

Cross-organizational issues and their countermeasures set based on TCFD scenario analysis results



Main proposed countermeasures to address identified priority risks and opportunities in the TNFD/LEAP analysis

Business	Risks and opportunities	Countermeasures
Timber and Building Materials Business (Manufacturing)	Risk Decrease in sales and increase in restoration costs due to shutdown of operations at SRP, ASTI, RPI, and VECCO, four locations at high risk of internal flooding as a result of severe flooding caused by heavy rains, etc.	<ul style="list-style-type: none"> Consider flood risk when selecting operation sites and strengthen disaster prevention measures Formulate a business continuity plan (BCP) to handle major disasters and establish a rapid restoration system
Global Construction and Real Estate Business (FITP)	Opportunity Increase in sales and decrease in costs due to development of new products that reuse waste materials and development of technologies for more efficient use of resources, etc.	Promote the development of products that make effective use of resources in cooperation with the venous industry to differentiate products in the market
Environment and Resources Business (Domestic company-owned forests, overseas forest management)	Opportunity Increase in sales due to sales of smart forestry technologies such as remote sensing, drone surveys, and satellite applications	<ul style="list-style-type: none"> Develop service packages to support the accurate understanding of forest health and resource quantity by utilizing the latest remote sensing, drone survey, and satellite technologies, and propose to improve the efficiency and accuracy of forest management Develop marketing activities for service packages targeting local governments and companies with large company-owned forests
Environment and Resources Business (Biomass power generation)	Risk Increase in costs due to higher fuel costs at Mombetsu Biomass Power Generation Plant and Hachinohe Biomass Power Generation Plant, following increased demand and intensified competition for unused wood chips and imported PKS	<ul style="list-style-type: none"> Diversify raw material procurement by developing alternative fuels and new supply sources Manage fuel cost volatility risk through the use of long-term and forward contracts

Support for the TCFD and TNFD recommendations
<https://sfc.jp/english/sustainability/environment/tcf-tnfd/>



Responding to the Environment Issues and Climate Change

Formulation of our SBTs (Science Based Targets)

<p>2°C target (SBT*1 Approved)</p> <ul style="list-style-type: none"> ● 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. <p>*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.</p>	<p>1.5°C target (Medium-term Management Plan)</p> <ul style="list-style-type: none"> ● 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.
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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 was set in the Medium-term Management Plan that started 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. In January 2024, we also submitted a new application to re-establish short- and long-term reduction targets and new Forest, Land and Agriculture (FLAG) targets, in accordance with the latest SBT guidance. This is expected to be certified by the end of this fiscal year.

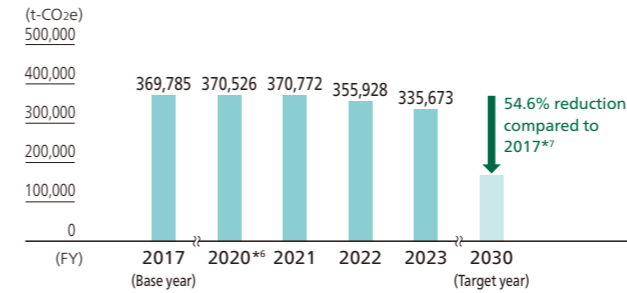
Achievement of 2030 targets (Scope 1 and 2: -54.6% by 2030 compared to 2017) and path to carbon neutrality*2 (summary version)

Items	Measures (greenhouse gases reduction items)	Greenhouse gases emissions reduction rate	Impact on profit*3 (¥ million/year)	Notes
Measures to achieve - 54.6% compared to 2017	Electricity from renewable energy sources (RE100); excluding New Zealand	-26.9%	-95	Impact on profit and losses assumes all purchases were made through renewable energy certificates (prices vary depending on period and required volume). Priorities: 1) Installation of solar power generation equipment, 2) Purchase of RE100-compliant electricity, 3) Purchase of renewable energy certificates
	Reduction of coal co-firing rate at Mombetsu Biomass Power	-10.2%~ -25.8%	+20~181	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%	+258	Impact on profit and losses only considers the difference between increase in electricity consumption and decrease in gasoline and gas oil. The increase in prices of vehicles and the cost of installation of charging facilities are excluded.
	Introduction of electric vehicles for sales personnel (in Japan) (powered by RE100-compatible electricity)	-0.3%	+22	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%	+4~+205	With coal co-firing rate at Mombetsu Biomass 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 Power (10% to 0%): -15.6%
	Electrification of energy other than electricity (RE100 compatible electricity), etc.	-9.2%		100% introduction of electric vehicles for equipment, heavy machinery, vessels, boilers, and backup power sources for manufacturing plants, etc., and for sales personnel's private cars for sales use, etc.
	Biomass power generation/wood fuel (dinitrogen monoxide, methane)	-31.6%		Consideration of creating new credits using BECCS*4, 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%			

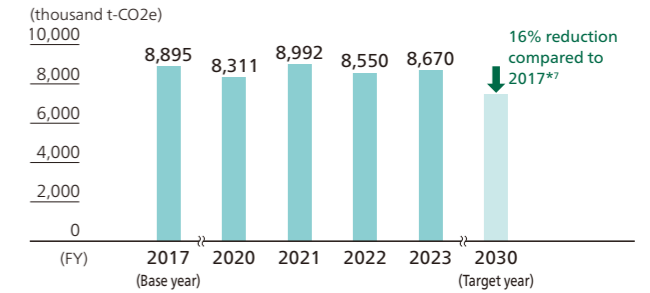
*2 Transition plan formulated by Sumitomo Forestry to achieve the fiscal 2030 target set in the Medium-term Management Plan.
*3 Impact on profit excludes personnel and other indirect costs.
*4 Bioenergy with Carbon Capture and Storage. Technology to capture CO₂ emitted during the use of biomass fuels and store it underground.

Progress Toward the SBT

Scopes 1 and 2



Scope 3 (Categories 1*5 and 11)



*5 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.
*6 Data collection period for the total emissions is from January to December of each year since fiscal 2020.
*7 Greenhouse gas reduction targets for the target year of 2030 in the Medium-term Management Plan.

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 make 100% of electricity used in its business activities and fuel used in its power generation operations renewable by 2040. In March 2020, we joined RE100*8, 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 fiscal 2023, renewable energy introduced for electricity used in the Sumitomo Forestry Group's business activities accounted for 19.6% of the Group's total electricity use, 2.1 percentage points higher than in fiscal 2022. This renewable energy includes

solar panels installed at model homes and internal use of electricity generated by biomass power generation plants (including adjacent manufacturing plants of wood chips for fuel). In addition, biomass-derived fuel accounted for 94.0% of the fuel used in power generation operations (calorific value equivalent).

*8 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>



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 advance RE100-compliant initiatives by utilizing the surplus solar power purchased from the owners with Sumirin Denki at our offices and model homes. As of December 2023, the number of contracts was 4,891, an increase of 1,830 from fiscal 2022. In addition, since 2023, we have been supplying electricity from renewable energy purchased from owners to model homes and some sales offices across all of Japan (217 model homes and 7 sales offices covered as of December 2023). In the future, we will accelerate the promotion of Sumirin Denki services to owners and aim to expand the supply of renewable energy.

Initiatives at overseas locations

Within the Sumitomo Forestry Group, the largest user of electricity is Nelson Pine Industries Ltd. (NPIL), a New Zealand-based manufacturer and seller of medium density fiberboard (MDF), veneer, and laminated veneer lumber (LVL). The New Zealand government has announced that it will achieve 100% renewable energy by 2035, and NPIL expects to have 100% renewable energy by the end of that year. In the United States and Australia, where we are primarily engaged in our Housing business, we plan to gradually switch over to renewable energy sources, as it is now possible to procure renewable energy at low cost and sufficient amounts of renewable energy power certificates, etc. have been issued. In Southeast Asian countries, momentum for the introduction of renewable energy is growing, and some of our manufacturing subsidiaries in Indonesia have installed solar power generation systems at their plants. Other manufacturing subsidiaries, including those in Vietnam, are also considering installing solar power generation systems in their own plants.

Human Resources Strategy

Material Issues and Related SDGs

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



Indicators for Evaluation (numerical targets)		Managing department	FY2023 Targets	FY2023 Results	FY2023 Evaluation	FY2024 Targets
Paid Leave Usage Ratio	Non-Consolidated	Personnel Department	70.0%	69.0%	▲	70.0%
	Consolidated in Japan		62.6%	68.1%	●	63.8%
Male childcare leave acquisition rate	Non-Consolidated	Personnel Department	90.0%	70.0%	▲	100.0%
	Consolidated in Japan		39.0%	28.0%	▲	43.0%
Female officer ratio	Non-Consolidated	Personnel Department	16.7%	13.8%	✕	19.4%
Training costs per employee	Non-Consolidated	Personnel Department	125,000 yen	117,000 yen	▲	150,000 yen
	Consolidated in Japan		57,000 yen	42,000 yen	▲	56,000 yen

Human resources development policy

Sumitomo Forestry Group's basic policy for human resources 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 an open minded and energetic corporate culture, we aim to realize our Corporate Philosophy.

Human resources development to achieve the Long-term Vision

The Sumitomo Forestry Group has set a target of 250 billion yen in recurring income in 2030 in its Long-term Vision Mission TREEING 2030, which defines the ideal state of the Group in 2030. To achieve this goal, we have established a human resources strategy with three pillars: securing and developing human resources who will transform and create businesses, a system to maximize employee performance and a free and open corporate culture, and promotion of health management. Through measures under these three pillars, we aim to achieve our Long-term Vision and realize sustainable management.

Special Feature 2 P.30

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



Diversity, Equity & Inclusion

The Sumitomo Forestry Group considers diversity, equity and inclusion (DEI) as a key element for doing business based on "promoting a free and open-minded corporate culture that respects diversity" as one of Our Values. In April 2024, we issued the Sumitomo Forestry Group Declaration on DEI, reiterating commitment to promoting DEI internally

and externally in an effort to promote understanding.

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



Overseas human resources development

To nurture human resources who can contribute to managing our expanding business overseas, and to support employees who would like to work abroad with extraordinary business performance, we have created an overseas human resources development program. This 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 aspiring overseas assignees. Instruction includes learning English or Indonesian, designing original programs tailored to each employee's level and job description, and following up on progress, as well as encouraging bookkeeping and accounting studies. In addition, a new course dealing with international affairs in general has been established since fiscal 2022.

Management personnel development

With regard to the development of management personnel, Sumitomo Forestry conducts selective training for employees who are at least 35 years old. In fiscal 2022, 56 employees took part in 15 programs, and 53 employees took part in 11 programs in fiscal 2023, focusing on management leadership development training and transformational training for middle management.

Promoting the Active Involvement of Female Employees

As of the end of 2023, the ratio of female managers stood at 6.8% (non-consolidated) and 9.4% (domestic subsidiaries), and we are aiming to achieve a ratio of women in managerial positions to 8.1% or more (non-consolidated) by the end of 2024. We are also working to create a corporate culture that empowers women by enhancing our childcare, education, and training programs, and by creating a facilitative work environment encouraging long careers with us.

LGBTQ initiatives

The Sumitomo Forestry Group regards LGBTQ measures as an important initiative to understand each other and respect individuals as part of DEI, and conducts training and works to develop relevant systems and mechanisms. In January 2022, Sumitomo Forestry first established the Partnership System Regulations, applying 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. We will continue to work to create an environment where everyone can work comfortably and actively.

Promoting the Employment of Persons with Disabilities

The Sumitomo Forestry Group 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 2023 was 2.46% (non-consolidated) and 2.25% (domestic

Indicators for women's empowerment (non-consolidated)

	FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of female employees*1	21.6%	22.0%	22.6%	23.1%	23.8%
Ratio of newly graduated female recruits*2	26.9%	30.2%	26.9%	33.1%	34.1%
Ratio of female employees in management positions*1	4.2%	4.8%	5.6%	6.3%	6.8%
Average years of service of female employees*3	11 years 6 months	11 years 4 months	11 years 8 months	12 years	12 years

*1 Data for fiscal 2019 is calculated based on personnel status as of March 31. Data for fiscal 2020 and thereafter is calculated based on the personnel status as of December 31 due to a change in the fiscal year end. Includes employees seconded to affiliated companies and does not include officers, secondments to Sumitomo Forestry, and exchange dispatches.

*2 Calculated by adding, to the number of new graduates who joined the company in April, those joining the company from the preceding May to March.

*3 Calculated as of the end of each fiscal year (for fiscal 2019, as of March 31; for fiscal 2020 and thereafter, as of December 31 due to a change in the fiscal year end).

Ratio of female employees in management positions / Gender wage gap (fiscal 2023)

Ratio of female employees in management positions (%)*4	Gender wage gap (%)*4,5		
	All employees	Regular employees	Part-time and fixed-term employees
3.2	47.8	63.2	59.6

*4 Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

*5 The gender wage gap is the ratio of the average annual wage of female employees to the average annual wage of male employees in the same fiscal year (in this case, fiscal 2023). Average annual wages for part-time and fixed-term employees are calculated by converting to the equivalent number of regular employees based on regular employee statutory work hours. There is no difference in wages for equal work between men and women, and the main reason for the difference in wages between men and women is the difference in the composition of jobs between men and women.

subsidiaries). Furthermore, to improve the retention rates for current employees, the Company provides regular meetings as well as phone interviews and career advice as required to support consultation requests from the employee in question and/or their department.

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, we established the Sumitomo Forestry Group Declaration on Health Management in 2021. The Workstyle Diversification Department run by the Personnel Department supports 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>

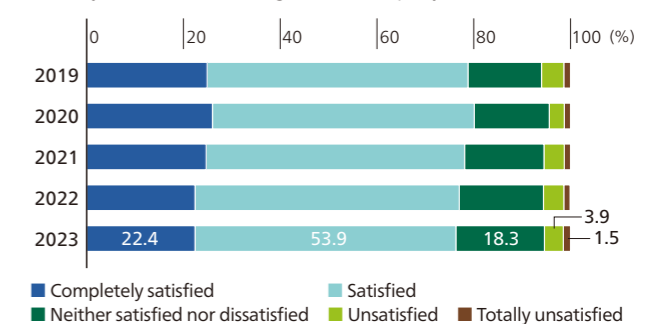


Male childcare leave acquisition rate

	FY2019	FY2020	FY2021	FY2022	FY2023
Non-Consolidated	31.3%	46.8%	50.4%	49.0%	70.0%
Consolidated in Japan	6.2%	13.2%	28.0%	32.8%	28.0%

Trends in employee satisfaction from the employee awareness survey

Q: Are you satisfied working for the company?



Human Rights

Material Issues and Related SDGs



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



Indicators for Evaluation (numerical targets)	Managing department	FY2023 Targets	FY2023 Results	FY2023 Evaluation	FY2024 Targets
Efforts related to grievance mechanism	Sustainability Department	Range enlargement	Operational Structure under consideration	▲	Continuous operation

Basic Policy on human rights

The Sumitomo Forestry Group signed the UN Global Compact in 2008 in respect for 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, and formulated the Sumitomo Forestry Group Human Rights Policy in July 2019. In April 2023, the Sumitomo Forestry Group Human Rights Policy was revised with third-party input to require business partners to make a commitment to respect human rights, bringing the policy into greater alignment with international guidelines. We also participate in the UN Global Compact and its local network in Japan (including the HRDD Subcommittee) and the World Business Council for Sustainable Development (WBCSD). In addition, the Sumitomo Forestry Group Code of Conduct, which is based on these international norms, calls for respect for human

beings and the realization of a healthy workplace. The Code also 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 factors. The Code also does not permit forced labor or child labor in any form.

We are also working to disseminate this and other policies to our business partners, and to identify and reduce human rights risks by conducting human rights due diligence and responding to human rights risks. Where necessary, we will provide as much support as possible to our business partners in their efforts to respect human rights.



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 below.

- 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 2023, the Sumitomo Forestry Group conducted an annual survey on human rights training and the relevant help desks for 64 primary Group companies in Japan and overseas. As a result, 55 of these companies are conducting human rights training and 53 have set up a help desk while 60 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 Procurement 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. For those suppliers deemed to require risk mitigation measures according to risk classification, we respond by conducting interviews and on-site inspections.

Identifying and Managing Human Rights Risks

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 and 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 Division and the Global Construction 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. 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 areas where we do business, we confirmed initiatives and

identified areas for correction regarding the operational status of grievance mechanisms* in the Environment and Resources Business overseas. As a result of online interviews conducted by a third-party organization, we verified that there is ongoing engagement with government agencies and communities via the operation of appropriate grievance mechanisms at three overseas tree planting sites in Indonesia, Papua New Guinea, and New Zealand. On the other hand, we identified the need to improve initiatives such as expanding external information disclosure and reflecting dialogue with rights holders in our mechanisms.

At Sumitomo Forestry Group, all new business and project plans are subject to risk assessments that take into consideration the entire supply chain. Items from a social perspective, such as consideration of human rights for workers and other stakeholders, are also covered. Going forward, we will further improve our efforts by establishing response measures and implementation plans for prevention, avoidance, mitigation, and correction for each kind of stakeholder, as well as by implementing the PDCA cycle.

* 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.

Grievance mechanism

The Sumitomo Forestry Group recognizes the importance of the grievance mechanism and operates whistleblowing hotlines accordingly. Going forward, we will continue to

develop internal and external whistleblowing channels to help prevent human rights violations and take necessary corrective measures when human rights violations occur.

Supply Chain Management

Material Issues and Related SDGs 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



Supply chain management

Indicators for Evaluation (numerical targets)	Managing department	FY2023 Targets	FY2023 Results	FY2023 Evaluation	FY2024 Targets
Sustainability procurement survey implementation rate in suppliers of imported wood products	Timber and Building Materials Division	100%	100%	●	100%
Percentage of sustainable timber and timber products handled	Timber and Building Materials Division	100%	100%	●	100%
Sustainability procurement survey implementation rate in the supply chain of the domestic housing department	Housing Division	97.0%	97.0%	●	97.0%

Supply chain management

The Sumitomo Forestry Group engages in responsible wood procurement activities in accordance with our Wood Procurement Standards formulated in 2005 and our Wood Procurement Philosophy and Policy formulated in 2007. In 2015 with the Sumitomo Forestry Group Procurement Policy, we expanded our scope beyond wood 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

Wood 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 wood procurement. The committee discusses issues related to Group-wide wood procurement, including procurement standards and risk assessments for illegal logging.

In fiscal 2023, the Wood Procurement Committee met

four times, as planned, to confirm legality and conduct the Sustainability Procurement Survey for all 141 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 wood procurement

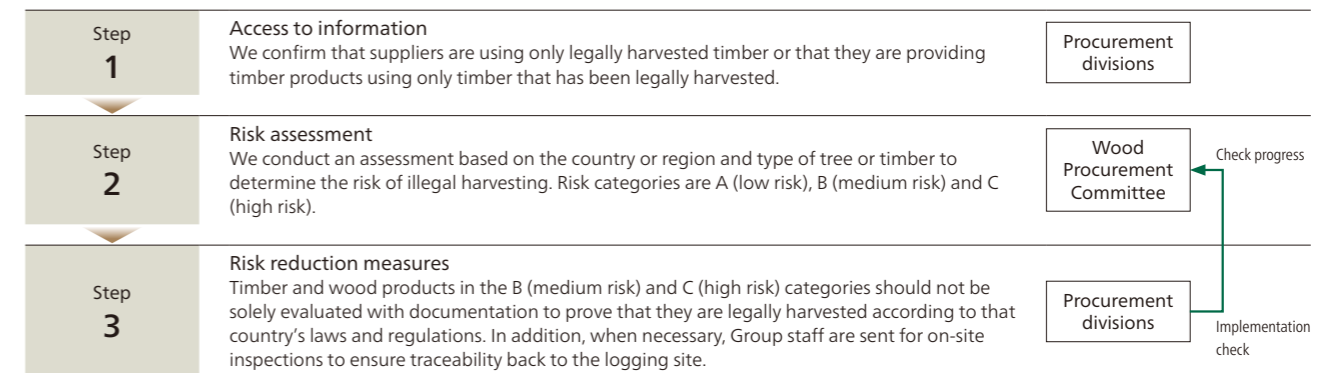
Based on the Sumitomo Forestry Group Procurement Policy, the Group carries out due diligence to ensure the legality of our wood procurement and to ensure that sustainable wood procurement is being put into practice, including considerations for human rights, labor practices,

biodiversity preservation and local communities. Each division that procures wood 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

The 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 forests with high conservation value 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

In the Mid-term Sustainability Targets for 2019 to 2021, the Sumitomo Forestry Group plans to shift to alternative wood (selective logging of natural forests and planted forests) and gradually stop handling wood that does not meet the definition of sustainable timber and wood products, even if its legality can be guaranteed.

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. For example, we have stopped

handling some raw materials harvested in Indonesia, Malaysia, and Russia. As a result, we have achieved 100% handling of sustainable timber and wood products on a contract basis. As for fiscal 2023, we maintained this 100% level for the full year, and will continue to maintain 100% in the future while ensuring sustainable wood procurement. We are also stepping up our efforts in wood biomass fuels such as pellets and PKS with the same due diligence as we do for timber and wood products.

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.

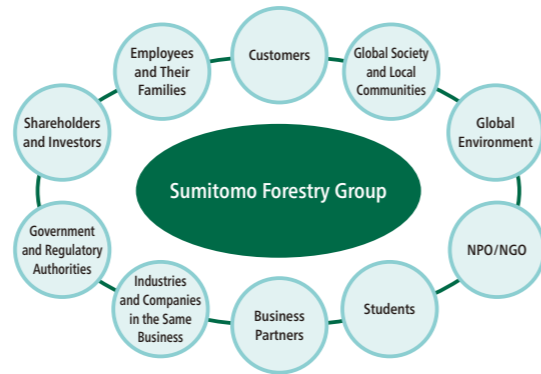
- 1 Certified timber and pre-certified timber: FSC, PEFC, and SGEC (Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)
- 2 Timber from plantation forests
- 3 Natural timber where forestry management and distribution can be assessed 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)
* FSC® (License No. FSC-C113957)

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

Communication between the President and field employees

The Sumitomo Forestry Group provides regular opportunities for communication between the President and field employees. In 2023, these exchanges of opinion took place at four locations: the Saga and Nagasaki Sales Offices (Nishi-Kyushu Branch), the Nara Branch, and the Kyoto Branch, all of the Housing Division. Beginning in 2024, we plan to conduct visits to six branches, sales offices, and other facilities across Japan under a field dialogue program conducted by President Mitsuyoshi himself. The President himself will explain the Wood Cycle, which is the Sumitomo Forestry Group's value chain. His Q&A sessions will be distributed within our organization, leading to greater mutual understanding, broader penetration of the Wood Cycle concept, and heightened employee motivation through dialogue between the President and employees.



Dialogue with Business Partners

Promotion of Initiatives Toward Responsible Materials Procurement

The Sustainability Procurement Survey of suppliers, which has been conducted since 2007 for departments handling wood imports, was expanded to the Housing Division to cover suppliers of building materials and housing equipment from 2019, and to the Timber and Building Materials Division (domestic) from fiscal 2022. The main objectives of the survey are (1) to confirm that the products and services provided by the Sumitomo Forestry Group comply with various environmental and social laws and regulations throughout the supply chain, and (2) to share the Sumitomo Forestry Group's Procurement Policy, Human Rights Policy, and other relevant policies in order to build better partnerships. The content of the Sustainability Procurement Survey questionnaire is based on international norms and Sumitomo Forestry Group's respective policies, and consists of questions on the content of governance, human rights, occupational health and safety, the environment, ethics, information security, supply chain, and social contribution.

Dialogue with Shareholders and Investors

Briefings

The Sumitomo Forestry Group discloses a wide range of information promptly and transparently to ensure the market can appropriately assess its corporate value and build trust. In addition to quarterly financial results briefings, we hold individual investor briefings, on-site briefings, and one-on-one meetings. Not only are attendees provided an understanding of management policies and business plans, but opinions and requests from investors, who are vital stakeholders, are fed back to management in a timely manner and linked to measures for sustainable growth. Briefings for the Global Housing, Construction and Real Estate Business were once again held in 2023, the second year in a row. Attendees were provided presentations about this business, which has been aggressively entering new promising growth markets, and its future outlook.



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 fiscal 2023, the satisfaction ratio in these surveys was 96.9% in the survey of new owners, and 94.5% in the survey of second-year owners. Furthermore, Sumitomo Forestry has pioneered the housing industry by adopting the Net Promoter Score (NPS)* for the purpose of enhancing customer satisfaction. We will continue to provide high-quality products and services that impress our customers by further leveraging customer feedback through NPS survey analysis.

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

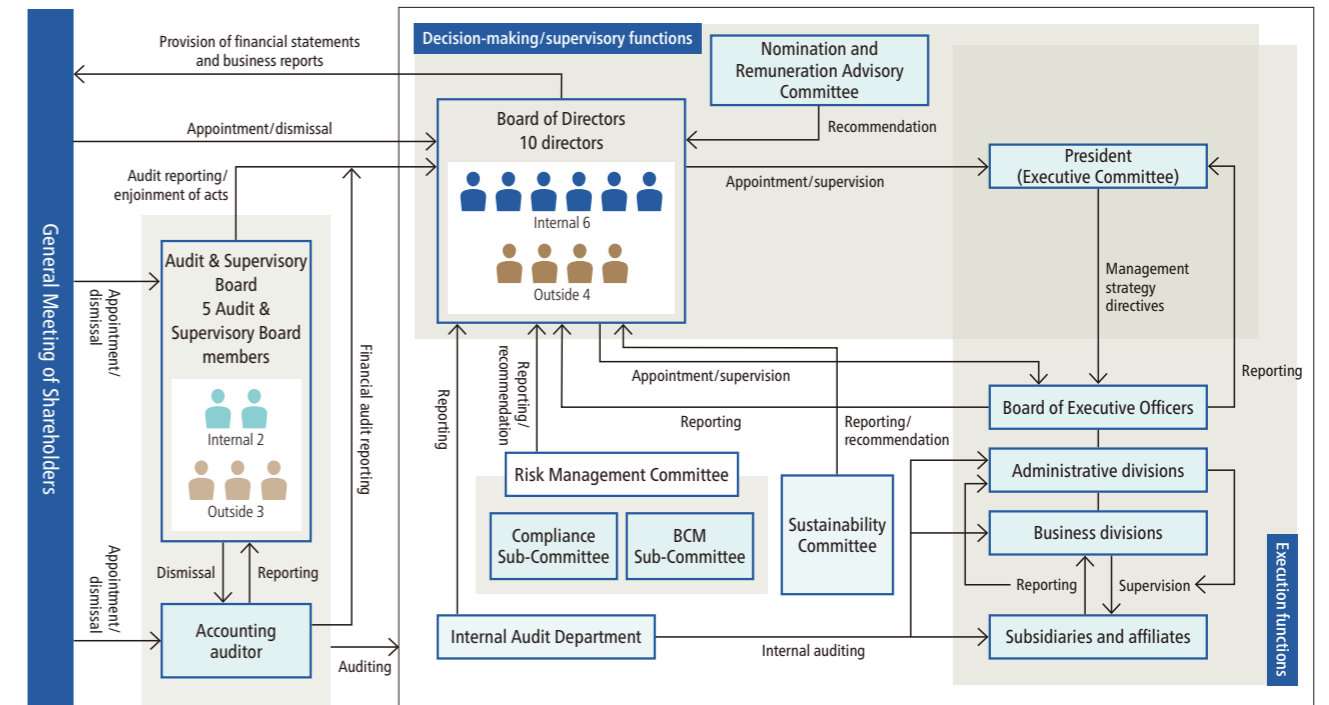
Stakeholder	Responsibilities	Communication Methods	Relevant Performance
Customers	<ul style="list-style-type: none"> Providing safe, high-quality products and services Disclosing timely and accurate information and providing accountability Understand the requests and needs and improve satisfaction through communication 	<ul style="list-style-type: none"> Sumitomo Forestry Call Center Customer Satisfaction Survey Websites and media, news magazines, etc. Exhibitions and various other events 	<ul style="list-style-type: none"> Number of calls received by the call center FY2023 result: 126,641 Customer satisfaction ratio (surveyed when residents move in) FY2023 result: 96.9%
Employees and Their Families	<ul style="list-style-type: none"> Creating a fair work environment with respect for human rights and no discrimination Providing and developing a workplace that promotes the emotional and physical wellbeing of employees and their families, as well as allowing individuals of various backgrounds and circumstances to maximize their potential Equally and fairly evaluating personnel Establishing educational systems able to drive and improve skills Establishing measures, policies and other regulations to enhance the work-life balance 	<ul style="list-style-type: none"> Conducting regular consultations and performance reviews Conducting employee satisfaction surveys Conducting stress checks Installing a compliance hotline Implementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.) EAP (Employee Assistance Program) service Carrying on a dialogue between the president and employees Holding Family Open Day Carrying out meetings with management made up of both labor and management committee members Publishing internal magazines, creating an internal website 	<ul style="list-style-type: none"> Overtime working hours FY2023 result (Compared to FY2017) (Non-consolidated): 13.2% reduction Education expense per employee FY2023 result (Non-consolidated): 117,000 yen
Shareholders and Investors	<ul style="list-style-type: none"> Disclosing timely and accurate information Pursuing informational transparency and accountability Executing 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 meetings Communicating information on websites, integrated reports, shareholder correspondence, briefing materials and in other relevant forms Responding 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) FY2023 results: 329 Full-year dividend per share FY2023: 125 yen
Business Partners	<ul style="list-style-type: none"> Building equal and fair relationships with business partners Improving the occupational health and safety environment Complying with all relevant laws 	<ul style="list-style-type: none"> Engaging in purchasing and procurement activities Conducting safety conferences, safety patrols and building contractor meetings Conducting workshops and informational exchange meetings Conducting 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 biodiversity Reducing the environmental impact of business activities Developing and providing products and services with minimal environmental impact 	<ul style="list-style-type: none"> Providing an environment for business Supplying and standardizing environmentally-conscious housing Acting as volunteers in building forests such as in reforestation Carrying on a dialogue with NPOs/NGOs Conducting 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 FY2023 result: 79.7% Percentage of sustainable timber and wood products handled FY2023 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 activities Supporting the formation of communities through social contribution activities Preparation of Regional Infrastructure 	<ul style="list-style-type: none"> Expenditure on social contribution activities FY2023: Approx. 76 million yen Cumulative number of visitors to Mt. Fuji Manabi no Mori FY2023: Approx. 1,300

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

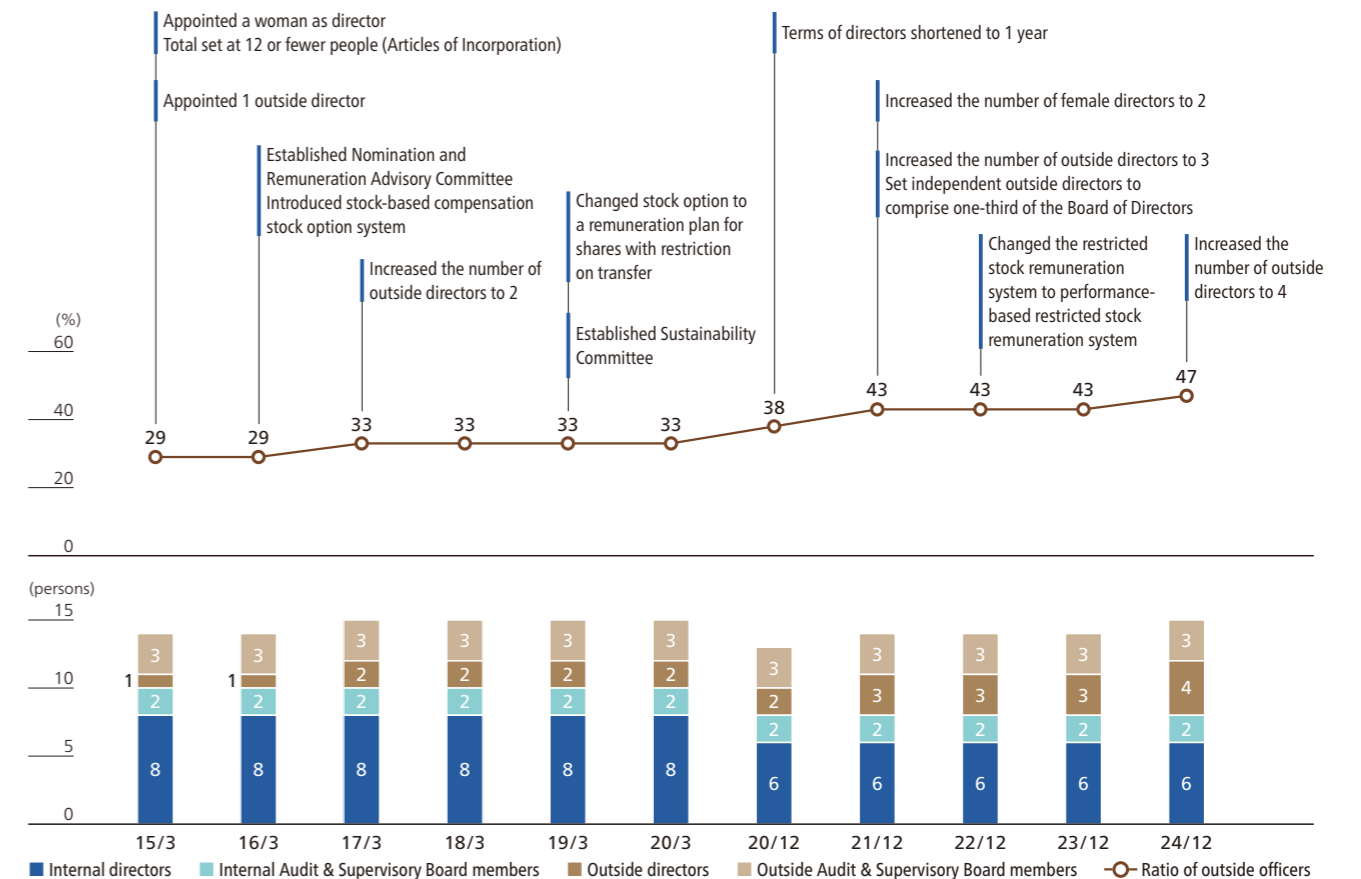




Corporate governance system



Initiatives for Corporate Governance



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 an Audit & Supervisory Board and has a Board of Directors comprising 10 directors, including 4 outside directors, and an Audit & Supervisory Board comprising 5 Audit & Supervisory Board members, including 3 outside Audit & Supervisory Board members. 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 an Audit & Supervisory Board
Number of independent officers	7
Number of Board of Directors meetings (fiscal year ended December 2023)	15 times
Adoption of the executive officer system	Yes
Nomination and Remuneration Advisory Committee	Yes
Accounting auditor	Ernst & Young ShinNihon LLC

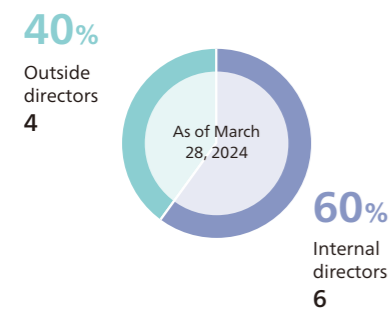
Sumitomo Forestry Basic Policy on Corporate Governance
<https://sfc.jp/english/ir/management/pdf/CorporateGovernance.pdf>



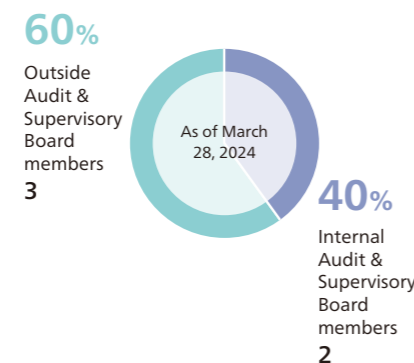
Corporate Governance

Role and structure of the Board of Directors, statutory audit system, and audit institutions

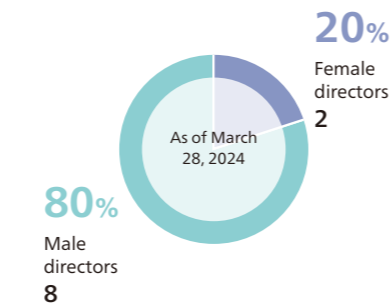
Director membership and composition



Audit & Supervisory Board membership and composition



Female director membership and composition



Board of Directors and Executive Committee

The Board of Directors is comprised of 10 directors (eight male and two female), including four outside directors (two male and two 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 based on reports from each director. 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 Audit & Supervisory Board members. The Board of Directors met 15 times and the Executive Committee met 24 times in the fiscal year ended December 2023. Directors and Audit & Supervisory Board members strive to maintain a Board of Directors meeting attendance rate of at least 75%.

Statutory audit system

The Audit & Supervisory Board is comprised of 5 Audit & Supervisory Board members (5 male), including 3 outside Audit & Supervisory Board members (3 male). Each Audit & Supervisory Board member audits the directors' execution of duties utilizing the deep insights and diverse perspectives they have acquired from their various backgrounds.

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

This system ensures that the Audit & Supervisory Board members can provide adequate monitoring functions of the directors' execution of operations from the perspective of shareholders. The Audit & Supervisory Board met 14 times and the Group Audit & Supervisory Board met 6 times in the fiscal year ended December 2023.

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, Audit & Supervisory Board members or executive officers, evaluations of the chief executive officer and other executive officers, and remuneration for Board members

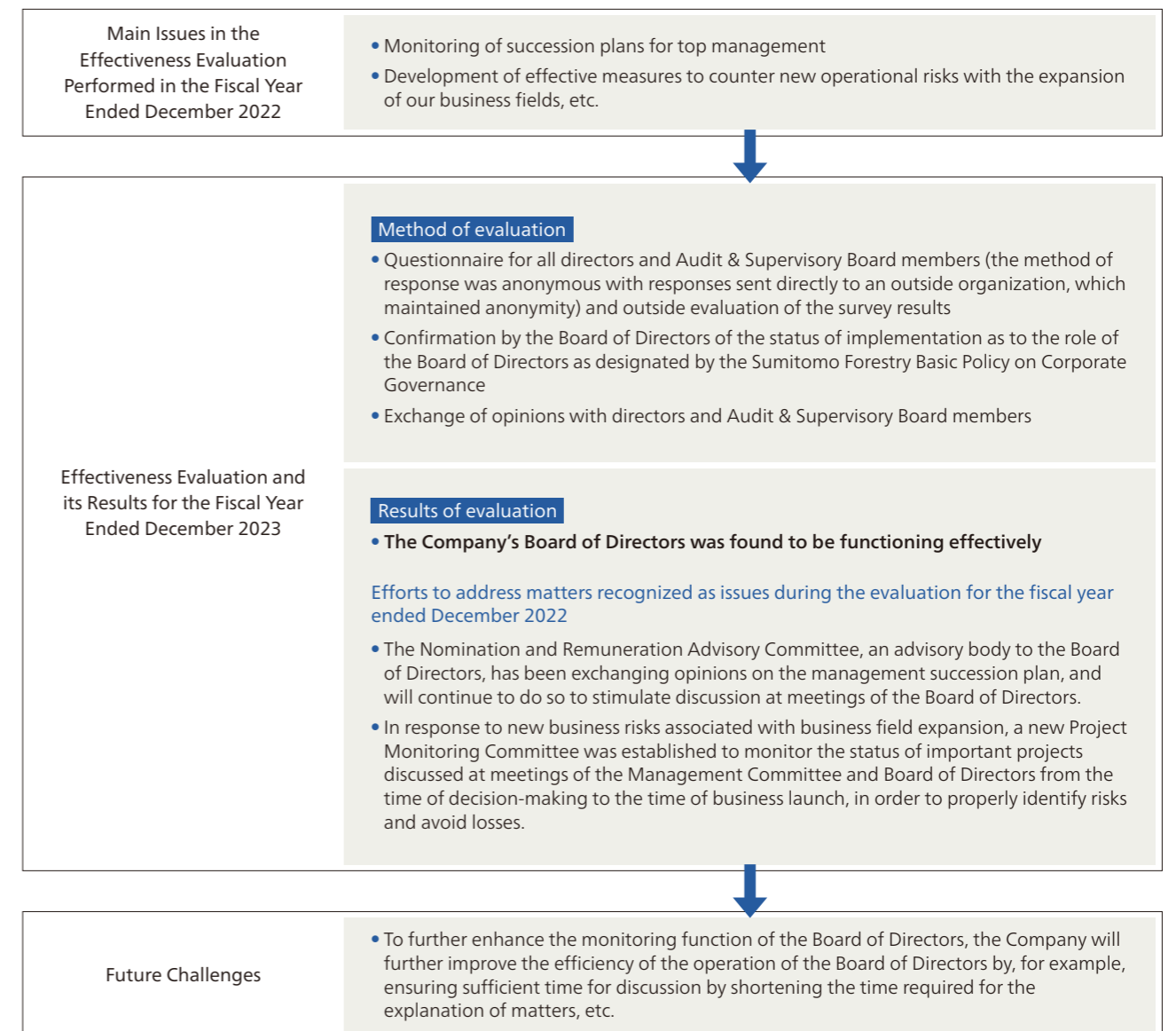
and executive officers. The Nomination and Remuneration Advisory Committee will consist of the Chairman, the President, and all outside executives (4 outside directors and 3 outside Audit & Supervisory Board members) where the majority must be outside executives, and the chairperson must be an outside director.

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.

Evaluation Results for 2023 and Future Issues



Executive remuneration system

The Company's remuneration for directors is designed in accordance with the following policy.

- 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.

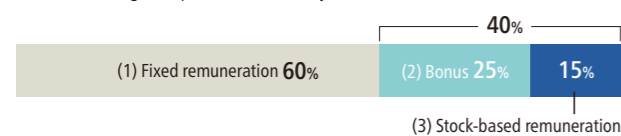
Remuneration for directors and executive officers

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.

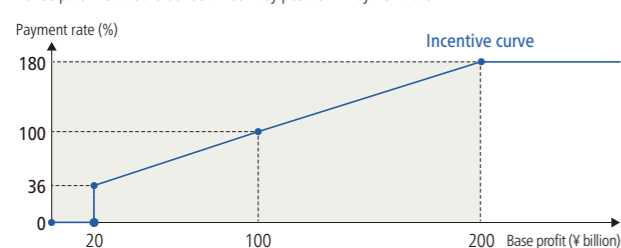
The amount of annual performance-based bonus will be judged comprehensively and determined by multiplying the standard bonus amount stipulated for each position with a

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



Formula for calculating annual performance-based bonus

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



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

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 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.

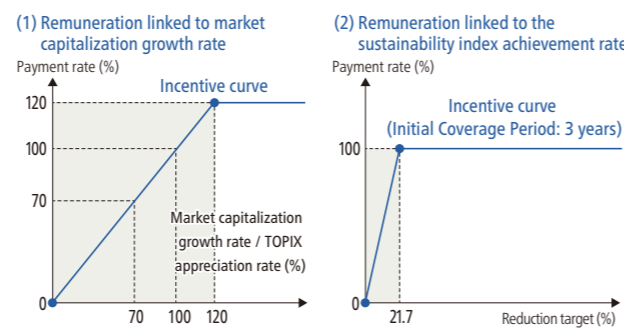
The amount of remuneration for outside directors, consisting only of monthly remuneration as fixed remuneration, will be determined in accordance with their responsibilities and roles.

Remuneration for Audit & Supervisory Board members

Compensation for Audit & Supervisory Board members consists only of monthly compensation as basic compensation. In order to ensure objectivity and appropriateness of executive remuneration, we utilize the results of third-party surveys of domestic companies to set appropriate remuneration levels.

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) Amount equivalent to 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



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

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

Total remuneration paid to directors and Audit & Supervisory Board members (Fiscal 2023)

Category	Total remuneration (¥ million)	Total amount by type of remuneration (¥ million)			Number of eligible officers
		Monthly remuneration	Performance-linked remuneration (bonuses)	Non-monetary remuneration (Performance-based restricted stock remuneration)	
Directors*4	489	276	144	69	6
Audit & Supervisory Board members*4	51	51	—	—	3
Outside directors	41	41	—	—	4
Outside Audit & Supervisory Board members	34	34	—	—	3

*4 Excludes outside directors and outside Audit & Supervisory Board members.

*5 The above includes one Audit & Supervisory Board member and one outside director who retired at the conclusion of the 83rd Ordinary General Meeting of Shareholders held on March 30, 2023.

*6 The amount of non-monetary remuneration is 69 million yen, which is the amount to be expensed in the current fiscal year based on the estimated amount of monetary compensation claims according to 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 2023 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	Performance-based restricted stock remuneration
Akira Ichikawa	116	Director	Sumitomo Forestry Co., Ltd.	65	34	16
Toshiro Mitsuyoshi	116	Director	Sumitomo Forestry Co., Ltd.	65	34	16

Strategically-held shares

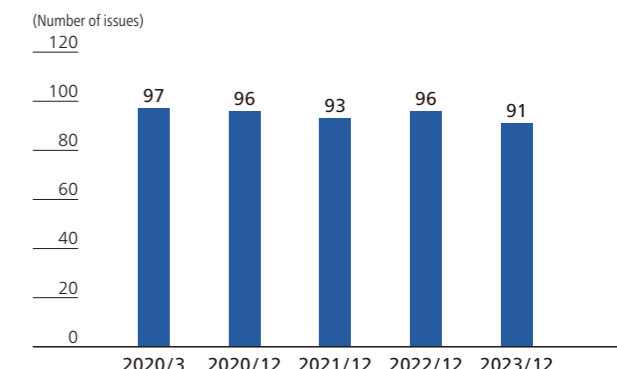
Article 5 of Sumitomo Forestry's Basic Policy on Corporate Governance states the following on cross shareholding.

- 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.

such shares lead to higher corporate value by verifying the status of transactions with the companies of the Strategically-held shares. As a result of the verification, we are reducing the number of shares that we have determined to be neither rational nor necessary to hold.

If a business partner or counterparty of the company where we hold Strategically-held shares 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.

Holdings of Strategically-held Shares*7



Total amount on balance sheet (millions of yen)

Fiscal Year	2020/3	2020/12	2021/12	2022/12	2023/12
Amount (¥ million)	50,924	89,281	79,097	78,928	78,853

*7 Total for listed shares and non-listed shares.

In addition, to verify the rationality and necessity of cross shareholding, 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

Corporate Governance

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 strives for the early disclosure of its convocation notice every year in order to foster greater understanding among shareholders. For the 84th Ordinary General Meeting of Shareholders held on March 28, 2024, the Notice of Convocation was published electronically on the Company's website and TDnet on March 1, five days prior to the date of sending out the paper-based Notice of Convocation (March 6, 2024). In addition, voting rights can be exercised via electromagnetic means (e.g., via the Internet) or via the electronic voting platform for institutional investors operated by ICJ, Inc.

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>



Succession plan

The Group considers the selection and dismissal of the Chief Executive Officer and succession planning as one of the most important management issues, and the Nomination

and Remuneration Advisory Committee held on August 31, 2023, exchanged views on the succession plan for the management team.

Officer training

The Company has established a training system for directors, Audit & Supervisory Board members, and executive officers to enable them to properly fulfill their roles and responsibilities, and provides them with ongoing

information and training opportunities upon and after their appointment. The Board of Directors also confirms, in a timely manner, that such information and training opportunities are being provided appropriately.

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



Tax governance

Basic approach

All executives and employees of the Sumitomo Forestry Group comply with laws, regulations, social norms, and internal rules, and act with the highest ethical standards. The Sumitomo Forestry Group Code of Conduct, which sets forth the basic approach to be taken when conducting business, clearly states that fair accounting and tax treatment based on accurate records shall be conducted. The Code of Conduct is distributed to each and every employee of Group companies in Japan and overseas. In tax practice, we have established guidelines and strive to maintain and improve tax compliance through employee training and other measures. In addition, the Sumitomo Forestry Group has identified "To establish a robust business structure" as one of its Nine Material Issues, and is working to link its business strategy, including taxation, with its sustainability strategy.

Tax governance system

Taxation is part of the Group's financial function and is the responsibility of the officer in charge, who is the Chief Financial Officer. Sumitomo Forestry's Corporate Planning Department manages operations related to taxation and assigns employees in charge of taxation with specialized knowledge. The department monitors the status of tax payments and tax audits in Japan and overseas in a timely manner, takes appropriate action, and promptly reports such information and Group tax issues to the director in charge. In addition, the Risk Management Committee, which oversees the entire Group, manages and monitors risks related to compliance and corporate ethics, including taxation, as priority material risks.

Risk Management and Compliance

Material Issues and Related SDGs Results Ratings in the table below
Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ✕

Indicators for Evaluation (numerical targets)	Managing Department	FY2023 Targets	FY2023 Results	FY2023 Value	FY2024 Targets
New introduction of business process control (internal control)	Global Construction and Real Estate Division	Continuation	Implementation	●	Continuation
Strengthening information security level of overseas affiliated companies*	IT Solutions Department	50%	45%	▲	100%
Implementation of external evaluation of effectiveness of the Board of Directors	General Administration Department	Examination	Continuation	●	Completion
Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	Examine the impact on the Group as a whole through re-implementation in two divisions including the Timber and Building Materials Division and the Housing Division	Examine the impact on the Group as a whole through re-implementation in two divisions including the Timber and Building Materials Division and the Housing Division	●	Consider Group measures to be reflected in business unit strategies in the next medium-term management plan

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

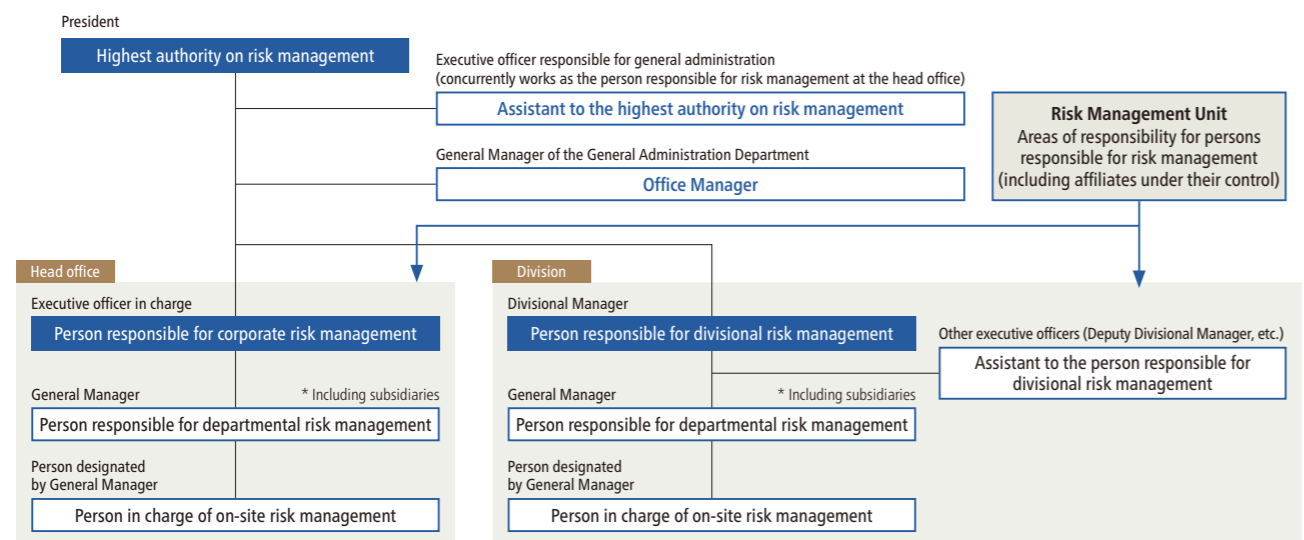
Risk management

Risk management system

To strengthen the risk management system for the entire Group, the Company has laid down the Risk Management Basic Regulations. The President and CEO 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, and general managers are appointed as risk management promoters.

The Risk Management Basic Regulations comprehensively cover risks related to environmental, social and governance. The Risk Management Committee is chaired by the President and CEO and consists of all other executive officers in charge of the Corporate Planning, Personnel, Legal, IT Solutions, and Sustainability Departments, as well as the divisional managers and divisional manager in charge of administration. The Committee meets quarterly to select priority risks for management after analyzing and evaluating the risks identified by each division and monitors

Risk management structure of the Sumitomo Forestry Group



progress in addressing material risks of particularly high importance.

The Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee have been established under this committee to enhance the effectiveness of responses to compliance risks and business interruption risks, which are positioned as Groupwide risks. A system is in place where these activities are reported to the Board of Directors, and management reviews are conducted by senior management to ensure that they are reflected in the execution of business operations. In the fiscal year ended December 31, 2023, the Risk Management Committee met four times, the Compliance Subcommittee twice, and the BCM Subcommittee twice, and reported to the Board of Directors four times.

With regard to addressing risks and emerging risks in environmental, social, and governance aspects as described in the Sumitomo Forestry Group Code of Ethics, we are developing specific activities to enhance the effectiveness of our actions. For example, with regard to climate change, the Group assesses risks and opportunities that could have a significant financial impact at the corporate and divisional levels in light of international trends and the business conditions of each division.

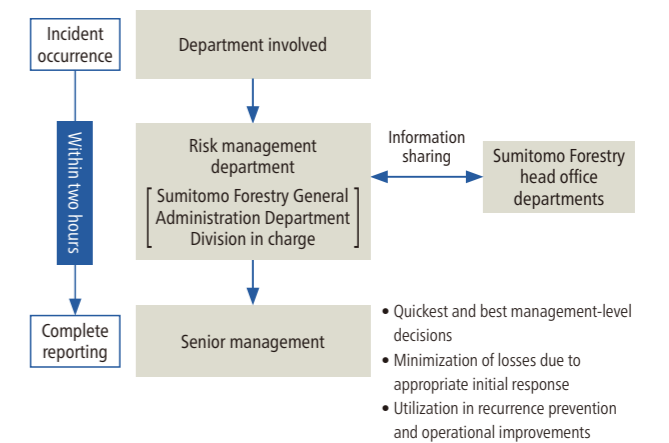
Risk management training

In order to raise the risk sensitivity of Sumitomo Forestry Group executives and employees and make it part of the Group's culture, we conduct training on risk management and compliance when employees join the Company, as well as an annual e-learning program for all Group executives and employees. Compliance and risk management are included in personnel evaluation items for all employees, and the outcomes of risk management training are verified. In addition, training on the Companies Act of the Japanese government, corporate governance, and other related matters is regularly conducted for Sumitomo Forestry's officers, including outside directors and outside Audit & Supervisory Board members.

Rapidly identifying and responding to risks

The Sumitomo Forestry Group operates a "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.

"Two-hour rule" and utilization of risk information



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 the fiscal year ended December 31, 2023, the committee met twice to inspect the status of the business continuity system at each Group company and to explain the future development and direction of the system based on the inspection results.

Initiatives for continuity of critical operations

The Sumitomo Forestry Group established the BCM Regulations in October 2019 and has formulated a Business Continuity Plan (BCP) based on the assumption of a crisis

Risk Management and Compliance

event that may cause suspension of the head office functions and a crisis event that may cause damage to the residential safety of a large number of homes, etc. Specific important operations, such as employee safety confirmation and payment, are specified in this BCP. In addition to 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, we conduct Simulated Initial Response Training to enhance response capabilities. Training was implemented online for a total of 53 operational managers of different sites in the fiscal year ended December 31,

2022. In October 2023, we also conducted Disaster Response Headquarters Training to confirm the effectiveness of the Disaster Response Headquarters to be set up in the event of a crisis event as a control tower and the roles of each organization through simulated training.

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's 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.

In the fiscal year ended December 31, 2023, the committee met twice to continuously improve the compliance system. These efforts are intended to improve the bottom-up approaches of compliance staff throughout the Group, and provide an opportunity to share an awareness of what constitutes a crisis.

These activities are reported to the Board of Directors once a quarter, and a system is in place to reflect them in business execution. In addition, monthly reports are made to Audit & Supervisory Board members and internal audit divisions, and particularly important Groupwide initiatives and risk information are shared with the Audit & Supervisory Board members of each subsidiary through the meetings of Audit & Supervisory Board members held for

Example of compliance violation

In March 2024, we received an administrative action for revocation of the Minister of Agriculture, Forestry and Fisheries certification due to failure to follow the procedures for modification of the forest management plan in accordance with the Forest Act. In December 2023, a former employee of the Environment and Resources Division prepared a ministerial certificate for a partial change to the said plan on their own accord, and it was discovered that some operations were being carried out without having actually received certification. The cancellation of certification was due to noncompliance with the items stipulated in the request for certification and the fact that we were engaging in operations that were not in accordance with the contents of the plan. After the situation was discovered, the operations not included in the scope of certification were suspended. We analyzed the causes of the incident and formulated measures to prevent recurrence. We then submitted a new request for certification and obtained the certification for a new forest management plan at the end of May 2024.

We will work to prevent recurrence by improving our business processes as well as by fostering compliance awareness through periodic training on the Forest Act, other related laws and regulations, and related systems, and developing the relevant manuals and infrastructure.

the Group, thereby establishing a system to promote compliance through approaches from both inside and outside the business execution line.

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>



Internal control system at overseas subsidiaries

In our Global Construction and Real Estate Business, expatriate employees are dispatched to participate in business operations as directors. All 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 preparing business memos. Going forward, we will gradually increase the number of subsidiaries that have 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.

Governance and risk management in the U.S.

Rules concerning official authority to clarify decision-making processes	Operational process control through introduction of internal control (I-SOX)
Strengthening of internal audits using expatriate employees from the Internal Audit Department assigned to the U.S.	Introduction of internal whistleblowing mechanism
Strengthening of local personnel system including one full-time director	Management and monitoring following the Real Estate Investment Risk Management Regulations
Thorough efforts to prevent bribery	Acceleration of database creation and visualization for performance management indicators, etc.

Voice of the Chairman of an Overseas Group Company



Don Dykstra
Chairman
Bloomfield Homes

Sharing our values with the Sumitomo Forestry Group and fulfilling our responsibilities to local communities

Bloomfield Homes is celebrating its 20th Birthday in 2024 and will also celebrate over 15,000 homes delivered. Our ten-year partnership with Sumitomo Forestry has continued the emphasis on responsibility to our buyers, local communities and the environment. Working together, we have built miles of nature trails and over one thousand acres of parks and open spaces benefiting our homeowners and cities, and encouraging people to enjoy the blue sky, trees and fresh air. We love to see families experiencing nature together: exercising, enjoying the flora and fauna, and being re-energized by the fresh air.

We are excited about the path ahead and have put in place the foundation to support future growth with talented and committed team members. We find personal fulfilment in the development of land, construction of high-quality homes, and the ongoing care of our homeowners and the communities in which they will live for many years. We share the values of all Sumitomo Forestry businesses and look forward to working together to continuously improve.

Messages from Outside Directors

Message from Outside Director Izumi Yamashita



In addition to the diverse backgrounds of the members of the Company's Board of Directors, I believe that the transparent and skillful management of the proceedings by Chairman of the Board Mr. Ichikawa, who chairs the meetings, is fostering lively discussions that are uninhibited and constructive. The Company's roots in forestry and its management philosophy based on Sumitomo's Business Spirit "Benefit self and benefit others, private and public interests are one and the same," lead to discussions characterized by an emphasis on sustainability and a long-term time horizon, which is typical of a company that creates "Happiness Grows from Trees."

Regarding the current Medium-term Management Plan, despite the negative factor of the downturn in the United States housing and real estate markets due to the sudden shift to a tight monetary policy implemented by the Federal Reserve, both net sales and recurring income remained strong, and the Company expects to generally achieve the plan. In the past two years, the Company has made various efforts to achieve the goals of the Long-term Vision and is commendably yielding positive results at the cornerstones of the vision such as the forestry asset fund and the first project of the timber industrial complex, both of which have been launched with the cooperation of a number of companies.

It should be noted, however, that progress in many of these projects has been slower than originally planned, due in part to the fact that many of them are innovative new projects with a high degree of difficulty that could be described as "Sumitomo Forestry's version of Project X*." During this final year of Phase 1, the Company must clarify the causes of these delays and take appropriate measures to catch up, thereby solidifying the foundation for achieving the Long-term Vision. To this end, it is increasingly important to secure and develop diverse human resources to support the expansion of new business fields, such as decarbonization-related businesses and non-residential medium- to large-scale wooden construction businesses, to promote DX and utilize AI more actively, and to create a vibrant workplace where people can continue to take ownership of these challenging issues.

* PROJECT X -Challengers-: A documentary program produced by NHK (The Japan Broadcasting Corporation) that covers people involved in projects that have left their mark on Japan's industrial and modern history.

Message from Outside Director Mitsue Kurihara



In 2022, the Company launched its Medium-term Management Plan (Phase 1) under the Long-term Vision Mission TREEING 2030, and 2024 marks the final year of this plan. I view the Company's performance during this period as generally steady, while it responded to various internal and external changes in the operating environment, such as the impact of the wood shock, the shift to the post-COVID-19 era, rising and high interest rates overseas, and the changing tides in the domestic economy. The Company's business operations in North America, which drive its earnings, have been affected by high interest rates, but the Company is expanding from housing to upstream businesses based on good relationships with local partners. In addition, the domestic housing business is also picking up, and from a financial perspective, the Company is expanding M&A and other investments while maintaining a sound financial position.

As these plans progress, the Company is creating forest value, returning it to society and contributing to the realization of "carbon negative" society as a whole through the unique business model of the Wood Cycle, which is the source of the Company's corporate value. Currently, in addition to the development of carbon fixation measurement technology using satellites and "One Click LCA" and the standardization of carbon neutral design, the Company is making progress in the advancement of forest management in Japan and overseas and in the forest fund established in the United States. The achievement of such decarbonization is linked to executive compensation, and the Sustainability Committee's monitoring of the sustainability budget is reported to the Board of Directors, thereby integrating ESG and business.

For long-term growth in the future, on the business side, it is important to put new decarbonization businesses on a growth trajectory while promoting structural reforms in the Housing and Timber and Construction Materials businesses to make them value-added businesses even in a shrinking market. On the management infrastructure side, the Groupwide human resources strategy, the development of IT infrastructure and data utilization are of course important issues, but the Company should also consider the balance between the expansion of investments for growth and capital efficiency.

As an Outside Director, I will contribute to the enhancement of corporate value through the realization of social value by reflecting the challenges for long-term growth in the next Medium-term Management Plan and incorporating diverse perspectives into management through dialogue with various stakeholders.

Messages from Outside Directors

Message from Outside Director Yuko Toyoda

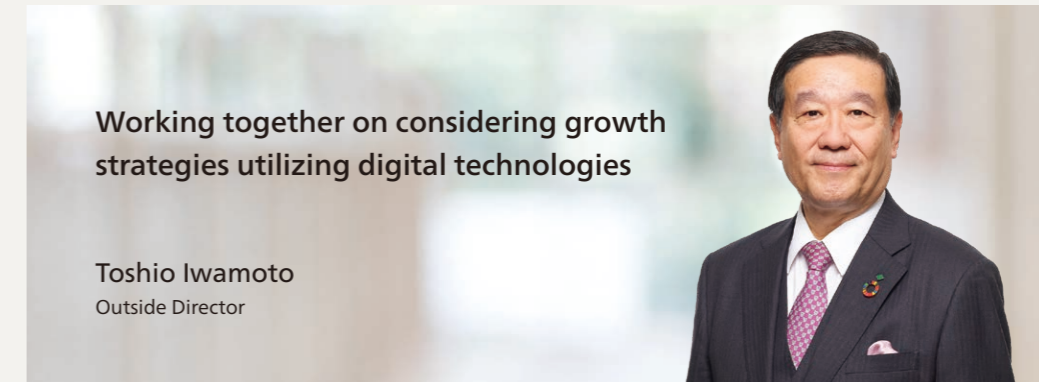


The diverse businesses of the Group are positioned within the Wood Cycle as outlined in Mission TREEING 2030. I believe that exercising the Company's strength in contributing to decarbonization will lead to further enhancement of corporate value. While keeping in mind the fundamental social significance of the business as a whole, which is increasing the absorption of CO₂ by forests through forest management, promoting the fixation of carbon inside wood, and prolonging this fixation by using the wood in construction materials and furniture, along with supplying energy from biomass power generation, the Board of Directors is expected to navigate the Company's management toward the future by paying close attention to the individual efforts of each business unit, considering the appropriate allocation of management resources to realize synergies, and examining methods of risk management.

The launch of the forestry fund in fiscal 2023 was significant in realizing global-scale value through forest management and establishing a new sustainable business model by generating credits, while utilizing funds not only from the Company but also from other participating companies. The Board of Directors discussed the elaboration of the mechanism, how to respond to possible risks, and other issues. Another important theme is the utilization of the Company's peatland management expertise in Indonesia and its strategy to expand the medium- to large-scale wooden construction business.

Furthermore, I will seriously consider the development and revitalization of human resources to support these efforts. Management must take the lead in addressing issues such as coping with the declining birthrate and aging population in Japan, strengthening international talent to expand overseas business, promoting the active participation of women, expanding mid-career recruitment, and facilitating communication. The Company must also reaffirm that the vibrant and proper execution of day-to-day duties by each employee is the foundation of trust in the Group and supports corporate value, and should create an environment in which this can happen. As an Outside Director, I will consider the ways in which I can contribute to this effort and put them in practice.

Message from Outside Director Toshio Iwamoto



In just two months since ChatGPT, a leading example of generative AI, debuted at the end of November 2022, it had surpassed 100 million active users worldwide. The latest digital technologies have a shadowy side, but they have the power to transform the world in a short period of time. In addition to technologies, there have been a series of events in recent years that have forced a paradigm shift in social structure and values, such as the COVID-19 pandemic, Russia's invasion of Ukraine, and conflict in the Middle East.

I took office as an Outside Director of the Company in 2024. In April, I visited the site of the former Besshi Copper Mine, the birthplace of Sumitomo Forestry, and learned about its history up to the present day. I was deeply impressed by the fact that Sumitomo's predecessors, with their strong determination, planted trees in the surrounding forests that had been devastated by excessive logging and smoke pollution over a long period of time, and finally restored the lush green mountains to their original state after more than 100 years of reforestation.

While GX (Green Transformation) has become a buzzword representing the shift from a fossil energy-centered industrial and social structure to a clean energy-centered one, the power of forests is being reevaluated. Digital technologies can visualize carbon dioxide emissions, which can then be used to implement concrete measures. The use of AI, IoT, and other digital technologies, not only in Japan but around the world, will accelerate efforts to address GX.

Companies, like plants, animals, and other living creatures, have growth genes. By contributing to society, a company can be accepted, respected and grow significantly. Combining digital technologies and the know-how of corporate management that I have practiced on a global scale, I would like to think together with people in the Company about how this Company with a 330-year history can fulfill its role imposed in today's world and create social value.

Introducing the Board of Directors and Audit & Supervisory Board Members (As of March 28, 2024)

* is an independent officer. "Attendance" is the number of Board of Directors meetings (above) and Audit & Supervisory Board meetings (below) attended in the fiscal year ended December 31, 2023.

Directors

* is an independent officer. "Attendance" is the number of Board of Directors meetings attended in the fiscal year ended December 2023. "Company shares held" is current as of December 31, 2023.



Akira Ichikawa
Representative Director, Chairman of the Board
Born Nov. 12, 1954
Attendance: 15/15
Company shares held: 77,000
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: 21,000
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)



Tatsumi Kawata
Representative Director
Born Oct. 4, 1962
Attendance: 15/15
Company shares held: 13,000
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
Jan. 2024 - Representative Director (current position)
Executive Vice President (current position)



Atsushi Kawamura
Director
Born Feb. 24, 1965
Attendance: 15/15
Company shares held: 18,000
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
Jan. 2024 - Divisional Manager of Global Construction and Real Estate Division (current position)



Ikuro Takahashi
Director
Born Oct. 4, 1959
Attendance: 15/15
Company shares held: 13,000
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)



Toshio Kakumoto
Audit & Supervisory Board Member (full-time)
Born April 7, 1964
Attendance: 12/12*4 10/10*4
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 - Audit & Supervisory Board Member (current position)
*4 Since appointed Director on March 30, 2023.



Kazunari Hada
Audit & Supervisory Board Member (full-time)
Born Dec. 4, 1959
Attendance: --*5 --*5
Dec. 1991 - Joined the Company
Apr. 2016 - General Manager of Personnel Department
Jun. 2019 - Supervisory Officer (current position)
General Manager of Personnel Department
Jan. 2024 - Assistant to Officer in Charge of Internal Audits (current position)
Mar. 2024 - Audit & Supervisory Board Member (current position)
*5 Since appointment as Director on March 28, 2024.



Yoshimasa Tetsu*
Outside Audit & Supervisory Board Member
Born Dec. 23, 1948
Attendance: 15/15 14/14
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 Audit & Supervisory Board Member of the Company (current position)
Important concurrent jobs
Certified Public Accountant
Outside Audit & Supervisory Board Member of Daiwa Motor Transportation Co., Ltd.



Nobuyuki Otani
Director
Born May 30, 1971
Attendance: --*1
Company shares held: 0
Apr. 1995 - Joined the Company
Apr. 2015 - General Manager of Overseas Administration Department of Overseas Business Division
Apr. 2018 - General Manager of Management and Administration Department of Overseas Housing and Real Estate Division
Apr. 2021 - General Manager of Corporate Planning Department
Jan. 2022 - General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department
Mar. 2022 - Executive Officer
General Manager of Corporate Planning Department and Productivity Enhancement Department (current position)
Jan. 2024 - Managing Executive Officer (current position)
Mar. 2024 - Director (current position)
*1 Since appointment as Director on March 28, 2024.



Izumi Yamashita*
Outside Director
Born Feb. 1, 1948
Attendance: 15/15
Company shares held: 0
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 Feb. 1, 1964
Attendance: 15/15
Company shares held: 0
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: 12/12*2
Company shares held: 0
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 Since appointed Director on March 30, 2023.



Toshio Iwamoto*
Outside Director
Born January 5, 1953
Attendance: --*3
Company shares held: 0
Apr. 1976 - Joined Nippon Telegraph and Telephone Public Corporation
Jun. 2004 - Director, Head of Payment Solution Sector of NTT DATA Corporation (Currently NTT DATA Group Corporation)
Jun. 2007 - Director, Executive Vice President; Head of Financial Business Sector of NTT DATA Corporation
Jun. 2008 - Director, Executive Vice President; In charge of Financial Business of NTT DATA Corporation
Jun. 2009 - Representative Director, Senior Executive Vice President of NTT DATA Corporation
Jun. 2012 - Representative Director, President and Chief Executive Officer of NTT DATA Corporation
Jun. 2018 - Advisor of NTT DATA Corporation (current position)
Mar. 2024 - Outside Director of the Company (current position)
Important concurrent jobs
Advisor of NTT DATA Group Corporation
Outside Director of Daiwa Securities Group Inc.
Outside Director of East Japan Railway Company
Outside Director of Isetan Mitsuokoshi Holdings Ltd.
*3 Since appointment as Outside Director on March 28, 2024.



Makoto Matsuo*
Outside Audit & Supervisory Board Member
Born May 28, 1949
Attendance: 15/15 14/14
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 Audit & Supervisory Board Member of the Company (current position)
Important concurrent jobs
Attorney
External Director of Capcom Co., Ltd. (Audit and Supervisory Committee Member)
Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd.
Director of RapiDus Corporation



Takashi Kawachi*
Outside Audit & Supervisory Board Member
Born Sept. 24, 1957
Attendance: --*6 --*6
Apr. 1982 - Joined Ministry of Home Affairs (currently Ministry of Internal Affairs and Communications)
Apr. 1992 - Manager of Finance Division, General Affairs Department, Tokushima Prefecture
Dec. 2000 - Deputy Mayor of Kyoto City
Apr. 2004 - Director of the Local Public Enterprise Management Office, Local Public Enterprise Division, Local Public Finance Bureau, Ministry of Internal Affairs and Communications
Apr. 2005 - Director of the Mobile Satellite Communications Division, Radio Department, Telecommunications Bureau, Ministry of Internal Affairs and Communications
Jul. 2006 - Counsellor, Cabinet Secretariat of Cabinet Secretariat (Assistant Chief Cabinet Secretary)
Aug. 2010 - Counsellor, Cabinet Secretariat of Cabinet Affairs Office, Cabinet Secretariat
Sep. 2012 - Director-General, Cabinet Affairs Office of Cabinet Affairs Office, Cabinet Secretariat
Sep. 2015 - Director General, Cabinet Office
Jul. 2017 - Vice-Minister, Cabinet Office
Jan. 2019 - Retirement from Cabinet Office
Mar. 2021 - President of Japan Railway Construction, Transport and Technology Agency
Jun. 2023 - President of Japan Foundation for Regional Art-Activities (current position)
Mar. 2024 - Outside Audit & Supervisory Board Member of the Company (current position)
Important concurrent jobs
President of Japan Foundation for Regional Art-Activities
Outside Audit & Supervisory Board Member of The Yomiuri Shimbun
*6 Since appointment as Director on March 28, 2024.

Introducing the Board of Directors and Audit & Supervisory Board Members

Skills Matrix

	Title	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 and Executive Officer	●	●	●	●					
	Tatsumi Kawata Representative Director, Executive Vice President	●	●		●	●	●	●	●	
	Atsushi Kawamura Director, Senior Managing Executive Officer	●	●	●	●					
	Ikuro Takahashi Director, Managing Executive Officer	●		●						
	Nobuyuki Otani Director, Managing Executive Officer				●	●				
	Izumi Yamashita Outside Director	●			●	●			●	●
	Mitsue Kurihara Outside Director	●	●		●	●				●
	Yuko Toyoda Outside Director				●			●		
Toshio Iwamoto Outside Director	●			●				●		
Audit & Supervisory Board Members	Toshio Kakumoto Audit & Supervisory Board Member				●			●		
	Kazunari Hada Audit & Supervisory Board Member			●			●			
	Yoshimasa Tetsu Outside Audit & Supervisory Board Member					●				
	Makoto Matsuo Outside Audit & Supervisory Board Member				●			●		
	Takashi Kawachi Outside Audit & Supervisory Board Member			●			●			●



Reason for selection in skills matrix

Corporate management	To achieve further growth of existing businesses, which cover a wide variety of aspects of people's lifestyles, such as forestry management, timber and building materials distribution and manufacturing, housing construction, etc. and to fulfill our Long-term Vision amidst a global movement toward decarbonization, the Company needs board members who have experience in corporate management.
Resources/ Environment	In our Long-term Vision, the Company has set out to enhance the value of forests and trees through sustainable forestry management and to pursue the value of forests as a carbon sink through the development of new businesses. To conduct scenario analyses and ongoing financial disclosure based on recommendations made by TCFD (Task Force on Climate-related Financial Disclosure) and to steadily implement initiatives to achieve our SBT-based greenhouse gas emissions reduction targets, the Company needs board members who have expertise and experience in resources and the environment.
Construction/ Real estate development	To expand the Company's medium- and large-scale wooden construction operations as stated in its Long-term Vision and Medium-term Management Plan, and to nurture and reinforce its real estate development operations into a new pillar of profit, the Company needs board members who have expertise and experience in construction and real estate development.
Global	"Advancing globalization" is one of the business policies of the Company's Long-term Vision. To promote the expansion of the business areas and scale of its overseas group operations, the Company needs board members who have global experience.
Finance/ Accounting	To improve capital efficiency, enhance shareholders' equity, and make sustainable growth investments that raise corporate value, the Company needs board members who have expertise and experience in finance and accounting.
Human resources development/ D&I	In the Company's Long-term Vision, it has set out to enhance "Value for people and society." To reinforce its ability to continually retain and nurture human resources who can respond to the diversification of its businesses, to improve engagement with our employees, to promote transformation in work styles, and to implement initiatives related to D&I (diversity and inclusion), the Company needs board members who have expertise and experience in human resource development and D&I.
Legal affairs/ Risk management	To create a corporate governance structure for sustainable growth and mid- and long-term improvement of corporate value, and to build a risk management system for the global growth of the Company's business operations and other, the Company needs board members who have expertise and experience in legal affairs and risk management.
IT/DX	In our Long-term Vision, the Company has set out to enhance "Value for the market economy." To promote digital transformation (DX) throughout the Company and to enhance productivity through the development of an IT infrastructure and others, the Company needs board members who have expertise and experience in IT and DX.
Industrial policy	In our Long-term Vision, the Company has set out to enhance "Value for the market economy." To develop businesses related to carbon credits of forests, which are a carbon sink, the Company must create policy frameworks in relation to society and hence needs board members who have knowledge of industrial policy.

Executive Officers

Position	Name	Department administered
President	Toshiro Mitsuyoshi*	
Executive Vice President	Tatsumi Kawata*	Administering Lifestyle Service Division and in charge of General Administration, Legal, Secretary, External Relations, Corporate Communications, Human Resources Development, D&I, IT Solutions, and Internal Audit
Senior Managing Executive Officer	Atsushi Kawamura*	Administering Timber and Building Materials Division, in charge of Tsukuba Research Institute, Divisional Manager of Global Construction and Real Estate Division
Managing Executive Officer	Ikuro Takahashi*	Divisional Manager of Housing Division
	Nobuyuki Otani*	Administering Environment and Resources Division and in charge of Finance and Sustainability, General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department
	Takahisa Higaki	Executive Vice President of Cohnn Kensetsu Inc. and in charge of Osaka Headquarters (BCM)
	Koji Tanaka	Divisional Manager of Lifestyle Service Division
	Atsushi Iwasaki	Deputy Divisional Manager of Global Construction and Real Estate Division (In charge of North American Business), Sumitomo Forestry America, Inc. (President and General Manager of Housing Department)
Executive Officer	Yoichi Hosoya	Divisional Manager of Timber and Building Materials Division
	Kazutaka Horita	Divisional Manager of Environment and Resources Division
	Masanobu Nishikawa	Environment and Resources Division (Jakarta Office), President of Sumitomo Forestry (Singapore) Ltd., President and Representative Director of NeXT FOREST Corporation
	Junko Saishu	General Manager of Legal Department
	Yutaka Kamiya	President and Representative Director of Sumitomo Forestry Landscaping Co., Ltd.
	Takumi Shimahara	General Manager of Kansai Branch of Housing Division and in charge of Osaka Headquarters (BCM)
	Tomio Tozaki	General Manager of IT Solutions Department
	Yuuko Iizuka	General Manager of Sustainability Department
	Kenji Inui	Deputy Divisional Manager of Housing Division (overseeing Customer Relations, Innovation Strategy and Construction Materials Development), and General Manager of Administration and Planning Department, Housing Division
	Kazuo Maniwa	General Manager of Personnel Department
Kiyoshi Sakurai	President and Representative Director of Sumitomo Forestry Home Service Co., Ltd.	

* Doubles as Director and Executive Officer

Timber and Building Materials Business



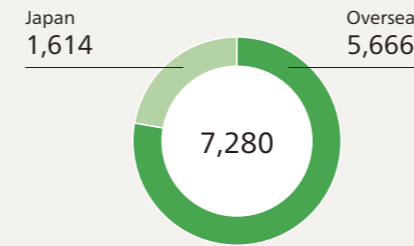
Yoichi Hosoya
Managing Executive Officer
Divisional Manager of Timber and Building Materials Division

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

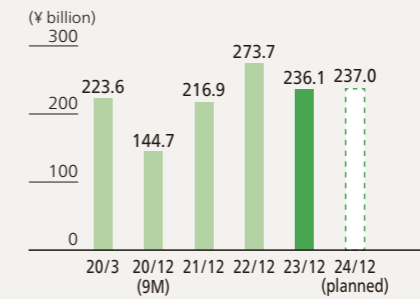
In the Timber and Building Materials Business, our mission is not only to respond to the ever-changing market environment and strive to stably supply and secure high-quality materials, but also to work together to provide solutions to the challenges our customers face, such as the conditions surrounding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

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

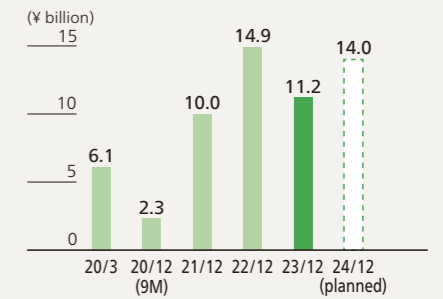
Number of employees
(As of December 31, 2023)



Net sales



Recurring income



* Total of consolidated subsidiaries in the manufacturing business in Japan and overseas.
* The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. The FY ended December 2020 is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.
* The planned figure represents the initial plan as of February 14, 2024.
* For more information about performance for the FY ending December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>

Business Environment and Strengths

Business Environment

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

Strengths

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

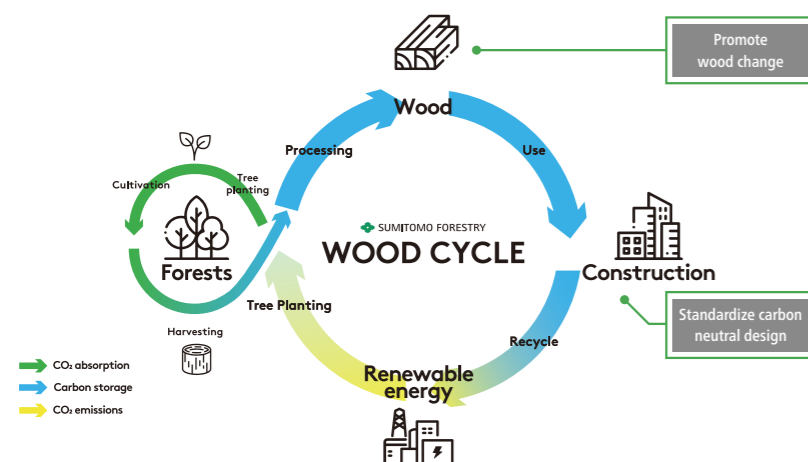
Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

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

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

Positioning of segments in the Wood Cycle



Initiatives for growth

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

Encouraging the use of Japanese timber

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

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

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

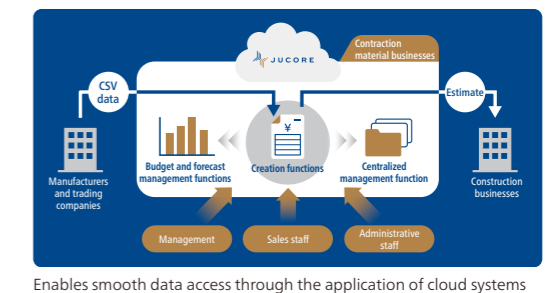
Products and Services

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

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

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

Illustration of JUCORE Mitsumori service



Housing Business



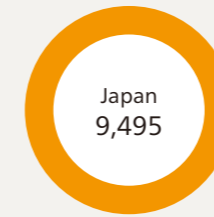
Ikuro Takahashi
Director,
Managing Executive
Officer
Divisional Manager of
Housing Division

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

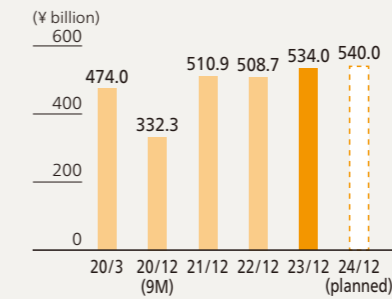
The Housing Business encompasses a broad range of businesses for us, including the custom-built detached housing business, to provide comfortable homes that people want to live in for longer that harness the atmosphere and features only wood can offer.

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

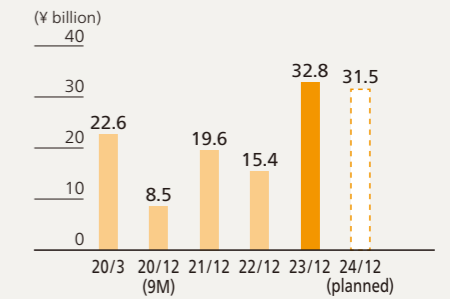
Number of employees
(As of December 31, 2023)



Net sales



Recurring income



* The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. The FY ended December 2020 is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.
* The planned figure represents the initial plan as of February 14, 2024.
* For more information about performance for the FY ending December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>

Business Environment and Strengths

Business Environment

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

Strengths

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

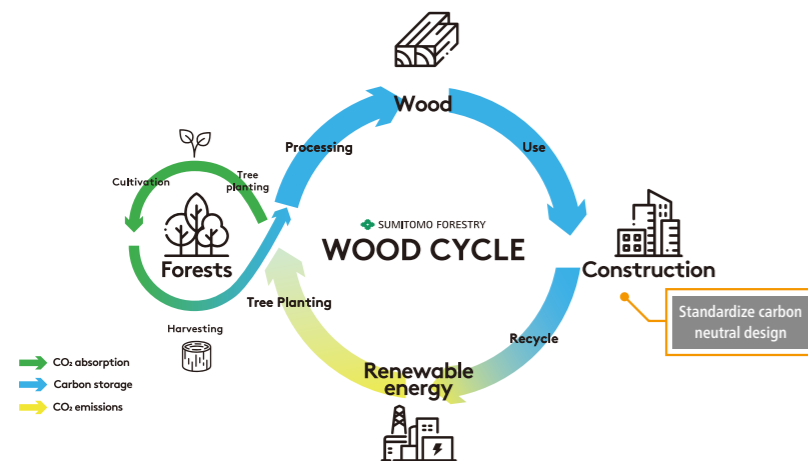
Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

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

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

Positioning of segments in the Wood Cycle



Initiatives for growth

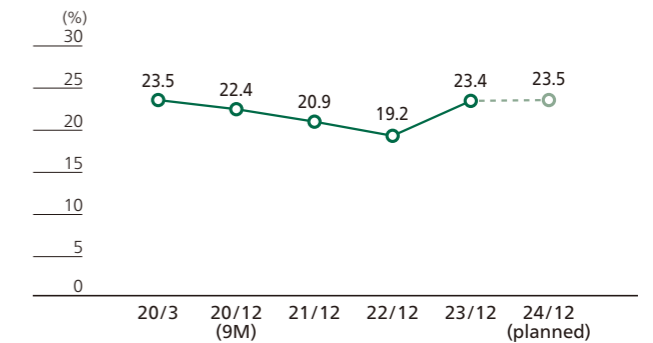
- Transforming business structure and rebuilding earnings base
- Expanding sales of ZEH and LCCM houses
- Further promoting digital marketing
- Strengthening human resource recruitment and training to expand priority businesses
- Accelerating the development of infrastructure and mechanisms to maintain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

Key business data (FY2023 results)

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

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

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



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

ZEH order ratio (%)

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

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

Products and Services

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

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

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

Single-story house order rate (%)

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



Exterior design harnessing deep eaves and horizontal lines

Global Construction and Real Estate Business

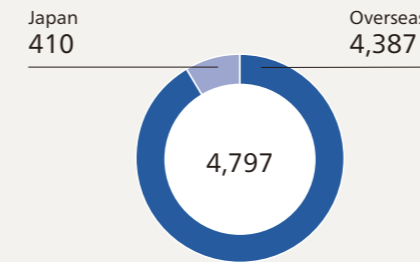


Atsushi Kawamura
Director, Senior Managing Executive Officer
Divisional Manager of Global Construction and Real Estate Division

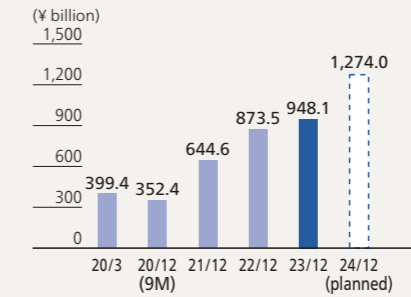
Close to achieving the three-year investment plan for overseas real estate and residential land development In fiscal 2024, we will promote investments that contribute to decarbonization ahead of the next Medium-term Management Plan

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

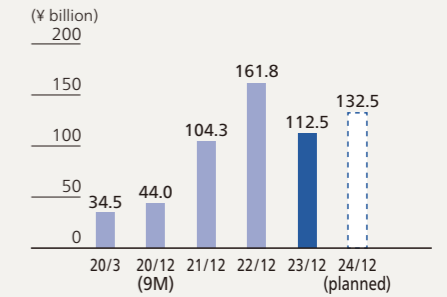
Number of employees
(As of December 31, 2023)



Net sales



Recurring income



* The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. The FY ended December 2020 is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.
* The planned figure represents the initial plan as of February 14, 2024.
* For more information about performance for the FY ending December 2024, please visit the Group's website. <https://sfc.jp/english/ir/library/statements/2024.html>

Business Environment and Strengths

Business Environment

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

Strengths

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

Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

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

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

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

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

United States Single-family homes business

Special Feature 1: Evolving Our Global Expansion P.26

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

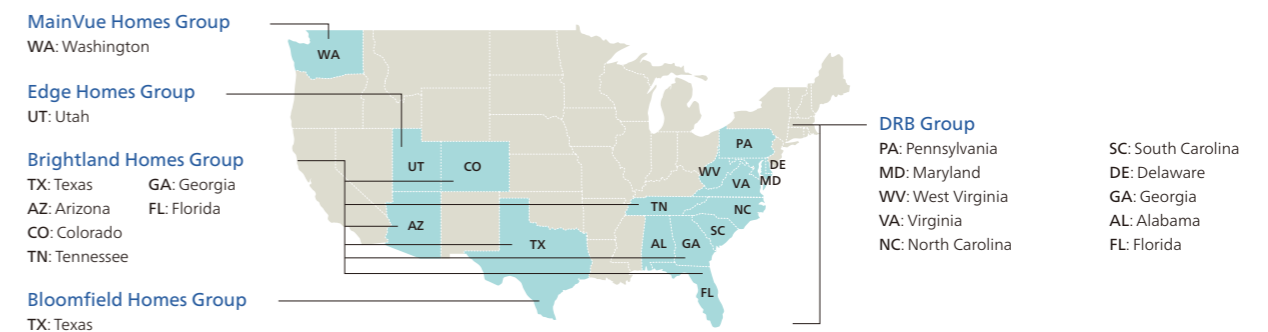
community with the advantages of a national builder such as financial strength, material procurement capabilities, and unified governance. We will strive to improve construction quality, environmental performance, and design, and further expand and develop our business by providing a living environment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

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

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

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

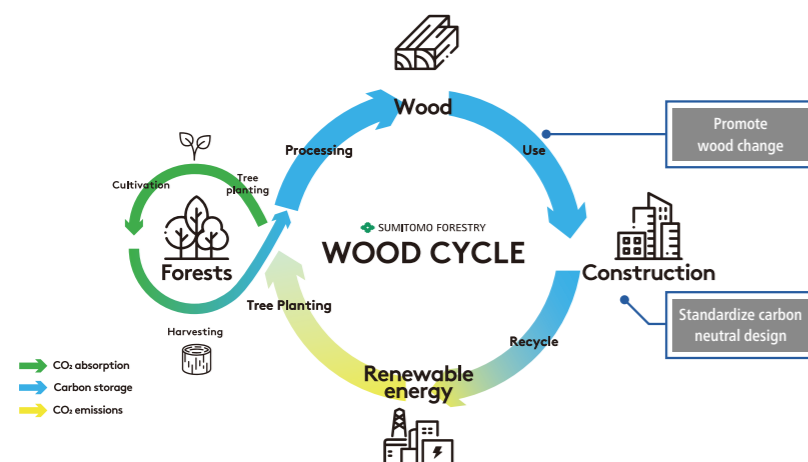
Single-family homes business areas in the United States



Construction works of single family home operating companies



Positioning of segments in the Wood Cycle



Initiatives for Growth

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

Global Construction and Real Estate Business

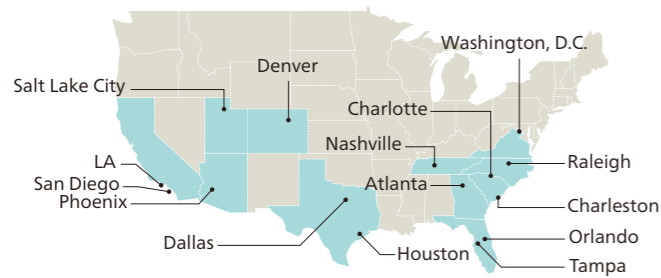
United States Real estate development business Special Feature 1: Evolving Our Global Expansion P.26

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

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

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

U.S. real estate development business area



A building constructed by Crescent Communities Group

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

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

United States Single-family rental homes business

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

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

Australia Housing and real estate development business

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

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

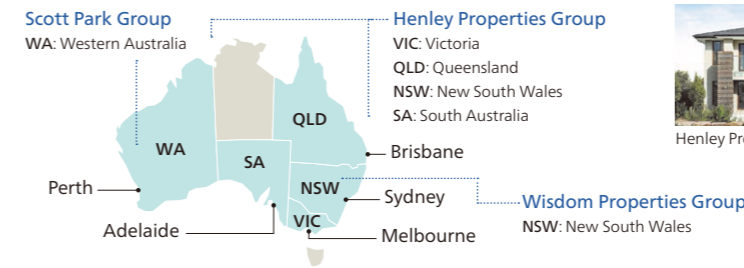
resolve the social issue of the shortage of affordable housing, and at the same time, we will promote ESG-friendly development.

Trend in Single Family Home Sales in Australia (Units)

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

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

Single-family homes business areas in Australia



Construction works of single family home operating companies



Asia Housing and real estate development business

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

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

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



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

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

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

Contributions to Decarbonized Society

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

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

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

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

Environment and Resources Business



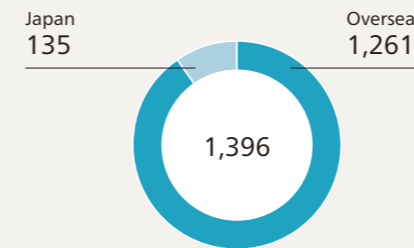
Kazutaka Horita
Managing Executive Officer
Divisional Manager of Environment and Resources Division

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

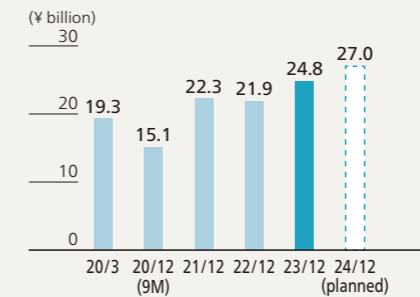
The Environment and Resources Business is engaged in businesses that maximize the use of forest resources. In the forestry business in Japan and overseas, Sumitomo Forestry owns and manages approximately 286,000 hectares of forests, including forests with third-party forestry certification such as FSC®,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

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

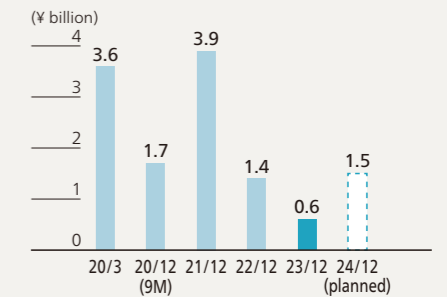
Number of employees
(As of December 31, 2023)



Net sales



Recurring income



* The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. The FY ended December 2020 is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.
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* For more information about performance for the FY ending December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>

Business Environment and Strengths

Business Environment

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

Strengths

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

Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

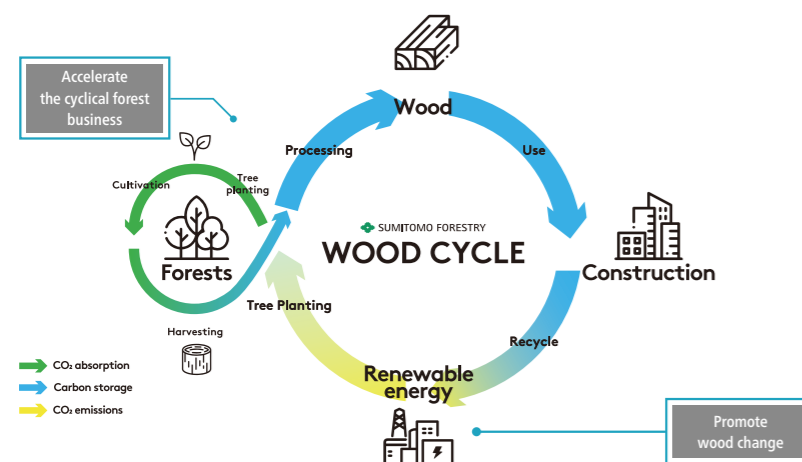
In March 2023, we started a collaboration with NTT Communications Corporation to provide a platform service to vitalize the creation and distribution of forest-derived carbon credits under the J-Credit Scheme.

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

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

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

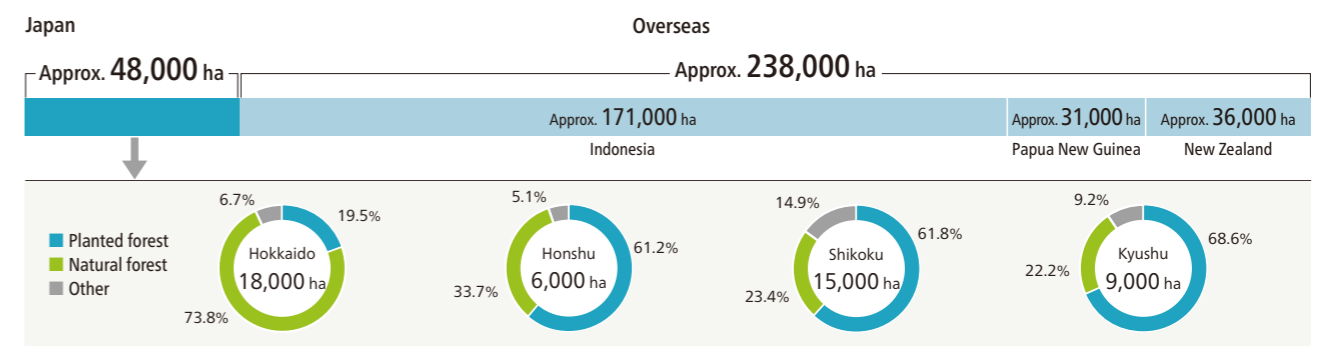
Positioning of segments in the Wood Cycle



Initiatives for growth

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

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



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

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

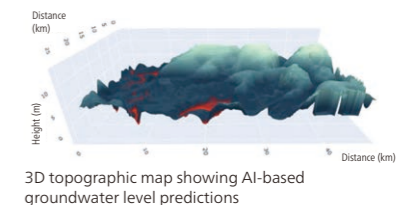
Contributions to Decarbonized Society

AI-based prediction of groundwater levels in tropical peatlands

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

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

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



Lifestyle Services Business



Koji Tanaka
Managing Executive Officer
Divisional Manager of Lifestyle Service Division

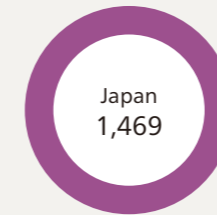
Doing business to solve social issues and catering to diverse lifestyles and values, such as elderly care and accommodation businesses

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

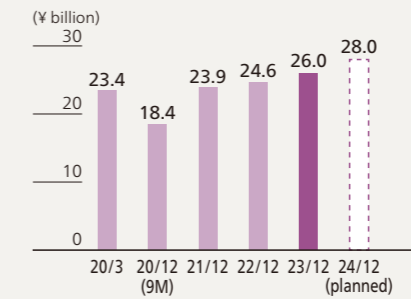


VISON

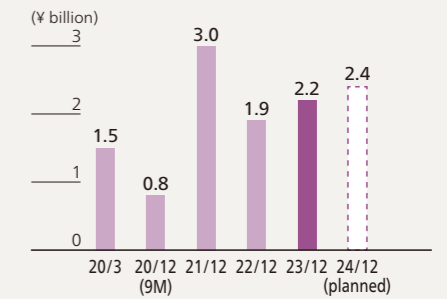
Number of employees
(As of December 31, 2023)



Net sales



Recurring income



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

Business Environment and Strengths

Business Environment

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

Strengths

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

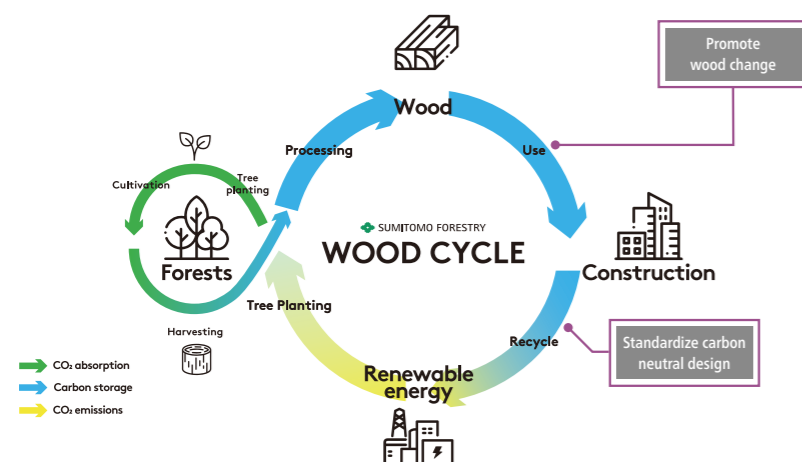
Progress in the Medium-term Management Plan

Medium-term Management Plan P.40

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

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

Positioning of segments in the Wood Cycle



Initiatives for growth

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

ICT-powered monitoring services

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

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



Installing sensor devices enables remote monitoring

Services

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

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

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

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



Grand Forest Denenchofu exterior



Grand Forest Noborito exterior (rendering)

Sumirin Fill Care (As of end of December 2023)

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

Sumirin Care Life (As of end of December 2023)

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

Research and Development

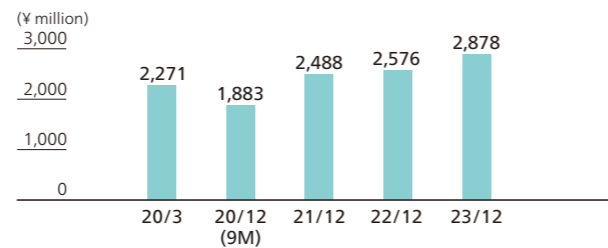
Policy on Research and Development

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

Research and Development Expenses

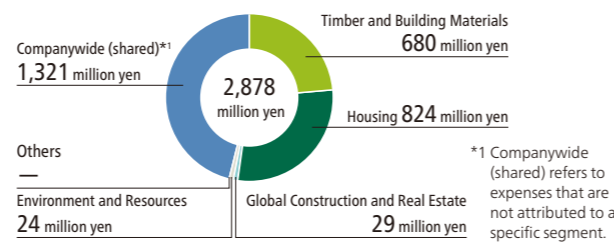
In fiscal 2023, research and development expenses for the entire Group were 2,878 million yen. We are promoting research and technological development comprehensively covering trees from upstream to downstream areas, from resources and materials to housing and construction.

Research and Development Expenses



* Includes research and development expenses for Tsukuba Research Institute which are not allocated to any segment.
 * The end of the FY was changed from March 31 to December 31 starting in the FY ended December 2020. This FY is a nine-month transition period from April 1 to December 31, 2020 reflecting the change in the FY's start and end.

Research and Development Expenses by Segment in FY2023



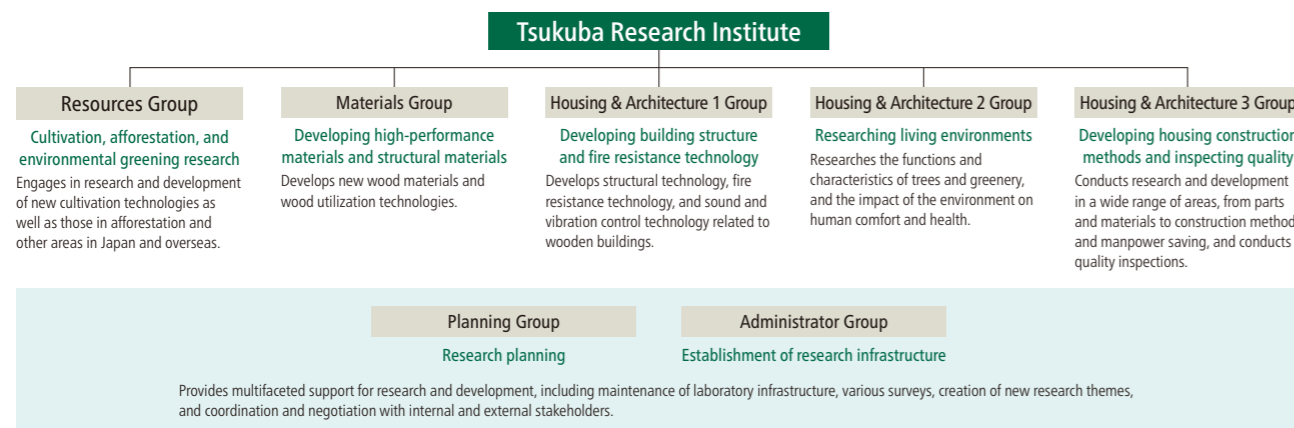
*1 Companywide (shared) refers to expenses that are not attributed to a specific segment.

Research and Development

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

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

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



Technologies for increasing the resilience of large-scale wooden constructions

Case 1

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

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

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



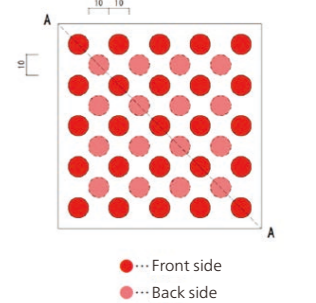
Specimen used for the experiment

Case 2

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

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

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



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

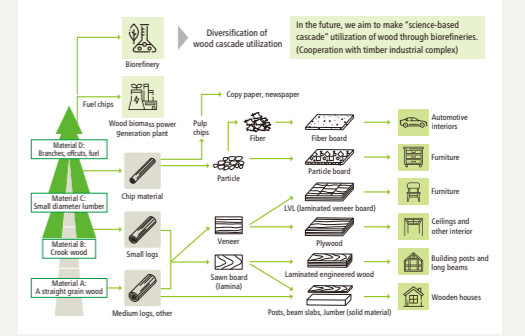
Alliance to promote the biorefinery business and start of research and development of wood biomass chemicals

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

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

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

Cascading flow



Conceptual image of the chemical cascade utilization of wood by biorefinery

Eleven-Year Consolidated Financial Summary

	2023/12	2022/12	2021/12	2020/12 (9M)*5	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3	2014/3
Operating results (¥ million)											
Net sales	¥1,733,169	¥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
Gross profit	408,830	392,970	321,994	191,323	242,689	232,146	219,315	204,138	183,134	169,492	160,162
Selling, general and administrative expenses	262,076	234,717	208,344	143,862	191,312	182,899	166,294	150,149	153,041	135,498	126,747
Operating income	146,755	158,253	113,651	47,462	51,377	49,247	53,021	53,989	30,093	33,994	33,415
Recurring income	159,418	194,994	137,751	51,293	58,824	51,436	57,865	57,841	30,507	36,424	33,567
Net income attributable to shareholders of parent / Net income	102,479	108,672	87,175	30,398	27,853	29,160	30,135	34,532	9,727	18,572	22,531
Recurring income (excluding actuarial differences)	154,416	187,027	134,491	46,470	61,396	54,846	55,574	52,860	42,038	36,681	34,586
Financial position											
Total assets	¥1,812,722	¥1,537,598	¥1,314,226	¥1,091,152	¥1,004,768	¥ 970,976	¥ 899,120	¥ 794,360	¥ 710,318	¥665,538	¥645,197
Working capital*1	648,039	578,653	470,909	297,669	273,167	236,047	209,506	190,386	178,215	158,110	120,725
Interest-bearing debt	423,872	348,323	302,763	302,933	268,491	248,885	200,630	163,817	119,069	103,369	92,975
Net assets	823,296	682,554	540,089	399,456	357,064	353,489	345,639	295,857	265,257	260,782	226,078
Cash flows											
Cash flows from operating activities	¥ 125,300	¥ 55,276	¥ 91,576	¥ 46,840	¥ 45,724	¥ 40,689	¥ 13,732	¥ 40,337	¥ 45,705	¥ 14,709	¥ 54,057
Cash flows from investment activities	(112,497)	(52,385)	(40,254)	(44,635)	(38,874)	(71,659)	(46,250)	(62,350)	(9,972)	(23,575)	(10,476)
Cash flows from financing activities	10,236	(32,998)	(7,029)	(6,782)	1,142	11,523	25,156	14,267	1,813	(17,286)	8,511
Cash and cash equivalents at the end of the year	174,771	147,373	170,035	122,220	112,565	105,102	125,555	132,707	141,265	103,296	128,343
Capital investment											
Property, plant and equipment	¥ 23,367	¥ 31,657	¥ 21,844	¥ 18,124	¥ 32,414	¥ 17,071	¥ 17,685	¥ 48,204	¥ 18,042	¥ 12,617	¥ 14,735
Intangible fixed assets	4,913	5,334	3,892	2,989	3,470	3,173	2,470	2,839	2,006	2,488	2,417
Others	10,154	7,026	2,488	2,834	2,267	2,088	3,792	3,085	400	282	252
Total	38,433	44,017	28,224	23,946	38,151	22,331	23,947	54,128	20,448	15,388	17,404
Depreciation and amortization	19,918	17,911	16,491	11,503	14,388	13,696	13,727	12,887	11,753	11,453	9,810
Per share data (¥)											
Net income	¥ 505.53	¥ 543.80	¥ 457.69	¥ 167.54	¥ 153.54	¥ 160.80	¥ 168.49	¥ 194.95	¥ 54.92	¥ 104.85	¥ 127.20
Net assets	3,686.51	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
Cash dividends	125.0	125.0	80.0	35.0	40.0	40.0	40.0	35.0	24.0	21.5	19.0
Financial ratios (%)											
Gross profit margin	23.6	23.5	23.2	22.8	22.0	17.7	17.9	18.3	17.6	17.0	16.5
Operating income margin	8.5	9.5	8.2	5.7	4.7	3.8	4.3	4.8	2.9	3.4	3.4
Recurring income margin	9.2	11.7	9.9	6.1	5.3	3.9	4.7	5.2	2.9	3.7	3.4
Return on assets (ROA)*2	9.5	13.7	11.5	4.9	6.0	5.5	6.8	7.7	4.4	5.6	5.6
Return on equity (ROE)*2	14.8	19.4	20.2	8.8	8.8	9.3	10.3	13.3	4.0	8.0	11.0
Equity ratio	41.6	40.8	37.7	33.7	32.1	32.8	34.7	34.6	34.3	36.9	33.9
Interest-bearing debt ratio*3	36.0	35.7	37.9	45.2	45.4	43.9	39.2	37.3	32.8	29.6	29.8
Current ratio	210.2	217.1	211.9	178.3	175.3	163.2	158.8	158.8	156.9	154.1	137.0
Interest coverage ratio (times)*4	29.3	18.4	39.7	24.9	16.9	20.1	9.6	27.1	43.1	12.6	44.2

*1 Working capital = Current assets - Current liabilities

*2 ROA and ROE are calculated using the simple average of beginning and end of term balance sheet figures.

*3 Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity)

*4 Interest coverage ratio (times) = Cash flows from operating activities / Interest payments

*5 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

		2023/12	2022/12	2021/12	2020/12	2020/3
Environment (E)						
Energy consumption (MWh)		2,862,493	2,880,398	2,878,334	2,848,460	2,903,124
Water use volume (thousand m ³)		2,916	2,937	2,858	2,851	2,897
Greenhouse gas emissions (t-CO ₂ e)	Scope 1	221,516	239,635	252,833	262,105	265,192
Greenhouse gas emissions (t-CO ₂ e)	Scope 2	114,156	116,292	117,939	108,421	115,449
Greenhouse gas emissions (ten thousand t-CO ₂ e)	Scope 3	944.6	940.0	983.5	911.9	1,025.5
Renewable energy introduction rate (%)		78.1	75.7	74.5	74.1	72.2
Renewable energy introduction rate in electricity used in the Group overall (%)		19.6	17.5	17.2	17.4	15.8
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	100.0	95.8	80.6
Recycling rate at domestic manufacturing plants (%)		99.6	99.4	99.1	99.1	99.0
ZEH order ratio for new custom-built detached houses (%) (order basis)		79.7	77.2	67.4	51.5	51.0
Rate of new custom-built detached houses certified as long-life quality housing (%)		95.9	96.3	94.9	94.7	94.4
Area under forest ownership/management (ten thousand ha)	Domestic	4.8	4.8	4.8	4.8	4.8
	Overseas	23.8	24.0	22.9	22.9	21.9
Carbon storage amount in area under forest ownership/management (carbon dioxide equivalent) (ten thousand t-CO ₂)	Domestic	1,384	1,373	1,361	1,348	1,330
	Overseas*1	5,191	5,264	5,240	5,212	933
Social (S)						
Number of employees (persons)	Non-consolidated	5,235	5,139	5,091	5,073	4,914
	Consolidated	24,815	21,948	21,254	20,562	19,332
Ratio of female employees (%)	Non-consolidated	23.8	23.1	22.6	22.0	21.6
	Consolidated in Japan	36.1	33.4	34.4	32.4	32.7
	Consolidated overseas	28.4	28.2	30.0	30.8	30.2
Ratio of female employees in management position (%)	Non-consolidated	6.8	6.3	5.6	4.8	4.2
	Consolidated in Japan	9.4	8.9	8.4	7.1	6.1
	Consolidated overseas	25.4	23.2	20.9	19.5	17.1
Ratio of newly graduated female recruits (%)	Non-consolidated	34.1	33.1	26.9	30.2	26.9
	Consolidated in Japan	41.8	34.6	35.1	43.4	45.7
	Consolidated overseas	35.7	39.5	32.8	38.7	-
Employment ratio of persons with disabilities (%)	Non-consolidated	2.46	2.40	2.38	2.25	2.40
	Consolidated in Japan	2.25	2.23	2.04	1.85	1.77
Rate of childcare leave taken by male employees (%) ^{*2}	Non-consolidated	70.0	49.0	50.4	46.8	31.3
	Consolidated in Japan	28.0	32.8	28.0	13.2	6.2
Rate of childcare leave taken by female employees (%) ^{*2}	Non-consolidated	81.4	110.3	108.8	84.4	100.0
	Consolidated in Japan	96.8	114.3	118.8	122.0	115.3
Rate of paid leave taken (%)	Non-consolidated	69.0	68.4	64.1	60.7	60.2
	Consolidated in Japan	68.1	66.6	59.6	58.1	63.0
Training hours per employee (hours)	Non-consolidated	19.6	15.5	13.0	10.5	18.0
Training expenses per employee (thousand yen)	Non-consolidated	117	106	77	59	102
Turnover ratio (%)	Non-consolidated	3.1	3.2	2.7	1.8	2.5
New graduate employee retention rate (three years with the Company) (%)	Non-consolidated	83.7	82.9	83.3	82.3	84.4
Employee satisfaction (%)	Non-consolidated	76.3	77.0	78.2	80.1	78.8
Governance (G)						
Number of Board of Directors meetings held		15	15	16	10	15
Number of Directors		9	9	9	9	8
Ratio of Outside Directors (%)		33	33	33	33	25
Attendance rate of Outside Directors at Board of Directors meetings (%)		100	100	100	100	100

*1 Overseas conservation forests have been added to the scope of aggregation from the FY 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, 2024)

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



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Major Initiative Participations and Endorsements



Statement of Authenticity



Publication of Integrated Report 2024

Tatsumi Kawata
Representative Director, Executive Vice President

In fiscal 2022, the Sumitomo Forestry Group established its Long-term Vision Mission TREEING 2030, identified the Nine Material Issues of material importance to management, and launched a three-year Medium-term Management Plan. In this report, we have attempted to explain the progress of the Medium-term Management Plan, which has entered its final year, as well as our future prospects for the next plan, while devoting particular space to our U.S. housing and real estate development business and human resources strategy to provide a deeper understanding of our growth potential.

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 accurately convey the Group's strategy, awareness of issues, and response, 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, all in an effort to increase the reliability of the reported matters. As the officer in charge of the department responsible for 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 use it in our dialogue with stakeholders.

We look forward to your continued support as we move forward.

IR FAQ

Question 1

Answer

What is your outlook for the future of the single-family homes market in the United States?

While the number of housing starts in the United States has remained at a low level for a long period of time since the Global Financial Crisis (GFC), the country's population is continuously increasing, rising by approximately 30 million people since the GFC to over 330 million in 2023, and there is a shortage of housing. In particular, the population of millennials and Generation Z, the core of the home-buying population, is growing at a high rate, and we expect housing demand to remain stable for the foreseeable future. According to the S&P Case-Shiller Home Price Index, home prices are rising but household incomes are rising as well, with home prices in the United States remaining at a healthy level of around six times the yearly household income on average. Delinquencies (mortgage delinquency rates) have also remained low, indicating that the housing market continues to face low risk conditions, and we expect stable growth to continue.

Question 2

Answer

What is your roadmap for achieving your target of 23,000 units sold annually in the United States single-family homes business by 2030?

Currently, through five builders of single-family homes in the United States, we are developing our housing business from Washington State to the East Coast, mainly in the Sunbelt, an area of robust economic growth. In 2023, we entered the previously unexplored state of Florida through M&A. In March 2024, through DRB, a Group company engaged in the single-family homes business in the United States, we acquired Biscayne Homes, which operates a single-family homes business in Tampa, Florida, thereby establishing a framework for further business expansion. Florida is an area where housing demand is expected to stably increase based on population and employment growth, and growth in the state will be one of the keys to building out a framework for reaching 23,000 units sold annually in the United States by 2030. On top of organic growth, we will continue to expand the number of houses supplied while exploring new M&A opportunities, aiming to sell 5,000 houses per year in Florida by 2030.

Question 3

Answer

What is the status of plant operations and synergies with Group companies in the Fully Integrated Turn-Key Provider (FITP) business?

Including the new plant in North Carolina, which commenced operations in May 2024, we currently have six plants in operation as manufacturing bases for roof trusses, wall panels, and other construction materials. For Group companies, An Cuong, a furniture manufacturing affiliate in Vietnam, assembles and installs cabinets and supplies them to DRB, a single family homes builder in the United States, for its for-sale homes, and to Crescent, a real estate developer in the United States, for its multi-family housing. In this way, collaboration between Group companies is progressing.

Through the FITP business, we will promote construction rationalization and creation of new value, and build Group synergies in collaboration with our Group companies to achieve our target of 23,000 housing units sold annually in the United States.

Question 4

Answer

What initiatives are you pursuing to strengthen the earnings base in the custom-built detached housing business in Japan?

In the domestic housing business in the fiscal year ended December 31, 2023, the number of new owner-occupied housing starts declined year-on-year for 25 consecutive months, and the business environment remained challenging, but the profit margin improved due to cost reductions, the implementation of operational efficiency measures, and the effect of price revisions. We promoted the spread of ZEH, which contributes to decarbonization and reduces energy costs, and renewed our single-story product GRAND LIFE by integrating the house and landscape design and incorporating efficient housework flow lines, in an effort to provide customers with a higher level of satisfaction.

In addition to improving profitability through operational efficiency and other measures, we will work to develop products that appeal to a wide range of customers in terms of price by reducing design costs, and to strengthen measures for land for residential construction. We will promote orders for three-story wooden multi-apartment residential buildings and strengthen the business of each Group company, including the renovation business, in order to solidify the earnings base of the domestic housing business as a whole.

Question 5

Answer

What progress is being made in the acquisition of forest assets through your forest fund?

At present, we have completed the acquisition of forest assets in New York State. Including projects under negotiation, we expect to acquire about a quarter of the forest area originally planned, and we are making steady progress in the purchase of assets.

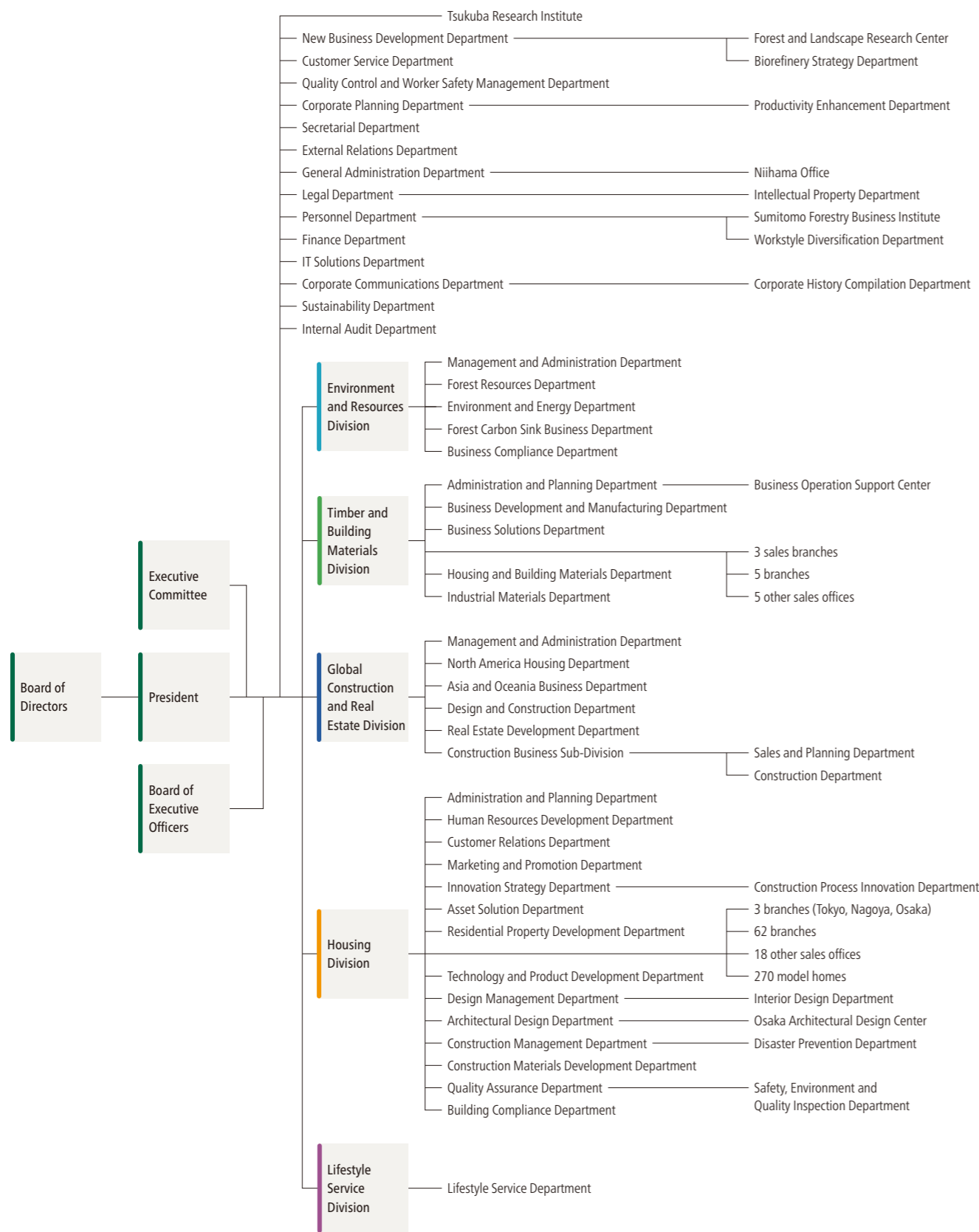
Question 6

Answer

Can you share the progress of the investment and loan plan within the Medium-term Management Plan?

The current Medium-term Management Plan calls for a cumulative total of approximately 300 billion yen in investments and loans by the fiscal year ending December 31, 2024. The total investment and loan amount for the two years ending December 31, 2022 and 2023, respectively was 178.7 billion yen, leaving approximately 120 billion yen remaining to reach 300 billion yen. In the fiscal year ending December 2024, the final year of the current Medium-term Management Plan, we plan to promote decarbonization-related investments that will form the foundation of the next Medium-term Management Plan, including investments in the overseas single-family homes and multi-family housing businesses, which have driven the Group's growth, as well as in the overseas non-residential wooden building field, the launch of a timber industrial complex, and asset acquisition for the forest fund.

Organization Chart (As of May 1, 2024)



Corporate Profile and Stock Information (as of December 31, 2023)

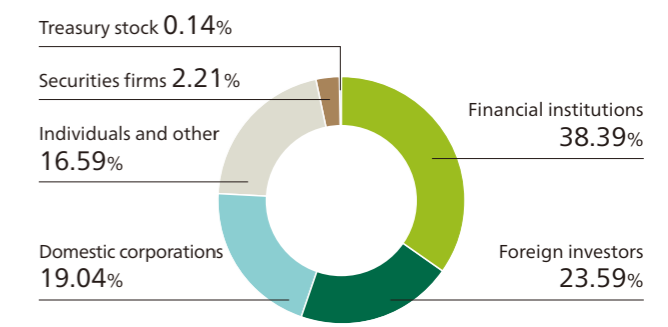
Corporate profile

Company name	Sumitomo Forestry Co., Ltd.
Founded	1691
Incorporated	1948
Paid-in capital	¥55,088 million
Head office	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Consolidated subsidiaries	376 (Overseas 337)
Affiliated companies	176 (Overseas 164)
Number of employees (consolidated)	24,815
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	206,058,468
Ordinary General Meeting of Shareholders	March
Number of shareholders	60,197

Breakdown of Shareholders



* 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)	29,873	14.5
Sumitomo Metal Mining Co., Ltd.	10,110	4.9
Custody Bank of Japan, Ltd. (trust account)	10,027	4.8
The Iyo Bank, Ltd.	5,849	2.8
Kumagai Gumi Co., Ltd.	5,197	2.5
Sumitomo Corporation	4,383	2.1
Sumitomo Life Insurance Company	4,227	2.0
The Hyakujushi Bank, Ltd.	4,197	2.0
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A / C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	3,411	1.6
Sumitomo Forestry Group Employee Shareholding Association	3,156	1.5

* 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.