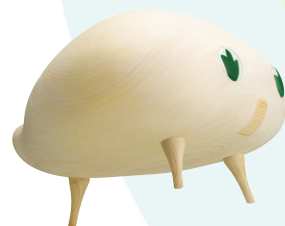


Happiness Grows from Trees



Integrated Report 2025

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 2025, a report on performance for the fiscal year ended December 2024, details Medium-term Management Plan Mission TREEING 2030 Phase 2, which was established to realize the Long-term Vision for 2030, and provides specific strategies set forth by each business segment. 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 2024
(January 1, 2024 to December 31, 2024)

* 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 ended December 31, 2024, the Global Housing, Construction and Real Estate business is renamed the Global Construction and Real Estate business.

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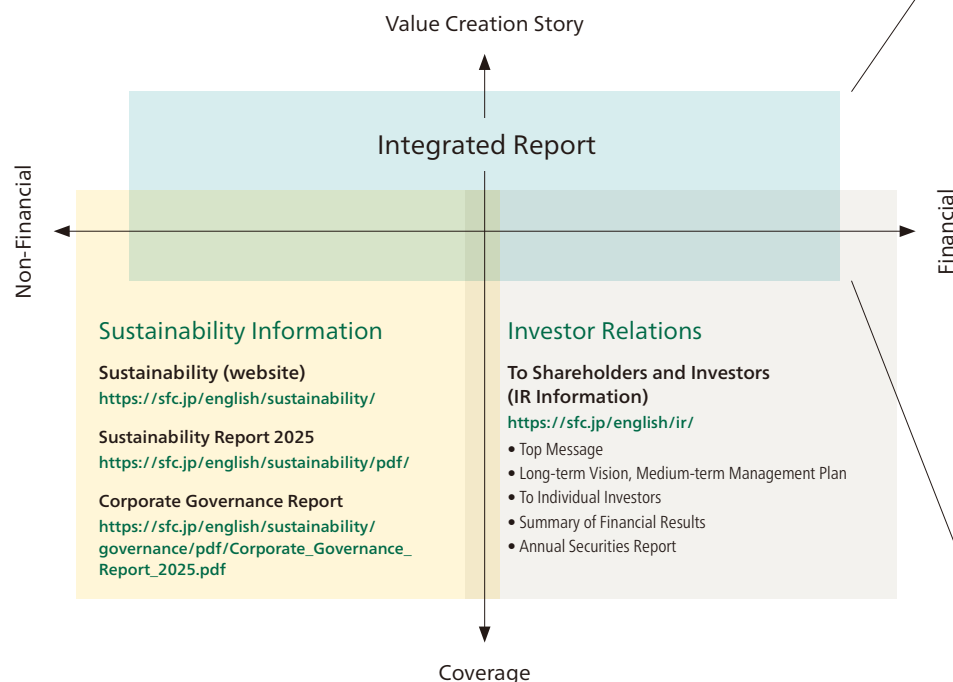
Corporate, IR,
Sustainability information
<https://sfc.jp/english/>



What This Report Strives to Convey

The Sumitomo Forestry Group publishes this Integrated Report in order to summarize medium- to long-term value creation initiatives from both financial and non-financial perspectives. This report is intended to serve as a medium for stakeholders, including shareholders and investors, to understand our growth story as we strive to enhance engagement with stakeholders.

In addition to this report, the IR section of our website provides a wealth of IR information in both Japanese and English, including financial results, financial factbooks, briefing materials, and monthly order information related to the Housing Business. Detailed information on our sustainability initiatives is available in Japanese and English on the Sustainability section of our website.



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 2025 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_2025.pdf#page=19



Key Highlights of the 2025 Integrated Report

This report provides a detailed overview of the challenges and developments that the Sumitomo Forestry Group is undertaking to achieve our vision for 2030. Three particular highlights are given below.

Point 1 Toward a New Growth Stage— Kicking Off Mission TREEING 2030 Phase 2 of Our Medium-term Management Plan

We have designated the three years from 2025 as “three years of reform and implementation,” and will enact strategies to enhance profitability, growth, and sustainability in an integrated fashion. Along with specific figures, we will share the direction of our business investment strategies and global expansion, which are expected to contribute to net sales of over 3 trillion yen. We will also explain strategies for achieving Phase 2 in each business segment.

Message from the President P.14

Special Feature Roadmap to Achieve the Long-term Vision P.25

Point 2 Value Creation Through the Wood Cycle

From forest management to wooden construction and renewable energy, we explain how Sumitomo Forestry’s unique value chain, the Wood Cycle, impacts the global environment, people’s lives, society, markets, and economic activities. By continuously generating these benefits, we aim to enhance the sustainability of society and ensure that the Earth remains a comfortable place to live.

Achieving Decarbonization and Nature Positivity with the Wood Cycle P.11

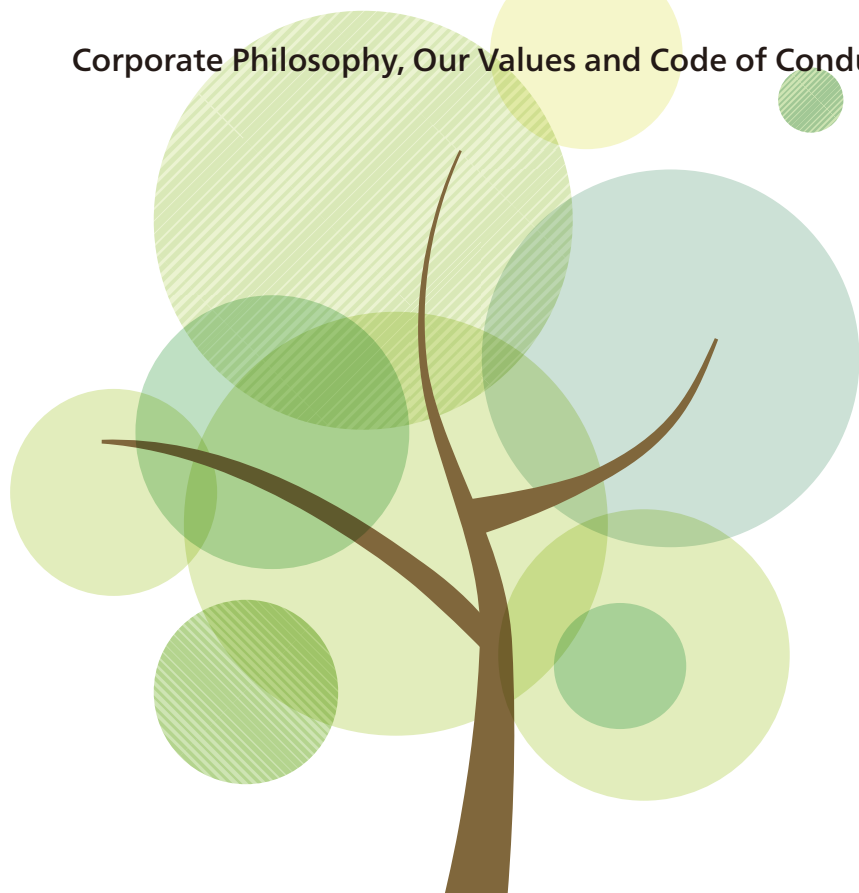
Value Creation Process P.36

Point 3 Initiatives Addressing Nine Material Issues That Support Corporate Value

Sumitomo Forestry is pursuing the integration of ESG and our business activities, and has established Nine Material Issues to create value in the three areas of the environment, society, and the economy. Through the initiatives and KPIs of each business segment, we are charting a path to sustainable improvement in corporate value.

Nine Material Issues and the Mid-term Sustainability Targets P.58

Corporate Philosophy, Our Values and Code of Conduct



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>



Our History

More than 330 years since its founding, Sumitomo Forestry has continued to grow while expanding its business domains through a sustainable business model that provides economic, environmental, and social value, based on Sumitomo's Business Spirit, which places prime importance on integrity and strongly advocates harmony with the public interest.

Sumitomo Forestry's origin

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.

Start of the Great Reforestation Plan and sustainable forestry

Sumitomo Forestry spent over a century on reforestation work around the Besshi Copper Mine.

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

Period of rapid economic growth and response to sharp increase in wood demand

We began importing wood. We established a system for manufacturing building materials and distributing and selling timber and building materials both domestically and overseas, and became the No. 1 timber and building materials trading company in Japan in terms of transaction amount.

Inroads into domestic custom-built wooden housing business

Harnessing our domestic and overseas wood procurement networks, we provide high-quality wooden houses and have grown into a top brand.

1691

Founding of Sumitomo Forestry

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



Teigo Iba (stored among Sumitomo Historical Archives)

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

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)

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



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

1964 Established full-scale plywood manufacturing company in Japan

1970 Started manufacturing business overseas

1975 Started the custom-built wooden housing business



Custom-built wooden housing

1977 Entry into the greening business

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



NPIL plant

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



The *Monjuin Shiigaki* (or Founder's Precepts) was left by Masatomo Sumitomo (1585-1652), founder of the Sumitomo family. 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." It also contains sayings such as "Place prime importance on integrity and sound management" which advocates the importance of trustworthiness, "Don't pursue immoral business or act imprudently" which warns against being blinded by the thirst for quick profits, and "Benefit self and benefit others, private and public interests are one and the same" which urges harmony with the public interest—between the individual, the nation, and society.

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

Our History

● Inroads into overseas housing business and expansion of business lines

In 2003, Sumitomo Forestry started its housing business in the United States, where wooden houses are the norm. It then expanded into Australia, where wooden houses are also the primary means of homebuilding. Sumitomo Forestry partnered with local companies who share its Corporate Philosophy in each area to expand its business domains.



Houses built for sale in Seattle



Show home by Henley Properties Group in Australia

● Promotion of medium- to large-scale wooden constructions

The Group has been promoting medium- to large-scale wooden construction business in Japan, the United States, Australia and Europe, which can contribute to decarbonization by storing carbon absorbed by wood for a prolonged period of time.



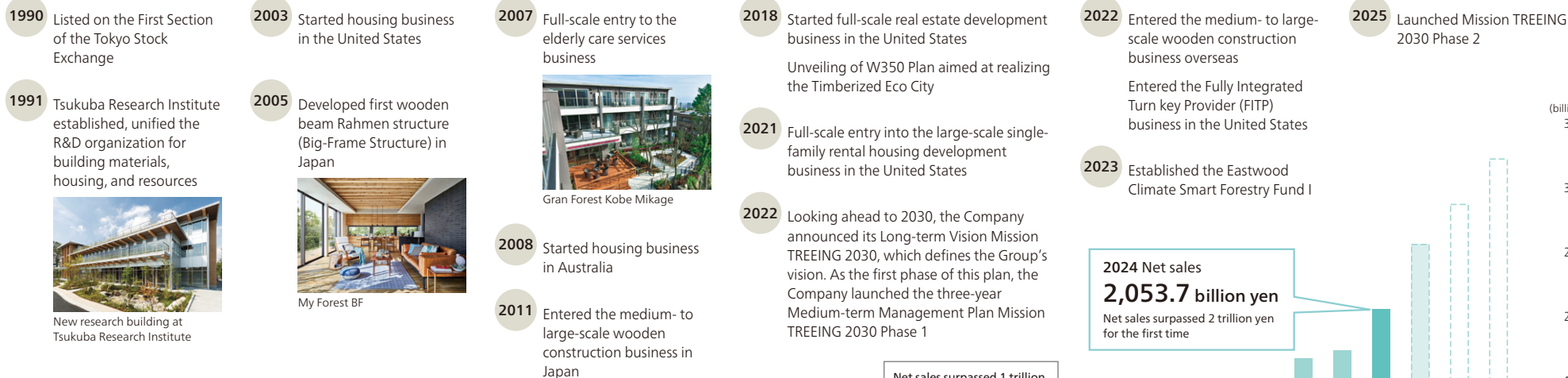
Sophia University Yotsuya Campus Building 15 (Completed in 2022)



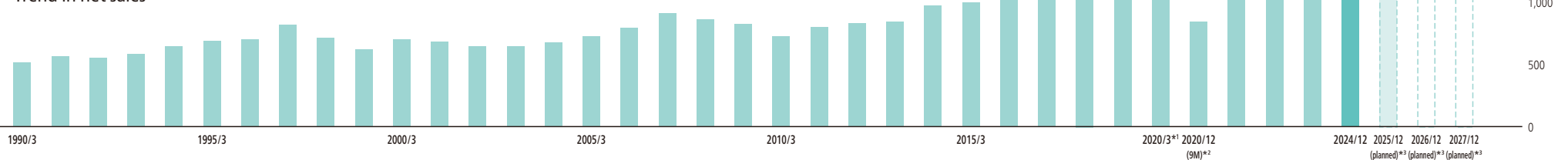
36 Wellington Project in Australia (Completed in 2023)

● Decarbonized initiatives

Sumitomo Forestry established the first forestry fund under the Medium-term Management Plan Mission TREEING 2030 Phase 1. By acquiring forest assets and increasing the forest area owned and managed, we will contribute to carbon offsetting for society as a whole.



Trend in net sales



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

*2 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.

*3 The planned figure represents the initial plan as of February 13, 2025.

At a Glance

Founded

1691



Group companies

(As of December 31, 2024)

Japan **53**
Overseas **601**



Number of employees
(consolidated)

(As of December 31, 2024)

26,741



Area of forests owned
and managed

(As of December 31, 2024)

Approx. 365,000 ha



Japan	Overseas
Approx. 48,000 ha	Approx. 237,000 ha

Forestry funds approx. **80,000 ha**

Number of units sold annually

(Fiscal year ended December 31, 2024)

24,465 units

Japan 8,596 units * ¹	United States 12,024 units * ²
Australia 3,287 units	Others 558 units * ³



*1 Total of custom-built detached homes, rental homes, and spec homes.

*2 Total of single-family homes and properties developed by the real estate business as a General Partner.

*3 Total of multi-family housing, single-family rental homes, etc. in real estate development in Australia and other regions (Europe and Asia), including joint ventures.

ROA

(Fiscal year ended December 31, 2024)

9.7%



PBR

(Fiscal year ended December 31, 2024)

1.2 times



ROE

(Fiscal year ended December 31, 2024)

13.9%



Equity ratio

(Fiscal year ended December 31, 2024)

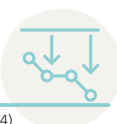
40.7%



Net debt-equity ratio

(Fiscal year ended December 31, 2024)

0.4 times



Dividend per share

(Fiscal year ended December 31, 2024)

145 yen



Position in each business in Japan and overseas

Timber and Building Materials Business

Japan

Transaction amount of timber
and building materials

1st

* Compiled by Sumitomo Forestry.

Global Construction and Real Estate Business

U.S.

Sales of single-family homes

9th

* Total of the entire Group.

U.S.

Starts of multi-family housing

4th

* Compiled by Sumitomo Forestry based on the NMHC
2025 Top 50 of U.S. multi-family housing companies.

Australia

Starts of single-family homes

1st

* Includes Metricon starts in 2024.

Message from the Chairman



We will contribute to global environmental measures by using trees

With climate change progressing and natural disasters occurring frequently around the world, we now live in an era where resilience and sustainability are becoming even more important.

Our Group's Corporate Philosophy is to utilize wood as a renewable resource and realize a sustainable and prosperous society through a diverse range of lifestyle-related services. In times such as these, we feel that we should undertake this mission with a greater sense of responsibility than ever before.

The 29th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP29) was held in 2024. Ultimately, the Parties reached an agreement on climate finance, in which developed countries will contribute funds to developing countries to combat global warming. However, significant differences in opinion between developing and developed countries highlighted the challenges that lie ahead.

Meanwhile, United States President Donald Trump took office in 2025 and announced that the country would once again withdraw from the Paris Agreement. Going forward, there are concerns that countries around the world will become less coordinated in their efforts to fight climate change, and that environmental policies will retreat due to a decline in momentum for international cooperation.

In this context, we launched our new Medium-term Management Plan, Mission TREEING 2030 Phase 2 which covers the three years from 2025 to 2027. This is a new Medium-term Management Plan aimed at realizing our Long-term Vision for 2030. Our Group is expanding its value chain centered on wood, which we call the Wood Cycle, on a global scale. We are also working to contribute to the decarbonization of society through our business, and feel that our role is all the more important in the current context, where the world's direction for environmental measures is unclear.

Our Board of Directors, comprising both outside directors and internal directors who also serve as executive officers, brings a diverse range of knowledge and insights to the table, facilitating lively discussions at Board meetings. As the role of our Group in society becomes more important, I intend to fulfill my role as Chairman of the Board of Directors so that we can meet the expectations of society.

Leveraging the 330-year history built by our predecessors, we will work together with each and every employee to chart our course for the next 100 years. I sincerely ask for continued support from stakeholders as we move forward.

Akira Ichikawa

Representative Director, Chairman of the Board

1

Toward Long-term Value Creation

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With global issues becoming increasingly serious, the Sumitomo Forestry Group is striving to achieve decarbonization and nature positivity by spinning the Wood Cycle, an SFC value chain centered on wood. In this chapter, we will introduce an overview of our Group's value creation based on our Three Values and Nine Material Issues under our Long-term Vision, Mission TREEING 2030.

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."

Corporate Philosophy

P.2 

Long-term Vision

P.20 

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

- 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

Material management issues

P.58 



Medium-term Management Plan

Mission TREEING 2030 Phase 1

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

P.23 

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

Mission TREEING 2030 Phase 2

(Fiscal year ending December 31, 2025 to fiscal year ending December 31, 2027)

P.25 

Three Years of **Reform** and
Implementation for Dramatic Growth

Basic Policies

Efforts to Address Decarbonization Challenge

Enhancement of Earning Power

Deepening of Global Expansion

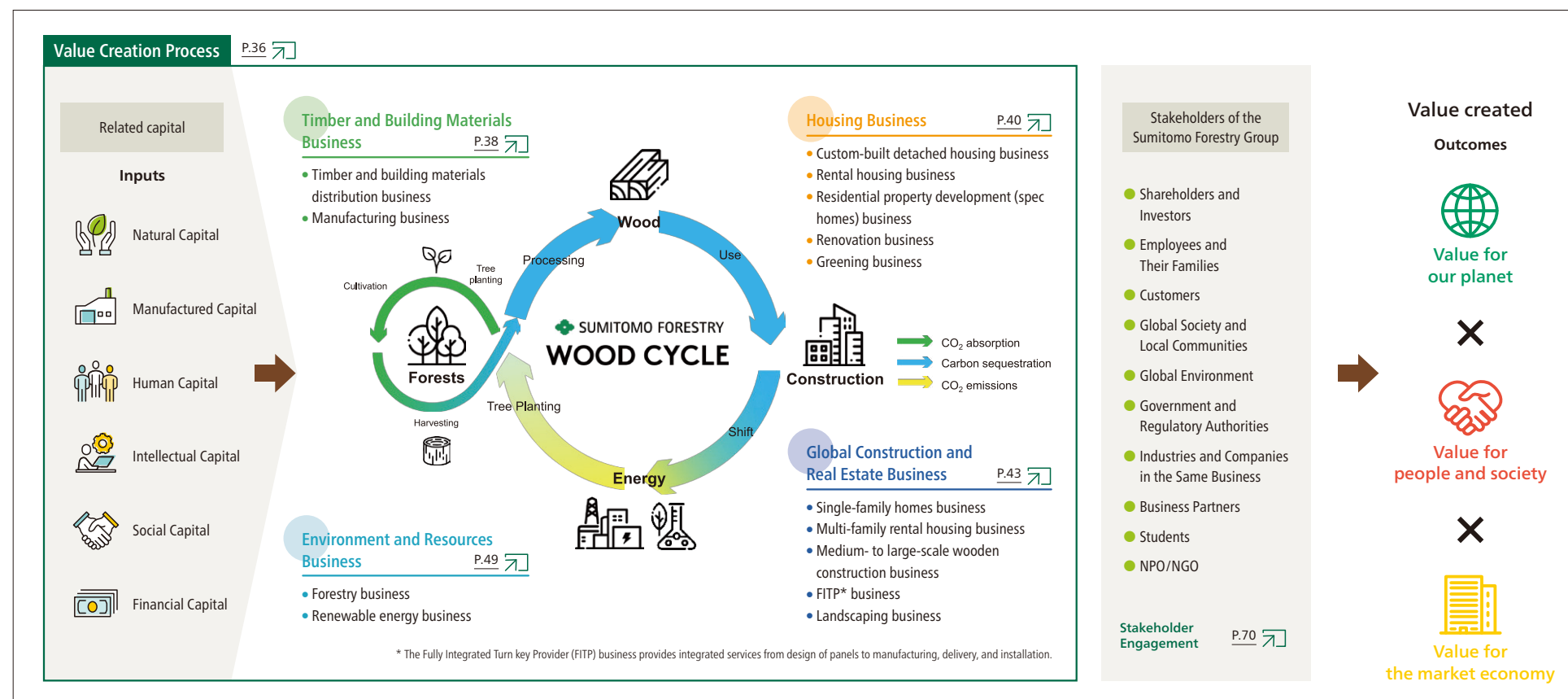
Strengthening Management Base

Further Integration of Business Operations and ESG

Mission TREEING 2030 Phase 3

Value Creation Story—The Sumitomo Forestry Group's Sustainability Management

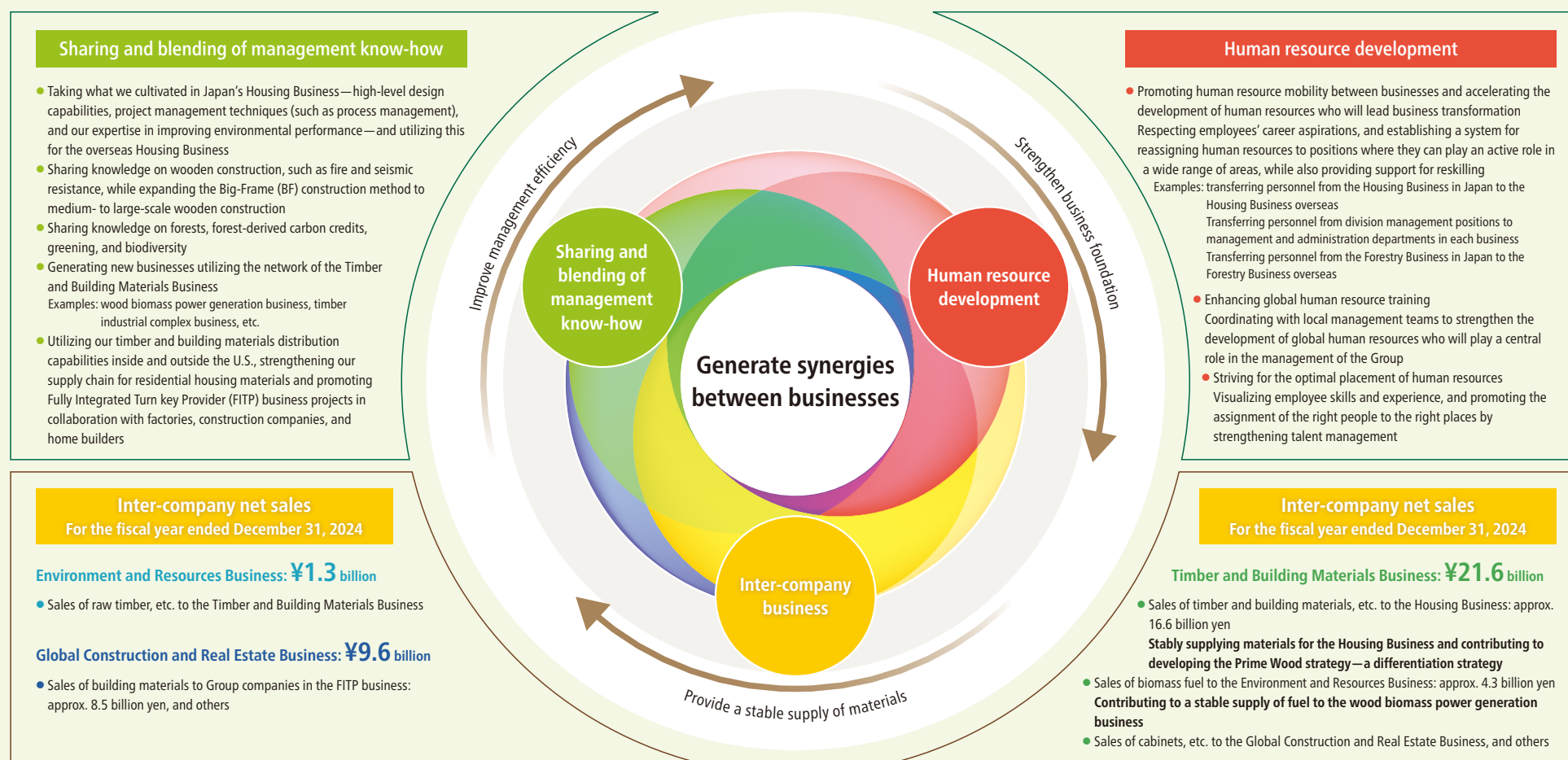
In February 2022, we formulated our Long-term Vision Mission TREEING 2030, which looks ahead to our ideal state in 2030, and identified nine material issues in the three areas of value: value for our planet, value for people and society, and value for the market economy. The Sumitomo Forestry Group engages in business activities around the concept of wood, from forest management to distribution, wooden constructions, and biomass power generation. We have illustrated this unique value chain in a diagram called the Wood Cycle. We will contribute to a decarbonized society by implementing this Wood Cycle, by increasing the amount of CO₂ absorbed by forests, promoting carbon storage in wood, and storing carbon over the long term in wooden buildings.





Broadening the Wood Cycle and Achieving Further Growth through Synergies Between Businesses

In addition to making use of its unique strengths that include not only technologies and expertise related to wood but also connections with customers, a network within and outside Japan, and its cultivated housing brand strength, the Sumitomo Forestry Group seamlessly links management resources throughout the Group. We create synergies and strive for additional growth by exchanging management expertise that is not restricted to business and cultivating human resources, including those in charge of the Housing Business in Japan and abroad.





Achieving Decarbonization and Nature Positivity by the Wood Cycle

With widespread extreme weather and an increase in major natural disasters, addressing environmental problems like global warming is a shared challenge for all of humanity. While spinning the Wood Cycle—a value chain centered on wood, which is a renewable natural resource—the Sumitomo Forestry Group is increasing CO₂ absorption and carbon storage capacity in the fields of forestry, timber, and construction, thereby contributing to the creation of a decarbonized society and the realization of nature positivity. In addition, by promoting wood change (the replacement of other materials with wood), we will increase the amount of wooden construction in cities and contribute to the creation of a decarbonized society through long-term carbon storage by wooden buildings. Furthermore, by making cities more like forests, we will help improve the well-being of society as a whole.

Social issues



- Global warming
- Extreme weather events
- Biodiversity loss and ecosystem collapse
- Degradation and decline of forests
- Natural resource shortages
- Environmental pollution
- Infectious diseases

Trends in building a sustainable society



- Establishment of PRI
- Adoption of SDGs
- Paris Agreement
- Introduction of ETS and carbon taxes
- Mandatory TCFD-compliant disclosure
- TNFD-compliant disclosure

Focus on forests and wood



- Absorbing greenhouse gases and carbon sequestration in forests
- Reforestation (REDD+)
- Assessment of changes in carbon content of Harvested Wood Products (HWP)
- Introduction of a forestry environmental tax
- Act promoting woodification in cities
- Well-being effects from the use of wood



Illustrative diagram of the transformation of cities into forests
Prepared by the Company's Tsukuba Research Institute

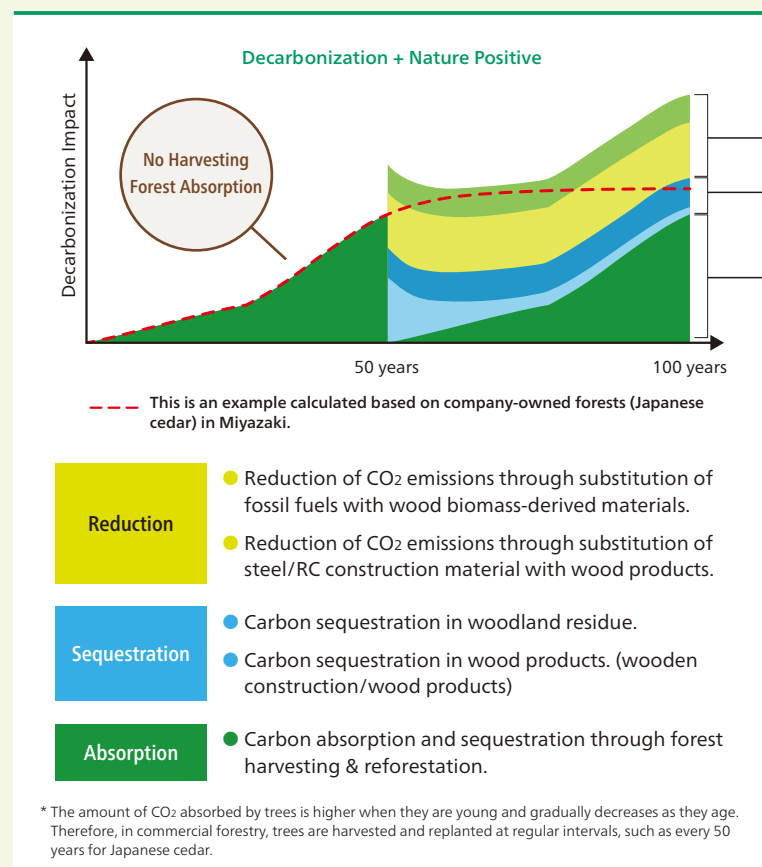


Three Values Created by the Wood Cycle

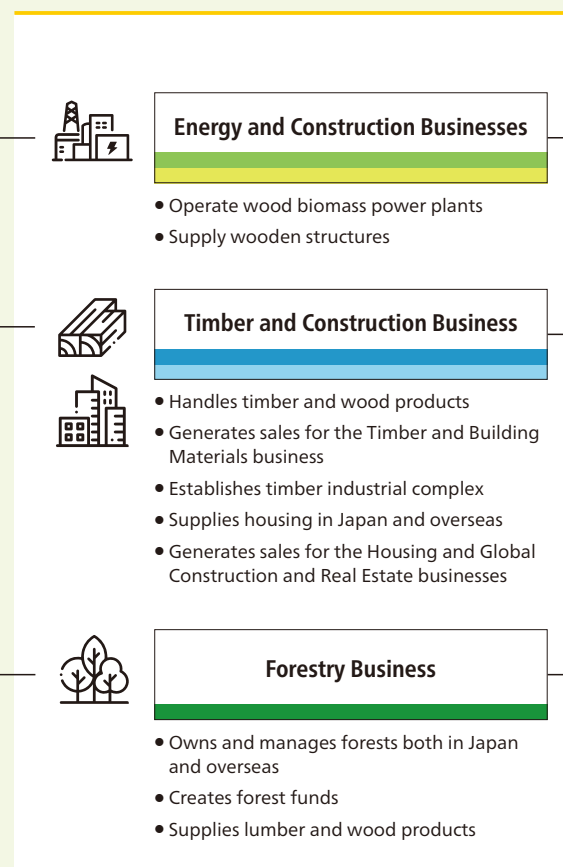
Wood resources have three decarbonization effects—forests absorb CO₂, carbon is fixed inside lumber, and wood resources limit CO₂ emissions when used as an alternative fuel. By promoting its businesses, the Sumitomo Forestry Group contributes to decarbonization and creates value for our planet, value for the market economy, and value for people and society.



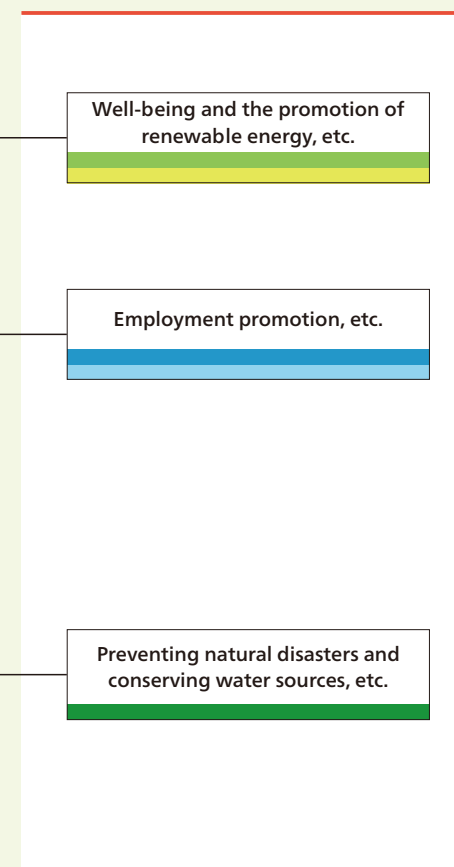
Value for our planet



Value for the market economy



Value for people and society






Sumitomo Forestry Group's Contributions to a 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 sequestration through increased use of wood products, and achieving long-term carbon sequestration through wooden construction.

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

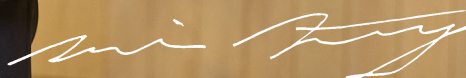
*1 Collection period: January to December 2024

<p>Accelerate the cyclical forest business</p>  <p>Forests</p>	<p>Area of owned forests in Japan</p> <p>Approximately 48,000 ha</p> <p>Area of owned/managed forests overseas</p> <p>Approximately 237,000 ha</p> <p>Forest area under forest fund management</p> <p>Approximately 80,000 ha</p> <p>Domestic and overseas reforestation rate</p> <p>100%</p>	<p>Number of trees planted annually</p> <p>Japan 0.16 million trees Overseas 10.75 million trees</p> <p>Number of seedlings produced annually</p> <p>Container seedlings in Japan Approximately 1.90 million capacity</p> <p>Seedling production overseas Approximately 13.12 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> <p>Japan 100% Overseas 92.1%</p> <p><small>*2 Forest certification acquisition rate for the operating area (planted area)</small></p>	<p>The Sumitomo Forestry Group's potential carbon sequestration</p> <p>(As of December 31, 2024)</p> <p>Carbon sequestration of owned and managed forests and currently standing wooden buildings and HWP (Harvested Wood Products)</p> <p>Carbon sequestration in forests</p> <p>Carbon sequestration of forests 65,562 thousand tons*<!--3</b--></p> <p>Japan 14,046 thousand tons</p> <p>Overseas 51,516 thousand tons</p> <p><small>*3 Method to calculate carbon sequestration 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>
<p>Promote wood change</p>  <p>Wood Renewable energy</p>	<p>Sustainability procurement survey implementation rate for imported wood product suppliers*4</p> <p>100%</p> <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>Volume of wood and wood products handled</p> <p>8,923,000 m³</p> <p>Recycling rate of manufacturing site waste</p> <p>Japan 99.1% Overseas 98.4%</p>	<p>Power supply from wood biomass power generation (converted to number of households)*5</p> <p>569,000 households</p> <p><small>*5 Total power supply from the six wood biomass power generation facilities in Japan. 265,000 households when converted to ownership ratio.</small></p>	<p>Carbon sequestration through wood products</p> <p>Cumulative wood products overseas 15,641 thousand tons*<!--6</b--></p> <p><small>*6 HWP carbon sequestration 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>
<p>Standardize carbon neutral design</p>  <p>Construction</p>	<p>ZEH order ratio of new, custom-built detached houses in Japan*7</p> <p>79.3%</p> <p><small>*7 Value that includes ZEH, Nearly ZEH, ZEH Oriented in heavy snowfall areas.</small></p>	<p>Ratio of new, custom-built detached houses in Japan that have acquired long-life quality housing certification*8</p> <p>96.7%</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 sold</p> <p>Japan Approximately 360,000 units</p> <p>Overseas Approximately 120,000 units</p>	<p>Carbon sequestration through housing</p> <p>Cumulative houses in Japan 7,876 thousand tons*<!--9</b--></p> <p>Cumulative houses overseas 2,784 thousand tons*<!--9</b--></p> <p><small>*9 Carbon sequestration 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 sequestration and amounts of change from housing.</small></p>

Message from the President

As we embark on our next stage, Mission TREEING 2030 Phase 2, the Sumitomo Forestry Group will further enhance its corporate value by expanding the Wood Cycle's global reach.

Toshiro Mitsuyoshi
President and Representative Director



Following elections held around the world in 2024, the rise of nationalism and far-right parties has become evident, and there are signs of change in the traditional international order and values. This has weakened the framework for international cooperation, heightening geopolitical risks and uncertainty in international relations.

Regarding the global economy, concerns are growing about a resurgence of inflation caused by U.S. tariff policies, while the volatility of stock prices and exchange rates is adding to market instability. In Japan, although there are signs of improvement in the employment and income environment, inflationary pressures are expected to intensify due to rising labor, energy, and food costs, and the impact of policy interest rate hikes will also need to be closely monitored.

Moreover, as the global average temperature persistently increases, the international community confronts a multifaceted dilemma, with certain nations and corporations exhibiting tendencies to regress on initiatives aimed at mitigating climate change and respecting diversity. Despite the prevailing uncertainty, Sumitomo Forestry remains resolutely dedicated to executing the strategies outlined in Mission TREEING 2030, as we strive for sustainable growth while fostering environmental coexistence and fulfilling our social responsibilities.

Sumitomo Forestry's value creation by wood

Long-term Vision Mission TREEING 2030

In 2022, the Sumitomo Forestry Group formulated its Long-term Vision Mission TREEING 2030, outlining our goals for 2030. In this Long-term Vision, we aim to provide three values to society through our business activities: namely, value for our planet, value for people and society, and value for the market economy. One of the pillars of our business

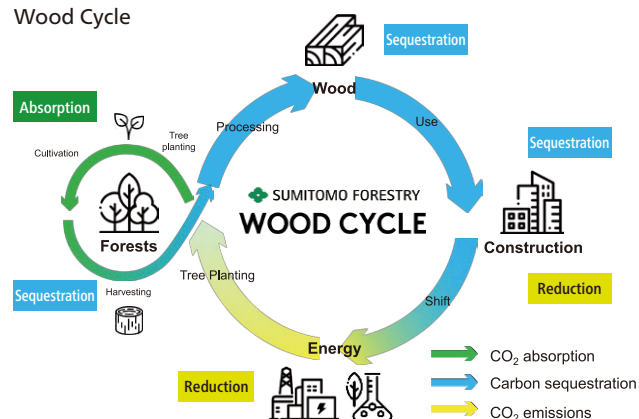
Message from the President

policy is maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy.

Since our founding in 1691, our Group has consistently been involved in wood-related businesses. Wood has an important function known as carbon sequestration, storing carbon from the CO₂ absorbed during its growth. By continuing to use logged wood for wooden buildings and furniture, carbon can be retained for a long period of time without being released into the atmosphere. At present, as global demand for decarbonization as a measure against global warming increases, we believe that our Group, which is expanding various wood-related businesses globally, will play an ever-expanding role in the future.

We call our unique value chain, centered on wood and ranging from forest management to distribution and manufacturing of timber and building materials, wooden constructions, and biomass power generation, the Wood Cycle. By expanding this cycle globally, we will contribute to the realization of a decarbonized society through our business activities, as well as the conservation of the global environment, including biodiversity, contributions to people and society, and the creation of economic value.

Wood Cycle



We are convinced that circulating the Wood Cycle through our own business activities will also lead to the realization of Sumitomo's Business Spirit of "Benefit self and benefit others, private and public interests are one and the same."

[Value Creation Story](#) [P.9](#)

Review of the previous Medium-term Management Plan

During the three-year period from 2022 to 2024, which corresponded to Phase 1 of our Long-term Vision Mission TREEING 2030, we made progress toward laying the groundwork for future growth and contributions to decarbonization based on five basic policies: namely, 1. Efforts to address decarbonization challenges using wood resources; 2. Promotion of a more resilient earnings base; 3. Acceleration of global expansion; 4. Strengthen management base for sustainable growth; and 5. Further integration of business operations and ESG. We achieved net sales of 2,053.6 billion yen, surpassing 2 trillion yen for the first time, and recurring income of 198 billion yen, surpassing the initial plan of 173 billion yen by 25 billion yen to reach a record high, according to our consolidated financial results for the fiscal year ended December 31, 2024, the last year of the plan. Mainly with the help of the U.S. single-family homes business, the Global Construction and Real Estate business greatly surpassed the Medium-term Management Plan's goals. The domestic housing business also met the goals, primarily due to higher sales prices and profit margins in the primary custom-built detached housing business and the profit contributions of subsidiaries. However, weak domestic and international market conditions made it difficult for the Timber and Building Materials Business and the Environment and Resources Business to operate, offsetting the steep rise in timber prices brought on by the wood shock.

In the Global Construction and Real Estate Business, we have used locally-driven management to establish

advantages in our U.S. spec homes business, which is concentrated in the Sunbelt region where demand for housing is robust. In addition, rising mortgage rates have created a lock-in effect,^{*1} reducing the number of existing homes, which account for approximately 90% of the entire single-family home market, that come onto the market, but this has actually worked to the advantage of new home builders. In the U.S. real estate development business, we increased our position in multi-family rental housing starts to fourth largest nationwide, following the acquisition of JPI, which added to the existing capacity of Crescent. The U.S. real estate development market is currently facing a tough environment, with the issues of supply shortages and single-family home affordability^{*2} emerging. Therefore, we will grow our multi-family rental housing business from the medium- to long-term perspective of the chronic housing shortage.

^{*1} Lock-in effect: The tendency to refrain from selling an existing home when refinancing from a low interest rate to a high interest rate is required.

^{*2} Affordability: Refers to the ability to pay for a home, and is evaluated as the percentage of housing costs (rent or mortgage payments) to household income.

In the single-family homes business in Australia, inflation caused material prices and labor costs to rise, while the COVID-19 pandemic caused chronic bottlenecks in administrative procedures and significant delays in construction progress, resulting in a challenging situation for some time. However, performance is recovering due to the significant increase in demand, mainly from first-time home buyers in Western Australia as well as the increase in sales prices and improved profit margins across the country. In November 2024, we acquired Metricon, the country's largest homebuilder, making it a consolidated subsidiary, thereby gaining an overwhelming share of the single-family homes business in Australia.

In the domestic custom-built detached housing business, profitability deteriorated due to soaring prices for timber

Message from the President

and various construction materials caused by the wood shock from 2021 to the end of 2022. However, by promoting the digitalization of marketing, including the expansion of our website, and restructuring our product strategy from first-time home buyers to high-net-worth individuals, and thanks to the effect of gradually increasing prices, we were able to secure orders while improving our sales prices and recovering our profit margins. On the other hand, in the Timber and Building Materials Business,

Achievements during the period of the Mission TREEING 2030 Phase 1 for the Global Construction and Real Estate Business and the Housing Business in Japan

United States	<p>Single-family homes business</p> <ul style="list-style-type: none"> Despite a slowdown in growth in the number of units sold due to soaring mortgage interest rates, solid housing demand supported an increase in housing unit prices and profit margins, and high profit levels were maintained Newly expanded into Florida, the second largest state in the U.S. in terms of single-family housing starts and permits. Entered into the FITP business, which covers everything from manufacturing to installation of structural members such as trusses, wall and floor panels, etc. <p>→ Expanded area and scope of business</p> <p>Real estate development business</p> <ul style="list-style-type: none"> Acquired JPI, a Texas and California-based developer and builder of multi-family rental housing in 2023. <p>→ Established two developer company structure</p>
Australia	<p>Single-family homes business</p> <ul style="list-style-type: none"> Acquired Metricon, the largest custom-built homebuilder mainly in Western Australia, making it a consolidated subsidiary <p>→ Gained an overwhelming share and pursued synergy effects</p>
Japan	<p>Custom-built detached housing business</p> <ul style="list-style-type: none"> Promoted sales of ZEH specifications with net zero energy consumption. Unit price continued to rise as a result of focusing on high value-added proposals through the Grand Estate Design Project. Promoted sales of the semi-customized product Forest Selection in the mid-price range, the volume zone. Strengthened sales promotion of single-story product GRAND LIFE. <p>→ Recovered the number of orders and increased market share</p>

the market environment remained challenging due to a decrease in the number of new housing starts and other factors. The Environment and Resources Division's forestry business suffered from a decline in the export log market, particularly to China, and increased expenses related to establishing reforestation sites, while the renewable energy business's profitability declined as a result of rising wood fuel prices.

In terms of forests, under our business policy to accelerate circular forest management, we have seen steady progress in the acquisition of forest assets through our first forestry fund. Combined with the areas that we have traditionally owned and managed, the area of forests we are managing had reached 365,000 hectares as of the end of 2024. In addition, in the area of wood, under our approach aiming to promote wood change, we launched our first timber industrial complex called Kowa-no-mori in Iwaki City, Fukushima Prefecture, and are preparing to begin commercial production in 2026. In Mission TREEING 2030 Phase 1, we actively invested in M&A and new businesses to achieve our Long-term Vision. Following this, we are now working to complete the PMI^{*3} process to reap the benefits of these investments. We have secured approximately 80,000 lots, equivalent to more than seven years' worth of sales based on our 2024 results, which will be essential for expanding our single-family homes business in the U.S. However, it is becoming increasingly important to operate our business with an awareness of capital efficiency and inventory turnover. In terms of bottom line, we achieved our company profit target. However, we are heavily dependent on our overseas single-family homes business, and there are noticeable delays in our Timber and Building Materials and Environment and Resources businesses when it comes to achieving the targets of the Medium-term Management Plan. Therefore, we will closely examine each issue, identify businesses that need to be strengthened and improved, and

those that need fundamental review, and reallocate management resources to optimize the overall situation.

^{*3} PMI: Post-merger integration refers to the process of integrating management, organization, culture, etc. after an acquisition.

[Roadmap to Achieve the Long-term Vision](#) P.25 

New Medium-term Management Plan Mission TREEING 2030 Phase 2

The Group has formulated its new Medium-term Management Plan Mission TREEING 2030 Phase 2, which will serve our Long-term Vision for the three-year period from the fiscal year ending December 2025 to the fiscal year ending December 2027.

The overall theme of this new Medium-term Management Plan is to dedicate "three years of reform and implementation for dramatic growth." We aim to achieve sustainable and steady profit growth by maintaining financial soundness and continuing to make aggressive investments.

Basic policy

The new Medium-term Management Plan sets out five basic policies. We will continue to deepen our global expansion, strengthen our management base to improve our earning power, contribute to decarbonization through our business activities, and further integrate our business operations and ESG.

The business environment that forms the premise of the new Medium-term Management Plan is marked by a contraction of the domestic housing market due to a declining population, while the rental housing and renovation markets look to see stable demand for the time being due to inheritance planning and wealth effects. In the U.S. and Australian housing markets, although there are concerns such as rising construction material prices,

Message from the President

rising labor costs due to chronic labor shortages, resurgence of inflation, and elevated interest rates, we expect solid demand due to a chronic housing supply shortage compared to the growing populations.

In this business environment, we plan to achieve net sales of 3,220 billion yen and recurring income of 280 billion yen in the fiscal year ending December 31, 2027, which is the final year of the new Medium-term Management Plan. During the new Medium-term Management Plan period, we will aim for an extremely high average annual EPS growth rate of 14.7%, and plan for ROE to reach at least 15%, significantly exceeding the cost of equity of 7.4%.

Following on from the previous Medium-term Management Plan, we plan to continue to make aggressive investments to achieve our Long-term Vision during the course of the new plan as well. We plan to invest a total of 413 billion yen over the next three years in our single-family homes business in the U.S. and Australia, which are driving our business growth, our real estate development business focusing on multi-family housing and medium- to large-scale wooden constructions, and the

expansion of our wood building material manufacturing bases both in Japan and overseas. By promoting further business expansion through aggressive investment, we aim to achieve our Long-term Vision Mission TREEING 2030 ending in 2030. At the same time, keeping in mind the results of the previous Medium-term Management Plan and our aggressive investment plans for the future, we have raised our recurring income target for 2030, the final year of the Long-term Vision, from 250 billion yen to 350 billion yen. We aim to increase corporate value to the next level while expanding our management base both in Japan and overseas.

Roadmap to Achieve the Long-term Vision [P.25](#) 

Timber and Building Materials Business

As the number of new detached housing starts in Japan declines, it will be difficult to achieve sustainable growth with a business model that relies on traditional intermediate distribution margins, centered on the domestic residential construction market. The key is to utilize domestic timber, which is abundant in stock, and to promote the use of wood in the non-residential

construction market. Specifically, we have launched the Kowa-no-mori project in Iwaki City, Fukushima Prefecture, as our first timber industrial complex using domestic timber. In this project, we aim to actively utilize domestic timber, mainly Japanese cedar. We will also build an integrated business model that covers all processes from manufacturing to sales, with an eye on the spread of medium- to large-scale wooden constructions and the export market.

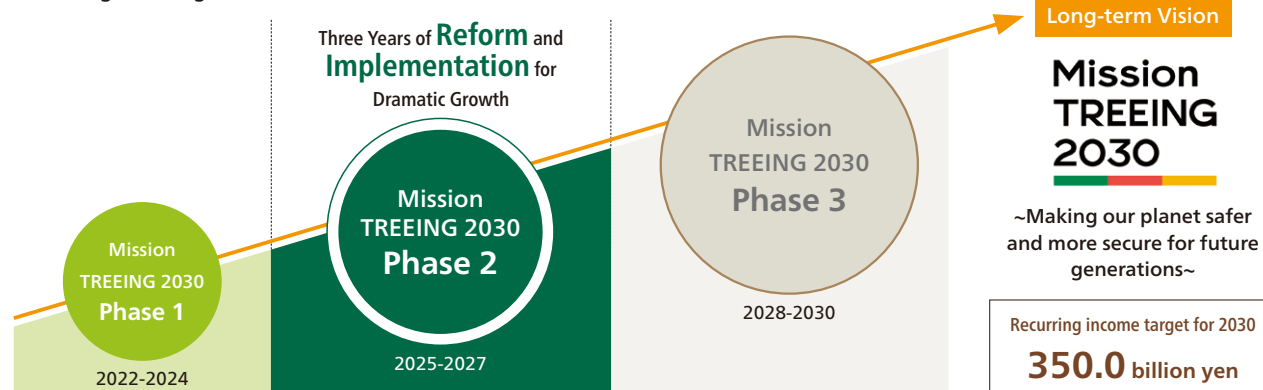
In addition, we will promote support services such as structural calculations and drawing creation for contractors and builders through Home Express Structure Design, and will work to create and materialize solution-based functions and services that increase the added value of the Timber and Building Materials Business. This includes JUCORE Mitsumori and Home Eco Logistics, which contribute to reducing the workload in the building materials distribution and logistics industries, and One Click LCA, which visualizes CO₂ emissions during construction. Furthermore, using Teal Jones Louisiana Holdings LLC, a manufacturing company in the U.S. that we plan to acquire as a new subsidiary, as a foothold, we will establish a supply system for construction materials in the U.S. utilizing the abundant plantation forest resources of southern yellow pine.

Timber and Building Materials Business [P.38](#) 

Housing Business

The anticipated decline in population and households in Japan is expected to result in a reduction of new housing starts. We will enhance the product appeal of Forest Selection, a semi-custom product tailored to customer requirements and competitively priced, as well as the single-story product GRAND LIFE, through significant cost reductions and data-driven marketing strategies. Simultaneously, we will enhance our initiatives for the

Achieving the Long-term Vision



Message from the President

Grand Estate Design Project targeting high-net-worth individuals. We will also steadily increase our market share by strengthening our land procurement system across the Group, including land proposals for first-time home buyers and securing land for the spec home business. We will rapidly advance digital transformation (DX), which involves digitizing the vast amount of real data accumulated to date, one of the Group's greatest assets, and using it as information to transform our operations. DX will also help us to fundamentally transform our operations and raise productivity through customer-oriented innovations. Furthermore, we will strengthen our business foundations in areas with room for growth, such as rental housing, spec homes, renovations, real estate brokerage, rental management, and greening.

[Housing Business](#) [P.40](#) 

Global Construction and Real Estate Business

We will continue to focus on the U.S. and Australia, as well as expand our real estate development business in Asia and Europe, with emphasis on single-family homes and multi-family housing developments. We will also promote medium- to large-scale wooden constructions both in Japan and overseas.

The U.S. single-family homes market is expected to continue to face supply shortages for the time being in response to steadily growing demand. Leveraging the more than 80,000 lots that have already secured and a stable procurement system, the Group will continue to work to secure high-quality land, with the goal of doubling our current sales to 23,000 units per year by 2030. In the short term, this business will be affected by factors such as mortgage rates and the existing homes market, but in the medium to long term, steady growth is expected against the backdrop of the supply-demand gap. We will continue to make careful and proactive investments while also

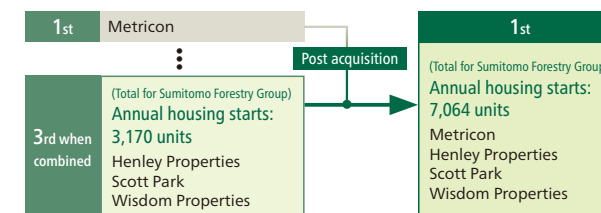
taking into consideration financial discipline in order to expand the business. Furthermore, we will continue to expand our FITP business*4 in order to address future labor shortages and strengthen profitability by stabilizing the supply chain. We plan to expand our truss and panel plants from nine locations as of the end of the previous fiscal year to more than 15 by 2027, and will also improve our construction project coverage rate of the Group's housing companies and real estate development companies.

*4 Fully Integrated Turn key Provider (FITP) business providing integrated services from truss, floor and wall panel design to manufacturing, delivery and construction

Our real estate development business in the U.S. focuses mainly on multi-family rental housing and has been struggling in a tough capital market with interest rates remaining elevated. On the other hand, occupancy rates and rent growth in multi-family rental housing have been stable because of the supply shortage and affordability issues in single-family homes. We will continue to carefully select and commercialize excellent projects while closely monitoring interest rates and market trends. In addition, while global demand for offices has yet to recover, as the construction industry accelerates efforts toward carbon neutrality, demand for wooden offices using mass timber construction, one of our strengths, is increasing. We will promote decarbonized, sustainable real estate development in the U.S., Australia, Europe, and Japan.

Australia also continues to face a chronic shortage of housing supply caused by population growth, and strong housing demand is expected to continue in the medium to long term. With the acquisition of Metricon in 2024, our Australian single-family homes business now sells more than 7,000 units per year, giving us a dominant top market share in the country. In addition to increasing the number of units sold, our lineup of products has also been expanded thanks to Metricon's extensive offerings. Going forward, we will aim to realize synergies and improve

Positioning in the Australia housing market (2023/2024 Results)



*5 New housing starts from July 2023 to June 2024.

profitability by leveraging economies of scale through joint purchasing of materials, development of construction methods, integration of core systems, and transformation of sales methods, with the aim of selling 10,000 units per year by 2030.

[Global Construction and Real Estate Business](#) [P.43](#) 

Environment and Resources Business

As global initiatives for carbon neutrality intensify, the demand for premium forest-derived carbon credits is increasing worldwide. Going forward, we will work to expand the area of responsibly managed forests both in Japan and overseas, with a view to establishing a second forestry fund, and to develop the foundations of sustainable forestry. At the same time, there is increasing growth potential not only for wood fuel for biomass power generation, but also for biorefineries used to make Sustainable Aviation Fuel (SAF),*6 an alternative to fossil fuels, and biodegradable plastics. Our objective is to cultivate competitive wood fuel for biomass power generation and optimize the value of wood resources, particularly in the biorefinery sector.

*6 Sustainable Aviation Fuel (SAF) is produced primarily from waste cooking oil, microalgae, wood waste, sugarcane, wastepaper, amid other sources. SAF has a greater effect on reducing CO₂ emissions than jet fuel made from fossil fuels (petroleum, etc.). (Reference: website of the Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry)

[Environment and Resources Business](#) [P.49](#) 

Message from the President

Further integration of business operations and ESG

Governance-related initiatives

With regard to strategically held shareholdings, the Board of Directors regularly reviews the returns on each individual stock and the status of transactions with the company to confirm the rationality and necessity of these holdings. As of the end of the previous fiscal year, the market value of these shares had fallen to around 8% of net assets, and we will continue to reduce them while discussing the rationality of each holding. With regard to the executive remuneration system, in line with the rise in profit levels, we have raised the base profit, which is the basis for variable remuneration, from 100 billion yen to 150 billion yen. In addition, with regard to the performance-linked portion, which accounts for 15% of remuneration, previously the Company's stock price growth rate (two-thirds) and the achievement rate of greenhouse gas emission reduction targets (one-third) were used, but from the new Medium-term Management Plan, this has been changed to one-third stock price growth rate and two-thirds greenhouse gas emission reduction target, strengthening our focus on sustainability.

In addition, we will expand our employee stock ownership plan and introduce a new stock compensation plan for employees to foster a sense of belonging to the Company and to raise motivation among all executives and employees about business performance and rising stock price.

Corporate Governance P.73 

Human resources strategy

To achieve the targets of our Long-term Vision Mission TREEING 2030, we need to further globalize, venture into new business areas, and transform our existing businesses.

To achieve this, we need to continually secure, develop, and improve the engagement of the right human resources, while also recognizing that it is essential to secure and develop talent with the execution capability to create new businesses and transform existing businesses.

For this reason, the Group has established three pillars for its human resources strategy: namely, 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. Based on this, we aim to build an even stronger business foundation through the synergistic effects of the various measures to advance these strategies. In terms of organizational structure, we established the Corporate Division to oversee the Head Office organizations in 2025 and build a system to support overseas business divisions by promoting human resources development through planned personnel rotations, in order to raise the overall level of our organizational capabilities.

In addition, as stated in the Sumitomo Forestry Group Declaration on Diversity, Equity and Inclusion announced in 2024, all executives and employees will continue working to create a workplace environment where everyone is respected, treated fairly, and accepted within the organizational community.

Human Resources Strategy P.65 

Contributing to decarbonization and nature positivity

With the implementation of the Wood Cycle through its business activities, the Group is contributing to a decarbonized society by increasing the amount of CO₂ absorbed by forests and promoting carbon sequestration over the long term through the wood products and wooden buildings made from them. In August 2018, we obtained certification for our SBT targets based on the



standards at the time. Then, in November 2024, we established short-term targets for 2030 with the goal of achieving net zero emissions by 2050, and obtained new SBT certification. In addition to our efforts to decarbonize toward carbon neutrality, we will continue to accelerate our initiatives toward biodiversity and nature conservation and restoration, contributing to the realization of a nature-positive society.

Responding to the Environment Issues and Climate Change P.60 

In conclusion

Our Corporate Philosophy states: "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." As we enter a new stage, Mission TREEING 2030 Phase 2, we aim to achieve our Long-term Vision Mission TREEING 2030, by globally expanding the Wood Cycle, focusing on forests, wood, and construction. We will work with our stakeholders in Japan and overseas to achieve sustainable growth and the realization of a sustainable and prosperous society by maximizing the value of forests and trees.

Overview of Long-term Vision

Mission TREEING 2030

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

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



Our Long-term Vision Mission TREEING 2030 contains detailed business concepts for realizing the Sumitomo Forestry Group's vision with an eye toward achieving a decarbonized society in 2050. To elevate our commitment to achieving this vision, we have set the target year for our Long-term Vision to 2030, which is the same as the Sustainable Development Goals (SDGs). Additionally, we organized the Group's value proposition into "Value for our planet," "Value for people and society," and "Value for the market economy," and then identified Nine Material Issues linked to each. Simultaneously increasing three values while keeping them intact, will position us to achieve our Long-term Vision.

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

350.0 billion yen

Upward revision

Overview of Long-term Vision

The Sumitomo Forestry Group's wood solutions



Forests

Accelerate the cyclical forest business

Form forest funds to expand forest coverage by protecting and expanding forests and peatlands around the world, especially in Asia. Contribute to carbon offsets for other companies and society.

- **Beneficiaries**
New customers who are seeking the value of CO₂ absorption
- **Contributions**
CO₂ absorption

2030 targets

Owned/Managed forest area
500,000 ha

1,000,000 ha

Upward revision



Wood



Renewable energy

Promote wood change

Establish a timber industrial complex that will improve the efficiency of domestic forestry and timber production, and contribute to the increase of carbon fixation by substituting wood-derived materials.

- **Beneficiaries**
Supply chain partners
- **Contributions**
CO₂ reduction (Scope 3 – Category 1)

2030 targets

Timber industrial complexes domestic timber usage

1.0 million m³/year



Construction

Standardize carbon neutral design

Contribute to the decarbonization of other companies and others through the spread of ZEH, ZEB, LCCM housing, and net-zero carbon buildings, as well as the establishment of carbon neutral designs (One Click LCA*1 x EPD*2).

- **Beneficiaries**
Building owners (general consumers, companies)
- **Contributions**
CO₂ reduction (Scope 3 – Category 11)

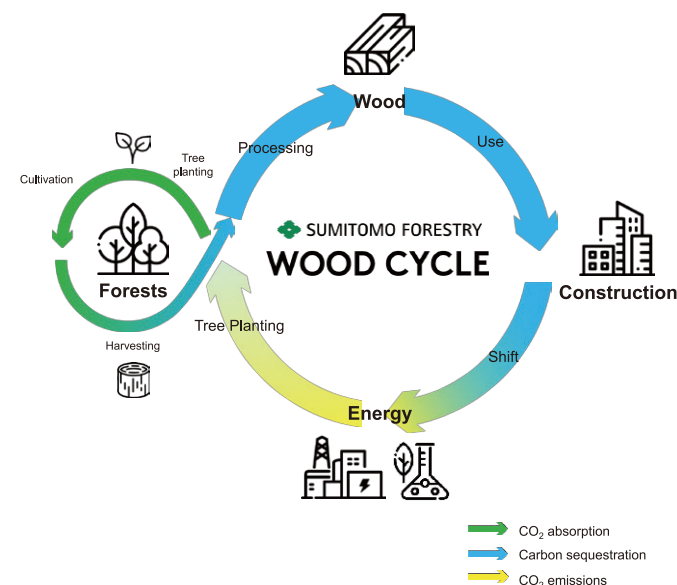
2030 targets

Number of housing units sold yearly
50,000 units
(in Japan and overseas)

65,000 units
(in Japan and overseas)

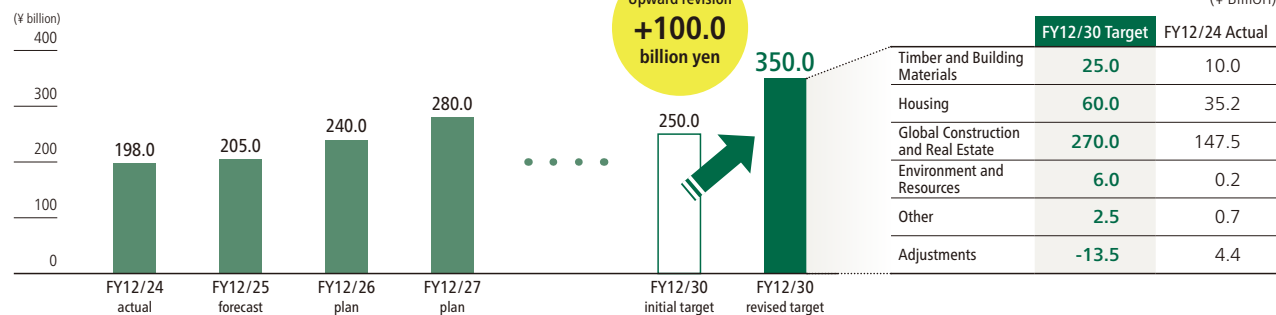
Upward revision

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.

Recurring income target



*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.

Review of Past Medium-term Management Plans

2018 Medium-term Management Plan

Fiscal year ended March 2017 to fiscal year ended March 2019

Promoting change for a new stage

Also implementing reform of corporate climate to further solidify business foundation

Basic Policies

Pursuing a strategy that anticipates societal changes

- Expansion of the overseas business
- Utilization of (domestic) timber
- Expansion of the elderly care business
- Expansion of the resources/energy business

Diversifying revenue sources in the global market

- 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.

Transforming the value of wood

- Creation of new wood value

Review

- Recurring income for the fiscal year ended March 31, 2018 was 55.6 billion yen*¹, achieving the target for the fiscal year ended March 31, 2019 ahead of schedule.
- Although recurring income for the fiscal year ended 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.
 - **Net sales: 1,308.9 billion yen**
Vs. target +138.9 billion yen
 - **Recurring income: 54.8 billion yen*¹**
Vs. target -0.2 billion yen

- 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.

2021 Medium-term Management Plan

Fiscal year ended March 2020 to fiscal year ended December 2021

Promoting creation and growth of new businesses based on future-oriented business strategies

Basic Policies

Promoting future-oriented business strategies for further growth

- 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.

Strengthening the management base for sustainable growth

- **Improvement of the financial standing**
 - Tie previous investments to results.
 - Generate free cash flows over three-year period (cumulative).
- **Improvement of organizational capabilities**
 - Engage in thorough risk management by strengthening governance.
 - Promote diversity management and also focus on work style reform and human resources development.

Accelerating R&D and technological innovation utilizing timber

- **Achievement of W30 Plan (30m wooden high-rise buildings)**
 - Aim for achievement by end of FY21/12.
- **Business labor saving and efficiency**
 - Utilization of ICT, including BIM and robotics.
- **Acceleration of technological innovation**
 - Increase in number of personnel in IT Solutions Department by 20% compared to March 31, 2019.

Promoting further integration of business operations and ESG

- 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

- Achieved all numerical targets for the fiscal year ended December 2021, exceeding the plan in all target areas.
 - **Net sales: 1,385.9 billion yen**
Vs. target +125.9 billion yen
 - **Recurring income: 134.5 billion yen*¹**
Vs. target +49.5 billion yen
 - **Net income attributable to owners of parent: 87.2 billion yen**
Vs. target +39.2 billion yen

- 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

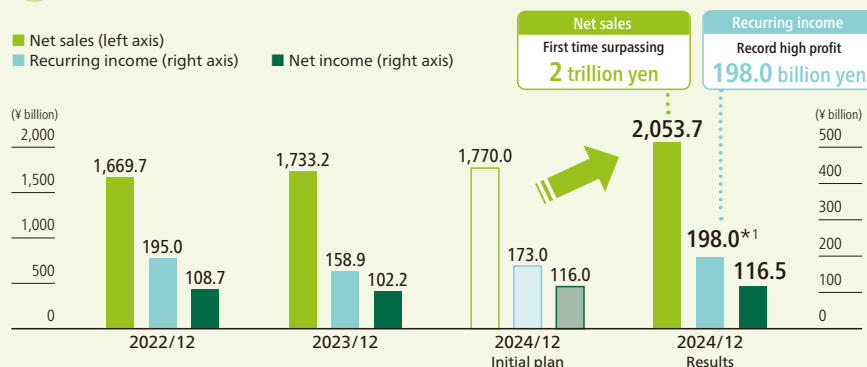
Review of the Previous Medium-Term Management Plan

Mission TREEING 2030 Phase 1

Fiscal year ended December 2022 to fiscal year ended December 2024

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

Consolidated performance trends



Basic Policies

- 1 Efforts to address decarbonization challenges using wood resources
- 2 Promotion of a more resilient earnings base
- 3 Acceleration of global expansion

- 4 Strengthen management base for sustainable growth
- 5 Further integration of business operations and ESG

Review

Based on our five basic policies, we are building a foundation for future growth and contributing to decarbonization.

- The Global Construction and Real Estate Business, centered on the U.S. housing business, is driving performance.
- Sales surpassed 2 trillion yen for the first time in the fiscal year ended December 2024, the final year of the Medium-term Management Plan.
- Recurring income reached 198.0 billion yen, 25.0 billion yen higher than the target of 173.0 billion yen.

- Net sales: **2,053.7 billion yen**
Vs. target +283.7 billion yen
- Recurring income^{*1}: **198.0 billion yen**
Vs. target +25.0 billion yen
- Net income attributable to shareholders of the parent company: **116.5 billion yen**
Vs. target +0.5 billion yen
- Return on equity (ROE): **13.9%**
Vs. target -1.1%

Results and issues

	Targets by business division	Results	Issues
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.) 	<ul style="list-style-type: none"> • Launched new service aiming for digital transformation in the wooden construction industry • Promoted spread of One Click LCA 	<ul style="list-style-type: none"> • Transformation into a business that is not dependent on new housing starts • Business development utilizing bases in the U.S. and Australia
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. 	<ul style="list-style-type: none"> • Increased market share in custom-built housing business • Secured orders through single-story houses, Forest Selection, and Grand Estate Design Project 	<ul style="list-style-type: none"> • Business expansion into rental, spec homes, renovations, etc. • Shortening of construction time and raise of productivity
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 	<ul style="list-style-type: none"> • Expanded business in single-family homes and multi-family housing in the U.S. and promoted FITP business • Established top market share in single-family homes business in Australia 	<ul style="list-style-type: none"> • Diversification and stabilization of earnings in the real estate development business • Realization of synergies in Australian housing business
Environment and Resources	<ul style="list-style-type: none"> • Expand forest management area in Japan and overseas 	<ul style="list-style-type: none"> • Launched support service for forest carbon credit creation • Launched pilot project on tropical peatlands management technology 	<ul style="list-style-type: none"> • Bolstering of marketing efforts in the overseas forestry business • Strengthening of competitiveness in the biomass power generation business

^{*1} Recurring income includes actuarial differences regarding employees' retirement benefit obligation (Actuarial differences regarding employees' retirement benefit obligation in the fiscal year ended December 31, 2024 were positive 9.8 billion yen.)

Review of the Previous Medium-Term Management Plan

Segment targets (¥ billion)

Net sales	FY22/12 result	FY23/12 result	FY24/12 result	Year-on-year change	FY24/12 Medium-term Management Plan targets*1
Timber and Building Materials	273.7	236.1	253.2	+7.2%	264.0
Housing	508.7	534.0	542.3	+1.5%	547.0
Global Construction and Real Estate	873.5	948.1	1,240.0	+30.8%	954.0
Environment and Resources	21.9	24.8	27.0	+8.5%	26.5
Others	24.6	26.0	27.3	+4.9%	29.0
Adjustments	-32.7	-35.9	-36.1	—	-50.5
Total	1,669.7	1,733.2	2,053.7	+18.5%	1,770.0

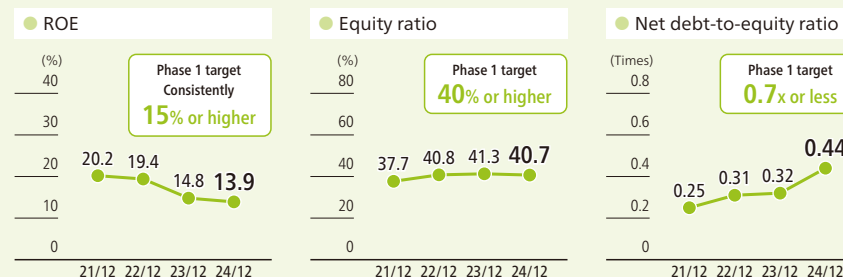
Recurring income**2	FY22/12 result	FY23/12 result	FY24/12 result	Year-on-year change	FY24/12 Medium-term Management Plan targets*1
Timber and Building Materials	14.9	11.2	10.0	-10.6%	11.5
Housing	15.4	32.8	35.2	+7.3%	32.0
Global Construction and Real Estate	161.8	112.0	147.5	+31.6%	129.0
Environment and Resources	1.4	0.6	0.2	-58.1%	4.0
Others	1.9	2.2	0.7	-67.8%	5.0
Adjustments	-0.4	0.2	4.4	—	-8.5
Total	195.0	158.9	198.0	+24.6%	173.0
(Reference) Excluding the effect of actuarial gains and losses	187.0	153.9	188.2	+22.2%	173.0

Performance trends by segment

In the Timber and Building Materials business, profits struggled amid a decline in new starts of detached houses in Japan. As a result, we focused on growth areas such as sales of wood fuel for biomass power generation and the overseas manufacturing business. In the housing business, profits exceeded the initial plan following the business takeover of Sasazawa Construction in July 2023, the effect of price revisions for custom-built detached houses, and growth in the renovation business. In the Global Construction and Real Estate Business, in response to strong housing demand in the U.S., we expanded our business scale locally and newly entered the FITP business, resulting in performance that significantly exceeded the initial plan. In Australia, we also achieved the top market share in the single-family homes business. In the Environment and Resources Business, profits struggled due to the challenging market environment, including soaring fuel prices in the biomass power generation business. Yet, we managed to achieve certain results in preparation for the start of our next medium-term management plan. This included the launch of a forestry fund and a pilot project for tropical peatlands management technology.

Trend in financial indicators

As for the financial indicators we set as KPIs, we achieved our targets for both shareholders' equity ratio and net debt-to-equity ratio, and we have continued to achieve an ROE that exceeds the cost of shareholders' equity (approximately 7.4%) while maintaining a stable financial base. ROE fell short of the target at 13.9%, which was because of the inflated foreign exchange translation adjustments attributed to the weaker yen following the growth of our overseas business.



Decarbonized initiatives

We are making steady progress toward the expansion of our business footprint and implementing measures for the pillars of our decarbonization business in our Long-term Vision Mission TREEING 2030: accelerating the cyclical forest business, promoting wood change and standardizing carbon neutral design. Based on our results up to the fiscal year ended December 2024, we have revised some of our targets for 2030.

	Accelerate the cyclical forest business	Promote wood change	Standardize carbon neutral design
Update	Owned/managed forest area 365,000 ha (Fiscal 2024 results)	Multiple projects underway First installment Established Kowanomori Co., Ltd.	Number of housing units sold yearly 24,465 units (Fiscal 2024 results)
2030 targets	Owned/managed forest area 50,000 ha 1.0 million ha <small>Upward revision</small>	Timber industrial complexes domestic timber usage 1.0 million m³/year	Number of housing units sold yearly 50,000 units (in Japan and overseas) 65,000 units (in Japan and overseas) <small>Upward revision</small>

*1 Plan at the time of formulating the Medium-term Management Plan.

*2 For the fiscal year ended December 2023, the initial allocation of the acquisition cost has been revised due to the finalization of provisional accounting treatment for business combinations.



Special Feature Roadmap to Achieve the Long-term Vision

Mission TREEING 2030 Phase 2

Fiscal year ending December 31, 2025 to fiscal year ending December 31, 2027

* Plan figures are for the initial plan as of February 13, 2025.

Aiming to achieve sustainable and steady profit growth by maintaining financial soundness and continuing to make aggressive investments.

In our newly-formulated Medium-term Management Plan Mission TREEING 2030 Phase 2, we aim to achieve sales of 3,220 billion yen, recurring income of 280 billion yen, net income attributable to shareholders of parent of 176 billion yen, and return on equity (ROE) of over 15% by the end of fiscal 2027.

Long-term Vision

Mission TREEING 2030

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



Special Feature

Roadmap to Achieve the Long-term Vision

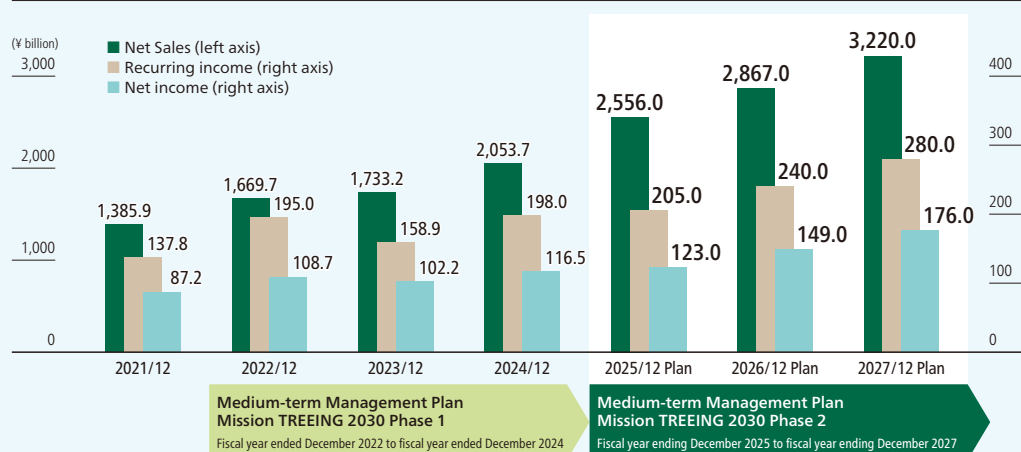
Mission TREEING 2030 Phase 2

Fiscal year ending December 31, 2025 to fiscal year ending December 31, 2027

Mission TREEING 2030 Phase 2 Basic Policies

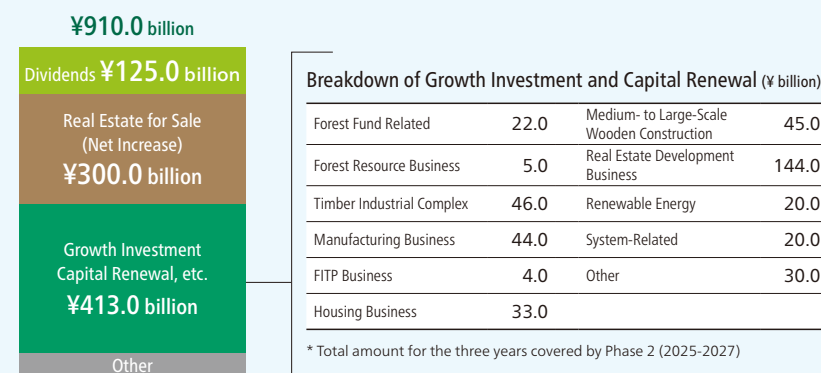
Basic Policies	Measures
Efforts to Address Decarbonization Challenge	<ul style="list-style-type: none"> Create new value from properly managed forests and expand sustainable forestry Build foundation for expanded use and consumption through deeper wood utilization via manufacturing business expansion Promote expanded supply of wooden housing and conversion to wooden construction in medium- to large-scale buildings both domestically and internationally
Enhancement of Earning Power	<ul style="list-style-type: none"> Accelerate innovation and structural reform in domestic business Establish foundation for real estate development business domestically and internationally Further improve asset and investment efficiency and profitability with focus on cost of capital
Deepening of Global Expansion	<ul style="list-style-type: none"> Further improve profitability of overseas housing and real estate business and enhance business base for stable growth Strengthen support by corporate departments while expanding business domains and scale in each region (Japan, U.S., Oceania, Southeast Asia, and Europe) to build and deepen Wood Cycle foundation
Strengthening Management Base	<ul style="list-style-type: none"> Secure and develop human resources to drive business transformation and creation, promote free and open organizational culture and health management Renovate business base through IT and digitalization, fundamentally transform operations and improve efficiency through DX promotion Accelerate technology-driven value creation and promote the improvement of operational quality
Further Integration of Business Operation and ESG	<ul style="list-style-type: none"> Steadily implement measures to achieve SBT goals Promote value proposition and market penetration of sustainable and decarbonization-contributing products and services Thoroughly implement "SAFETY FIRST" and "ZERO DEFECTS" Conduct business operations with consideration for regional stakeholders

Consolidated performance trends and targets



Investment in focus areas

Actively investing in decarbonization-related and growth areas to achieve the goals of Mission TREEING 2030 Phase 2 and Long-term Vision.





Special Feature

Roadmap to Achieve the Long-term Vision

Mission TREEING 2030 Phase 2

Fiscal year ending December 31, 2025 to fiscal year ending December 31, 2027

Segment Performance Targets

Timber and Building Materials segment

Pursuing recovery in earning power through expansion of manufacturing business and improvement of value-added in distribution business

Housing segment

Targeting stable growth through improved gross profit margins and expansion in rental and renovation businesses

Global Construction and Real Estate segment

Aiming for recurring income exceeding ¥200.0 billion in FY27/12 through proactive resource allocation

Domestic and Overseas Housing Sales Targets

- U.S. single-family housing business addressing steady demand based on housing shortage gap, planning steady growth
- Australian single-family housing business aims to expand share further by leveraging top share position

Sales Volume (Units)	2024/12 Actual	2027/12 Plan
Housing Business	8,596	10,300
U.S. Single-Family Housing	11,267	17,700
U.S. Multi-Family Housing* ¹	757	2,800
Australia Single-Family Housing	3,287	8,200
Asia Single/Multi-Family Housing	97	950
Total* ²	24,465	Approx. 40,000

*1 Represents development properties where the Group participates as General Partners

*2 Total includes other properties such as fee-build in U.S.

Financial Indicators

- Continuing from the previous medium-term plan, we will adopt ROE, equity ratio, and net D/E ratio as key performance indicators to ensure stability while pursuing profitability.

	2021/12 Results	2024/12 Results	Mission TREEING 2030 Phase 2 Target (through 2027/12)
ROE	20.2%	13.9%	15.0% or higher
Consolidated Recurring Income	¥137.8 billion	¥198.0 billion	¥280.0 billion
Equity Ratio	37.7%	40.7%	40.0% or higher
Net D/E Ratio	0.3x	0.4x	Approx. 0.7x

Net Sales (¥ billion)

	2024/12 Results	Plan			Change from 2024/12
		2025/12	2026/12	2027/12	
Timber and Building Materials	253.2	293.0	315.0	333.0	+79.8
Housing	542.3	585.0	612.0	645.0	+102.7
Global Construction and Real Estate	1,240.0	1,673.0	1,944.0	2,245.0	+1,005.0
Environment and Resources	27.0	27.5	28.0	31.5	+4.5
Other	27.3	30.5	31.5	32.5	+5.2
Corporate/Adjustments	-36.1	-53.0	-63.5	-67.0	-30.9
Total	2,053.7	2,556.0	2,867.0	3,220.0	+1,166.3

Recurring Income (¥ billion)

	2024/12 Results	Plan			Change from 2024/12
		2025/12	2026/12	2027/12	
Timber and Building Materials	10.0	12.0	13.5	16.0	+6.0
Housing	35.2	38.0	40.5	45.0	+9.8
Global Construction and Real Estate	147.5	161.0	193.0	225.0	+77.5
Environment and Resources	0.2	0.0	0.7	2.3	+2.1
Other	0.7	1.3	1.5	1.8	+1.1
Corporate/Adjustments	4.4	-7.3	-9.2	-10.1	-14.5
Total	198.0	205.0	240.0	280.0	+82.0

Special Feature

Roadmap to Achieve the Long-term Vision

Mission TREEING 2030 Phase 2

Fiscal year ending December 31, 2025 to fiscal year ending December 31, 2027

Further Integration of Business Operations and ESG

The Sumitomo Forestry Group has identified its Nine Material Issues in our Long-term Vision Mission TREEING 2030 ~Making our planet safer and more secure for future generations~ in order to provide society with fundamental value for our planet, on which value for people and society and value for the market economy are built. In the Medium-term Management Plan Mission TREEING 2030 Phase 2, under our ongoing fundamental policy of “further integration of business operations and ESG,” we will continue our work to bring about a sustainable society through efforts aimed at creating a Wood Cycle.

Environmental: Environment

In addition to decarbonization initiatives through the Wood Cycle, we aim to increase the value of natural capital, starting with forest resources, and operate our business with consideration for biodiversity

SBT Targets

- Obtained SBT certification to achieve net-zero greenhouse gas emissions by 2050

	Scope 1+2	Scope 3 (Base unit)
Short-term target (by 2030)	42% reduction vs 2021	51.6% reduction vs 2021
Long-term target (by 2050)	90% reduction vs 2021	97% reduction vs 2021
	Achieve net-zero emissions by offsetting remaining emissions	

TCFD/TNFD Response

- For TCFD, conducting scenario analysis on climate change impacts to our Group and reflecting in management plan
- For TNFD, registered as ‘TNFD Early Adopter’ in December 2023 and conducting LEAP analysis on nature-related risks to our Group
- Going forward, while advancing analysis and disclosure in line with TNFD recommendations, accelerating initiatives for biodiversity, nature conservation, and recovery, contributing to nature-positive realization

Social: People and Society

Toward achieving our Long-term Vision, we have established three pillars as our human resource strategy and aim to improve employee engagement, realizing mutual growth between the “individual” and “organization”

HR Securing & Development

- Securing **global talent** through enhanced recruitment of international students
- Strengthening human resource development through establishment of new **Corporate Division** integrating head office management departments
- Development of skilled craftspeople through specialized technology and advancement of “**Construction Partner Promotion Center**” initiatives

Organizational Culture

- Implementation of **talent management** based on evaluation of individual employee skills and behaviors
- Implementation of **organizational culture reform projects** tailored to organizational characteristics
- Implementation of **psychological safety training** targeting management level

Health Management

- Improvement guidance for high-risk individuals and departments in health diagnoses and stress checks
- Preventive measures to reduce **absenteeism and presenteeism**
- Education to improve health literacy

Governance: Governance

Based on “Sumitomo’s Business Spirit” which emphasizes fairness and trust to benefit society, we aim to increase corporate value by ensuring management transparency and strengthening internal controls and governance

Reduction of Strategic Shareholdings

- Board of Directors examines return and trading status for each holding, reducing holdings when rationality and necessity cannot be confirmed

Promotion of Employee Stock Ownership

- Expanding employee shareholding association and newly introducing “**Employee Stock Compensation System**”

Review of Officer Compensation System

- Aiming for **further improvement in performance and corporate value**, revising upward the base profit that serves as basis for variable compensation from 100 billion yen to 150 billion yen

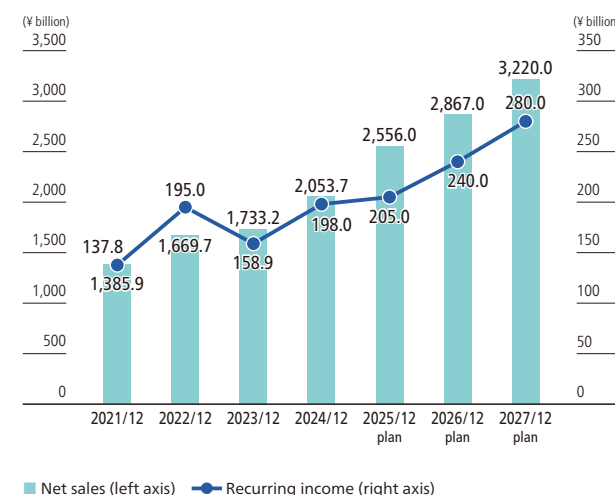
Information Security and DX

- Improving security and governance
- Renovating business systems
- Promoting data-driven approaches through digital infrastructure

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



Net sales and recurring income



Our new Medium-term Management Plan, Mission TREEING 2030 Phase 2, is billed as “three years of reform and implementation for dramatic growth.” In accordance, we will accelerate investments to achieve sustainable growth. Particularly, we will aggressively invest in the decarbonization field, as well as the housing business and real estate development in the U.S. and Australia, strengthening the foundation to achieve our Long-term Vision for 2030. In addition, we will pursue both improved capital efficiency and expanded shareholder returns, executing a solid growth strategy for sustainable corporate value enhancement.

Review of the previous Medium-term Management Plan

The previous Medium-term Management Plan, Mission TREEING 2030 Phase 1, was designed to be “three years for creating a foundation aimed at future growth and contribution to decarbonization,” and therefore we focused our efforts on further expanding the core revenue pillar that is our Construction and Real Estate Business, strengthening the earnings base of business in Japan, and expanding the scale of decarbonization initiatives. During the period covered by Phase 1, with overall Group performance driven by the Global Construction and Real

Estate business, buoyed by a strong single-family homes business in the U.S., we earned record-high profits for the fiscal year ended December 2024, the final year of Phase 1. Key performance measures included net sales of 2,053.7 billion yen (11.3 billion yen less than the initial plan), recurring income of 198.0 billion yen (25.0 billion yen more), and net income of 116.5 billion yen (11.0 billion yen more). ROE was 19.4% for the fiscal year ended December 2022, 14.8% for the fiscal year ended December 2023, and 13.9% for the fiscal year ended December 2024. Despite a target of 15%, rising foreign currency translation adjustments due to the weaker yen have pushed ROE below our target. However, we have maintained the ROE level that

significantly exceeds our cost of equity of 7.4%. Going forward, we aim to ensure sustainable growth by improving capital efficiency while maintaining financial soundness.

Financial strategy in Mission TREEING 2030 Phase 2

In the new Medium-term Management Plan Mission TREEING 2030 Phase 2, which started in the fiscal year ending December 2025, the theme is “three years of reform and implementation for dramatic growth,” aiming for sustainable profit growth through continued proactive investment in growth areas. One of the basic policies is the

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

Trend in main financial indicators

	2020/12*1	2021/12	2022/12	2023/12	2024/12	2025/12 plan*2	2027/12 target
Equity ratio	33.7%	37.7%	40.8%	41.3%	40.7%	40.1%	40.0% or more
Net debt-to-equity ratio (times)	0.5	0.3	0.3	0.3	0.4	—	around 0.7x
Return on equity (ROE)	8.8%	20.2%	19.4%	14.8%	13.9%	13.1%	15% or more
Dividend payout ratio	20.9%	17.5%	23.0%	24.8%	25.5%	30.3%	30% or more

*1 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.

*2 Plan as of February 13, 2025.

enhancement of earning power, with a target of achieving net sales of 3,220 billion yen (an increase of 1,166.3 billion yen from the fiscal year ended December 2024) and recurring income of 280 billion yen (an increase of 82 billion yen) by the final fiscal year ending December 2027.

The main pillar of profit growth towards achieving the Phase 2 recurring income target of 280 billion yen is the growth of the U.S. single-family homes business. In the U.S., where solid demand persists due to a housing supply shortage resulting from population growth, we aim to expand our business by responding to housing demand in each region with a dual focus on single-family homes and multi-family housing.

In order to pursue profitability while ensuring stability, we have maintained the same target financial indicators as in Phase 1: Equity ratio of 40% or higher, net debt-to-equity ratio of approximately 0.7 times, and ROE of 15.0% or higher. We aim to achieve the latter by securing the investment funds necessary for sustainable growth and improving profitability.

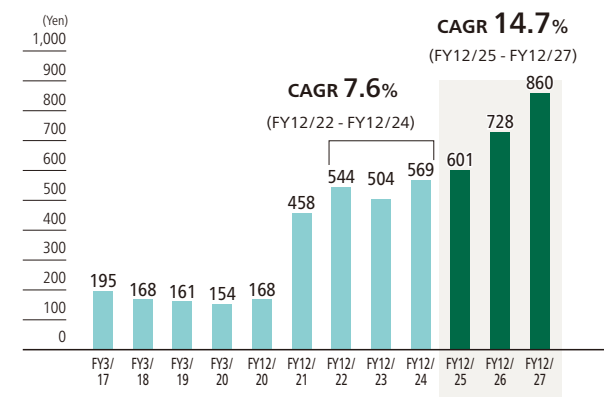
Mission TREEING 2030 Phase 2 also includes the strengthening of the management base as one of its basic policies. Within this policy, securing and developing human resources to drive business transformation and creation is positioned as one of the key measures. We will work on strengthening the recruitment and development of capable planners who will be responsible for creating new businesses and transforming existing ones, as well as

highly skilled construction technicians and personnel capable of adapting to advancing globalization and digitalization. Additionally, as interest in ESG investment grows, Sumitomo Forestry has been selected for the CDP Climate Change A List for the ninth consecutive year, one of many high ratings received from global ESG rating organizations. We regard these as a source of medium- to long-term competitiveness, and will work to enhance this source, including through strategic investments.

Improving corporate value

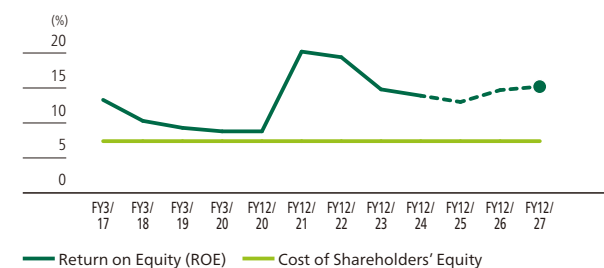
For the fiscal year ending December 31, 2025, we plan to increase sales and profits in the Timber and Building Materials business and the Housing business in Japan, as well as increase the number of units sold in the U.S. and Australia. For the single-family homes business in the U.S., we anticipate a decline in profit margins due to intensified competition and rising land acquisition costs, as mortgage interest rates are expected to remain high. However, we plan to strategically utilize incentives to increase the number of units sold. In addition, in the single-family homes business in Australia, revenue from Metricon will combine with improved earnings of existing Sumitomo Forestry Group companies, with recurring income of 20 billion yen planned for the fiscal year ending December 2025. In Phase 2, we will make the right investments for the future, assuming an average EPS annual growth rate of

Earnings per share (EPS) trend



* EPS for each period from FY12/25 to FY12/27 is calculated using the number of shares as of end-December 2024.

Return on equity (ROE) trends



Cost of Shareholders' Equity (%)

Risk-Free Rate	+	Beta (β) Sensitivity	×	Risk Premium	=	Cost of Shareholders' Equity
Safe Asset/ Risk-Free Rate*3		Company- Specific Risk		Expected Excess Return on Equity Investment*4		7.40%
						Calculated using CAPM

*3 Set based on 10-year government bond yield.

*4 Set based on historical stock market returns.

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

14.7%, higher than the amount in Phase 1, and we will continue to aim for an ROE of over 15%, significantly surpassing the cost of equity of 7.4%.

Capital allocation

In our Long-term Vision, we aim to supply 23,000 single-family homes annually in the U.S. by 2030, and we are continuously acquiring real estate for sale to achieve this goal. In the short term, there is a possibility of impact from economic trends, including persistently high mortgage rates; however, in this growth market, we will continue to expand our business through both organic growth and M&A. Regarding land acquisition, we currently own and control approximately 80,000 lots and are making progress in acquiring prime properties. We plan a cumulative net increase of 300 billion yen in real estate for sale over the three-year period of Phase 2.

In the capital allocation for the new Medium-term

Management Plan period, as shown in the table below, the net increase in real estate for sale is separated from operating cash flow to show its intrinsic cash-generating ability as adjusted cash flow. We will steadily secure investment funds for business expansion by maximizing adjusted operating cash flow through the achievement of our profit plan and by agile fundraising founded in unwavering financial discipline.

Aggressive investments in decarbonization-related and growth areas

In Phase 1, we invested 613.2 billion yen (including a 286.8 billion yen increase in real estate for sale), mainly in the Housing business and real estate development projects in the U.S. and Australia. In Phase 2, we plan to actively invest 713 billion yen (including a 300 billion yen increase in real estate for sale) over the three-year period, mainly in

growth areas. Specifically, we will expand investments from Phase 1 in timber industrial complexes, manufacturing businesses, forestry fund-related areas, and the renewable energy field. In investment decision-making, we will enhance capital efficiency by carefully selecting investment projects through the establishment of hurdle rates applied by country and by business. Through these investments, we will expand our business globally to contribute to the Wood Cycle and promote initiatives that create a virtuous cycle of economic activity and decarbonization contributions.

Growth investment and capital renewal, etc.

Breakdown (unit: billion yen)	Phase 1	Phase 2	
	Actual	Plan	up/down Rate from Phase 1
Forestry Fund Related	3.9	22.0	+466%
Forest Resource Business	5.1	5.0	-1%
Timber Industrial Complex	6.7	46.0	+585%
Manufacturing Business	8.1	44.0	+443%
FITP Business	31.2	4.0	-87%
Housing Business	35.1	33.0	-6%
Medium- to Large-Scale Wooden Construction	24.4	45.0	+84%
Real Estate Development Business	138.0	144.0	+4%
Renewable Energy	2.7	20.0	+632%
System-Related	16.9	20.0	+18%
Other	54.2	30.0	-45%
Total	326.4	413.0	+27%

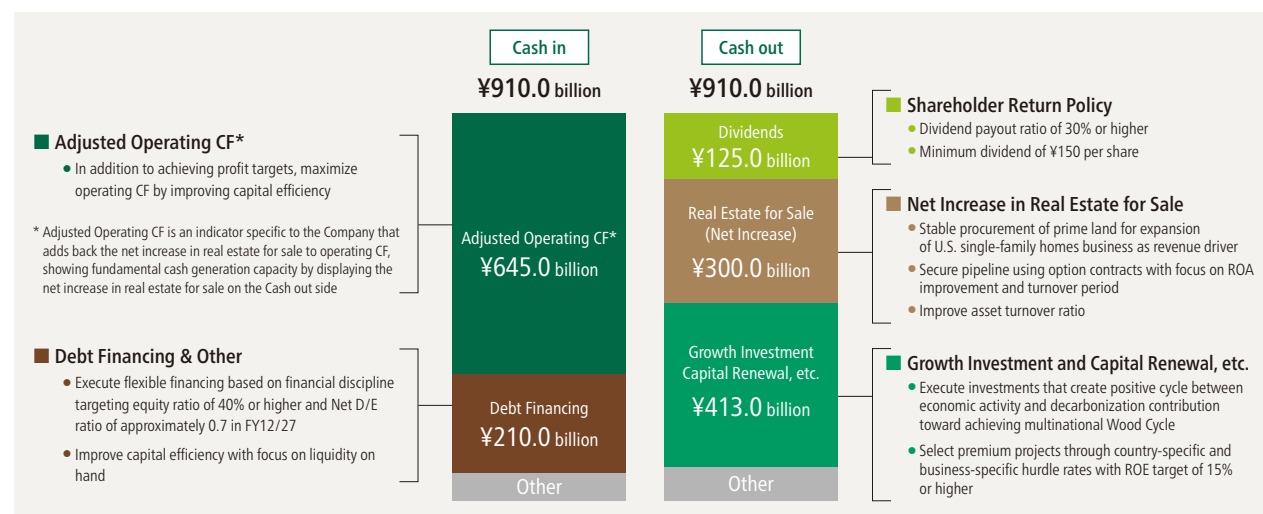
* Amounts shown for both Phase 1 and Phase 2 represent three-year cumulative totals.

Net change in real estate for sale

Breakdown (unit: billion yen)	Phase 1	Phase 2	
	Actual	Plan	up/down Rate from Phase 1
Overseas Housing	266.4	265.0	-1%
Domestic Housing	20.4	35.0	+72%
Total	286.8	300.0	+5%

* Amounts shown for both Phase 1 and Phase 2 represent three-year cumulative totals.

Cumulative three-year capital allocation for Mission TREEING 2030 Phase 2



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

Clarification of shareholder return policy

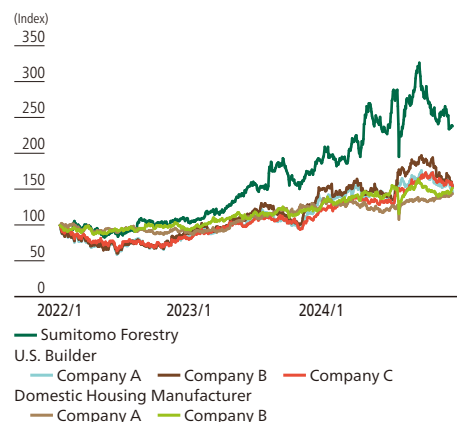
Regarding the shareholder return policy in the new Medium-term Management Plan, we have now further clarified our policy, setting a dividend payout ratio of 30% or higher and a minimum annual dividend per share of 150 yen. Our price-to-book ratio, or PBR, has improved from 0.9 times as of the fiscal year ended December 2021 to 1.2 times as of the fiscal year ended December 2024, and our total shareholders' return (TSR) has remained above the TOPIX with a cumulative 406.3% over the past 10 years. Going forward, we will continue efforts to maintain attractive dividends in accordance with our profit level and further enhance our corporate value.

Review of Long-term Vision targets

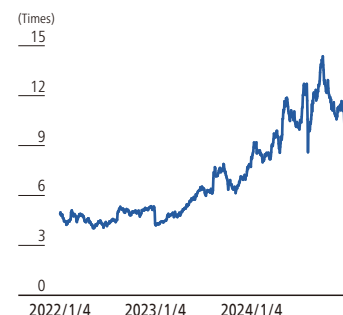
In light of the steady progress in business expansion and initiatives, we have revised our recurring income target for the final year of our Long-term Vision, the fiscal year ending December 2030, upward to 350 billion yen. The context behind this upward revision is our anticipation of an expanding U.S. single-family homes business and real estate development business, which are expected to grow in the medium to long term. Furthermore, we aim to increase profits through the growth of rental housing, spec home, and renovation businesses in Japan, the enhancement of profitability in the timber and building materials manufacturing business, and the realization of new businesses.

By achieving targets in each division, we will realize the higher profit targets of our Long-term Vision, Mission TREEING 2030.

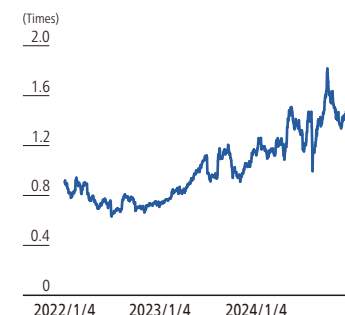
Stock price performance



PER



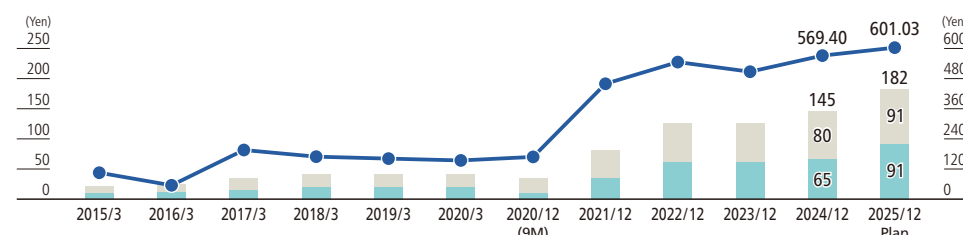
PBR



Shareholder returns

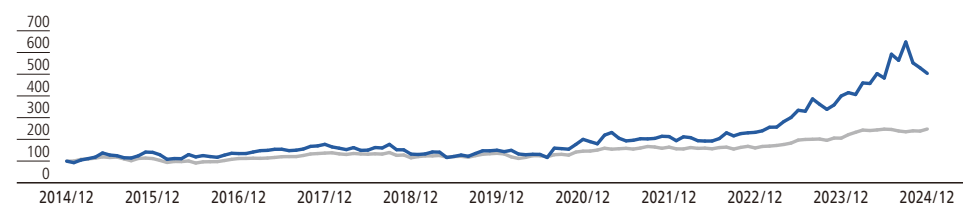
- Interim dividend (left axis)
- Year-end dividend (left axis)
- Net income per share (right axis)

* 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 13, 2025.



TSR

- Sumitomo Forestry
- TOPIX



	1 year	3 years		5 years		10 years	
		Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
Sumitomo Forestry	+29.4%	+155.6%	+36.7%	+260.6%	+29.2%	+406.3%	+17.6%
TOPIX	+20.5%	+50.7%	+14.6%	+82.5%	+12.8%	+148.8%	+9.5%

* Total Shareholders' 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, 2014 up to December 31, 2024. The Sumitomo Forestry's chart indicates index figures of investment results (assuming no reinvestment of dividends) by setting investment amounts as of December 31, 2014 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, 2024 assuming investments were made one year prior (December 31, 2023), three years prior (December 31, 2021), five years prior (December 31, 2019), and ten years prior (December 31, 2014). 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.

2

Practicing Value Creation

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The Sumitomo Forestry Group, which operates businesses centered on the Wood Cycle, strives to balance the resolution of various societal issues with growth. This chapter explains mega-trends, risk and opportunity analysis, and value creation mechanisms, while describing in detail how each segment is working to create value in synergy with each other based on specific strategies.

Business Environment Analysis

Megatrends

- Climate change and biodiversity conservation
- Resources and energy issues
- Values and lifestyles
- Demographic and household trends
- Regional revitalization
- Respect for human rights
- Trend of globalization
- Political and economic situation
- Advancements in digitalization

Risks and opportunities behind the Nine Material Issues

Risks for Sumitomo Forestry

- Diminishing value of forests caused by increasing severity of natural disasters, and fiercer competition due to the market entry of companies from other industries into industries making use of forests and wood
- Growing stakeholders' requests and pressure for responses to climate change
- Increased environmental impact 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

Opportunities for Sumitomo Forestry

- Expansion of business opportunities and stronger sources of competitiveness due to the maximization of value of forests and wood
- Creation and expansion of business opportunities contributing to carbon neutrality through the use of forests and wood
- Expansion of business opportunities using the characteristics of trees which are naturally renewable cyclically
- Increase of business opportunities that capture the diversifying needs for housing and living associated with societal changes
- Co-prosperity of communities and the Company through co-existence
- Productivity improvements and innovation creation through increased workforce vitality and 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

Business Environment Analysis

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 Mission TREEING 2030 Phase 2 Basic Policies

- 1 Efforts to Address Decarbonization Challenge
- 2 Enhancement of Earning Power
- 3 Deepening of Global Expansion
- 4 Strengthening Management Base
- 5 Further Integration of Business Operations and ESG

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

Inputs

(As of December 31, 2024)



Natural Capital

- Energy inputs: 9,958 TJ
- Volume of timber and wood products: 8,923,000 m³
- Water usage: 2,939,000 m³
- Forests: 286,000 ha



Manufactured Capital

- Wood biomass power generation plants: 6 (Japan)
- Sawmills (Timber and Building Materials): 4 (Japan) and 8 (overseas)
- Number of plants in operation in the FITP business*1: 9 (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: 26,741 (including 13,031 overseas)
- Training costs per employee: 152,000 yen (non-consolidated) and 52,000 yen (subsidiaries in Japan)
- First-class architects: 1,058 (non-consolidated) and 397 (subsidiaries in Japan)
- Second-class architects: 1,415 (non-consolidated) and 1,491 (subsidiaries in Japan)



Intellectual Capital

- R&D spending: 2,817 million yen



Social Capital

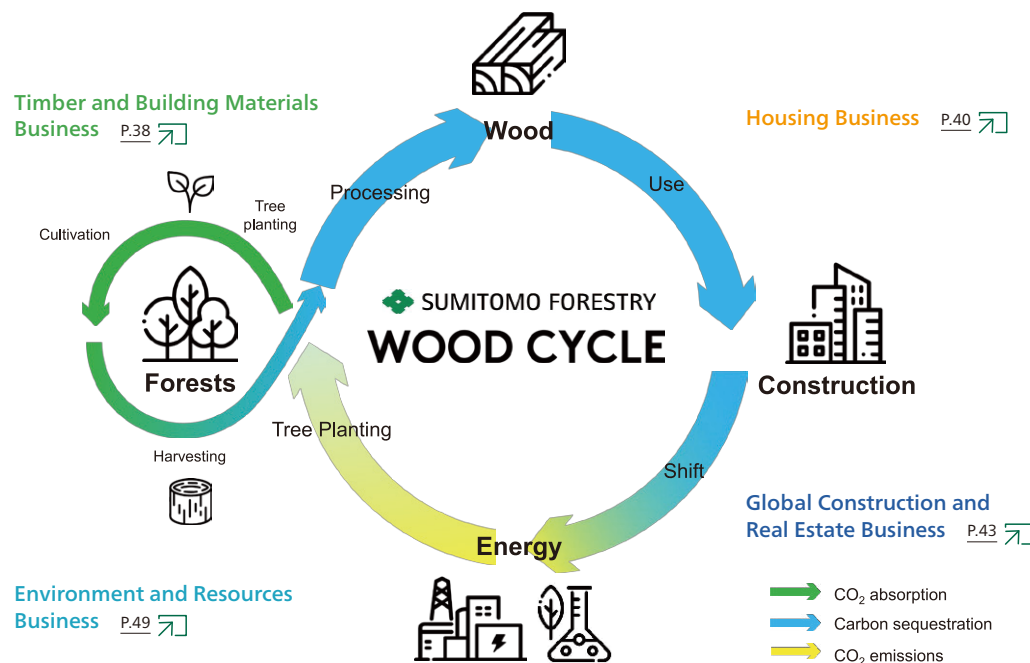
- Accumulated number of homes delivered: approx. 360,000 units (Japan) and approx. 120,000 units (overseas)



Financial Capital

- Shareholders' equity: 701.0 billion yen
- Interest-bearing debt: 613.4 billion yen
- Loans and investments: 147.7 billion yen

Business Model



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 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

Value Creation Process



Material Issues

<https://sfc.jp/english/sustainability/management/materiality1.html>


Outputs

(Fiscal 2024)



Forests

Timber from owned forests

Environment and Resources Business

Japan

Overseas

70,000 m³1,911,000 m³

Wood

Volume of timber and wood products

Timber and Building Materials Business

Distribution

Manufacturing

5,672,000 m³1,769,000 m³

Construction

Annually supplied houses

Housing Business
Global Construction and Real Estate Business

Japan*2

United States*3

Australia

Others*4

8,596

12,024

3,287

558

*2 Total of custom-built detached houses, rental houses, and spec homes.

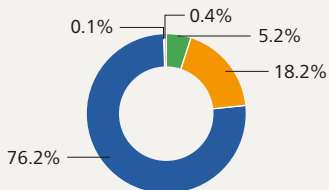
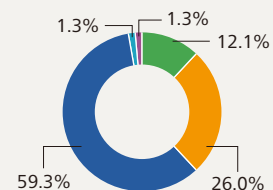
*3 Total number of single-family homes and the number of properties developed by the real estate business as a general partner.

*4 Total for multi-family housing, single-family rental homes, etc. in real estate development in Australia and others (Europe and Asia), including those via JVs.

Breakdown by segment*5 (Fiscal 2024)

Net sales 2,053.7 billion yen

Recurring income 198.0 billion yen



■ Timber and Building Materials ■ Housing ■ Global Construction and Real Estate
■ Environment and Resources ■ Others

*5 The composition by segment excludes inter-segment eliminations (net sales of -36.1 billion yen, recurring income of 4.4 billion yen).

Impacts (Outcomes)

(Fiscal 2024)



Natural Capital

- + Carbon sequestration
 - Forests: 65,562 thousand tons
 - HWP: 26,301 thousand tons
- + Biomass power generation
 - Electricity supplied: 1,774,204 MWh
- Industrial waste emissions
 - Waste and other emissions from new construction sites (Housing Business): 20,772.6 tons
- Greenhouse gas emissions
 - Scope 1 & 2: 155,031 tons
 - Scope 3: 10,735,000 tons



Manufactured Capital

- + Housing technologies that contribute to reduction of environmental impact
 - ZEH order ratio for new custom-built detached homes: 79.3%
 - LCCM home sales



Human Capital

- + Improvement of work-life balance
 - Employee satisfaction level: 78% (non-consolidated basis) and 62% (subsidiaries in Japan)
 - Childcare leave acquisition rate (male): 78.1% (non-consolidated basis) and 48.7% (subsidiaries in Japan)
 - Return-to-work ratio for childcare leave (female): 95.0% (non-consolidated)
 - Turnover ratio: 3.6% (non-consolidated basis)
- + Promotion of DEI
 - Ratio of female employees: 24.4% (non-consolidated basis) and 35.2% (subsidiaries in Japan)



Intellectual Capital

- + Technical development of wooden construction
 - Elemental technologies for fireproofing, earthquake resistance, etc.
 - Increased strength and durability of wood
- + Expansion of wood applications
 - Biorefinery of wood



Social Capital

- + Sustainability procurement survey implementation rate in the supply chain
 - Sustainability procurement survey implementation rate for imported wood product supplier: 100% (Timber and Building Materials business)
 - Sustainability procurement survey implementation rate for suppliers such as building materials and housing equipment manufacturers: 98.0% (Housing business)
- + Procurement of sustainable timber and wood products
 - Percentage of sustainable timber and wood products handled in distribution business: 100% (Timber and Building Materials business)
 - Percentage of sustainable wood used as the principal structural member of detached houses: 100% (Housing business)
- + Efforts to improve customer satisfaction
 - Survey at move-in (stand-alone NPS value)*6: 56.9pt

*6 NPS (Net Promoter Score). A new indicator that measures customer loyalty (the degree of "trust" or "value" in a company or brand).



Financial Capital

- + Shareholder return, credit rating and sustainable growth
 - Annual dividend per share: 145 yen
 - TSR (annualized, past 1 year): 29.4% (past 10 years): 17.6%
 - Long-term rating: A+ (Rating and Investment Information, Inc.)

Timber and Building Materials Segment

Timber and Building Materials Business

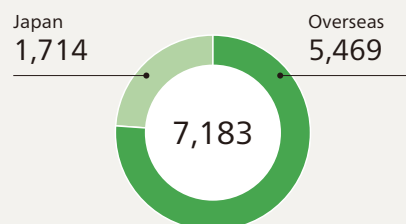


Promote wood change

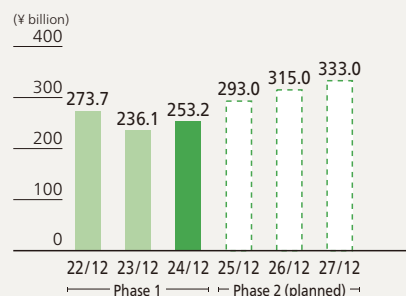


Standardize carbon neutral design

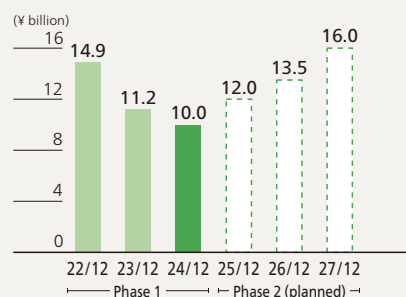
Number of employees (As of December 31, 2024)



Net sales



Recurring income



* The planned figure represents the initial plan as of February 13, 2025.

* For more information about performance for the FY ended December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>



Yoichi Hosoya

Managing Executive Officer
Divisional Manager of
Timber and Building
Materials Division

We will swiftly respond to changes in the business environment and accelerate the development of solution services that will help solve the challenges of our customers

Review of Mission TREEING 2030 Phase 1

During Phase 1, we focused on strengthening partnerships with business partners and expanding sales in the distribution business, promoting the timber industrial complex business, and establishing a system for the long-term stable supply of biomass fuel. In the manufacturing business, sales of building materials to home builders struggled in Japan, but overseas sales of laminated veneer lumber (LVL) in New Zealand and particle board in Vietnam increased. In addition, we have launched a new service to accelerate green transformation (GX) and digital transformation (DX) in the industry as part of our efforts to shift to a solution-based business model. We are promoting the spread of the Japanese version of One Click LCA, our CO₂ emissions visualization software used in 170 countries around the world, and have launched JUCORE Mitsumori, an estimation streamlining service for building materials distributors, and JUCORE Logistics, a service that improves the efficiency of last-mile delivery to construction sites, in the Tokyo metropolitan area. While the biomass fuel business and the manufacturing business grew, the challenging business environment continued with a decline in the number of owner-occupied housing starts in Japan. As a result, for the fiscal year ended December 31, 2024, net sales

increased 7.2% year on year to 253.156 billion yen, while recurring income decreased 10.6% to 10.001 billion yen, resulting in higher sales but lower profits.

Initiatives for Mission TREEING 2030 Phase 2

During Phase 2, we will continue to build a diverse business portfolio while adapting to changes in the external environment surrounding the domestic construction and distribution industries. While promoting the expansion of supply and technological development in the growth area of biomass fuel, we will also promote the use of Japanese timber. Starting with the establishment of the timber industrial complex Kowanomori Co., Ltd. in Iwaki City, Fukushima Prefecture, we will utilize Sumitomo Forestry Wood Products' Japanese timber network to achieve the Wood Cycle and build a business model that maximizes added value through an integrated production and sales system. We will continue to grow our manufacturing business both domestically and internationally, and promote our expansion into overseas markets. In North America and Australia in particular, we will accelerate our business by collaborating with our established construction and real estate businesses and creating a stable supply chain with competitive advantages. We will also focus on growth areas, such as non-residential applications for mass timber and exports of Japanese timber. In addition, we will contribute to raising productivity and convenience for the industry and our customers by promoting solution-based business models, such as Home Eco Logistics, which supports various services and structural calculations to promote various types of DX and GX, and panelization, which leads to reduced work steps at construction sites.

For the fiscal year ending December 31, 2025, we plan to increase net sales by 15.7% year-on-year to 293 billion yen and recurring income by 20.0% to 12 billion yen by expanding our share of the domestic distribution business and growing our manufacturing business.

Timber and Building Materials Segment

Timber and Building Materials Business

Toward achieving Phase 2

Strategic indicators



Business opportunities

- Demand for structural calculation support for small and medium-sized building contractors that have met energy conservation standards due to the scope reduction of the Article 4 Exemption*
- The overseas housing market, centered on the U.S. and Australia, is expected to see stable demand

Challenges

- Transition to businesses that do not depend on domestic housing starts
- Business development leveraging our foundations in the U.S. and Australia

Competitive advantages

- Stable supply of wood resources with guaranteed legal compliance and sustainability
- Ability to procure high-quality wood resources through our global network
- A system for developing and selling high-value-added products through our integrated production and sales system, enabled by possessing in-house manufacturing bases overseas
- An integrated value chain across the Group, from upstream (forests) to downstream (construction), maximizing the use of wood and increasing added value

Growth strategies

- Stable supply of Japanese timber and enhanced price competitiveness through the establishment of a timber industrial complex
- Centered on solution-based functions and services, development of support businesses related to decarbonization and raising productivity for the industry
- Strengthening the manufacturing business and expanding business foundations both domestically and internationally
- Promoting further expansion of overseas operations, mainly in the U.S. and Australia

* For small-scale wooden buildings that meet certain conditions, some of the rules for review and inspection can be omitted if an architect designed and supervised the construction; however, the April 2025 revision of the Building Standards Act narrowed the scope of these exceptions.

Creating functions and services (Administrative, structural, and exterior platforms)

Sumitomo Forestry leverages its industry-leading network partnerships and long-standing expertise to create functions and services across the entire supply chain. In administrative platform services, we will raise productivity by streamlining and reducing the labor required for tasks such as estimating, in-bound and out-bound ordering, and site delivery through DX.

In structural platform services, we aim to provide one-stop services for structural design assistance, material

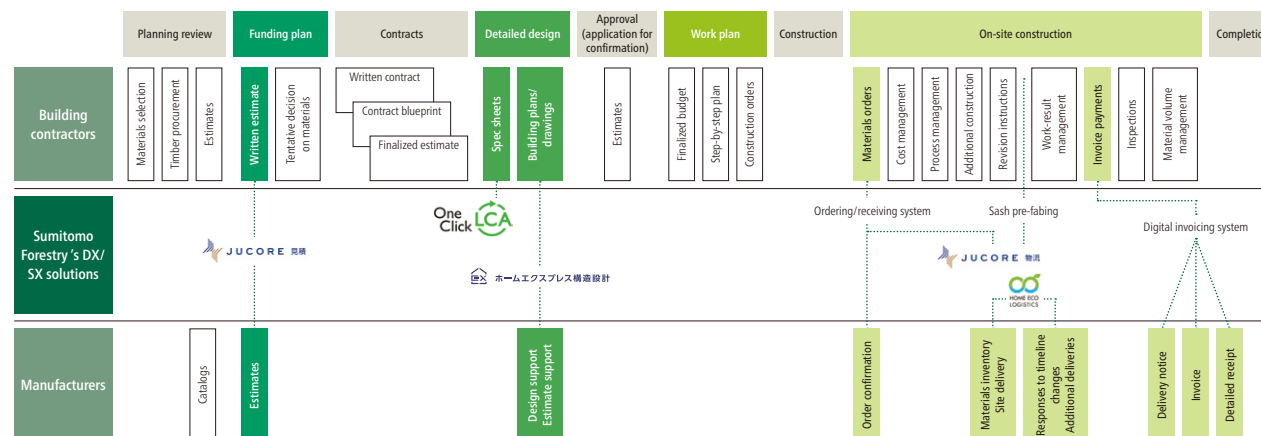
volume optimization, seismic resistance rating assurance, construction efficiency, construction time reduction, and legal compliance for the structural components of new housing construction projects. In exterior platform services, we will promote the streamlining of exterior construction sites through siding pre-cutting and panelization, leveraging Sumirin Sash.

Through the above initiatives, we will strive to realize a sustainable society by balancing environmental impact reduction and economic efficiency.

Sumitomo Forestry's main solutions for solving management issues in the construction industry



Sumitomo Forestry's efforts to standardize operations and raise productivity through DX in the construction industry



Housing Segment

Housing Business



Promote wood change

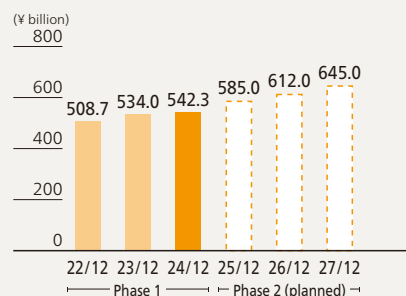


Standardize carbon neutral design

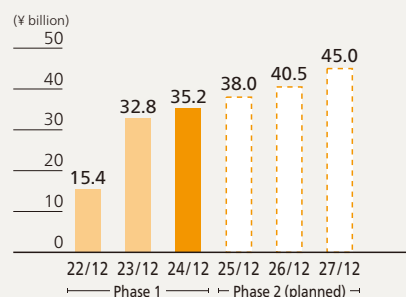
Number of employees (As of December 31, 2024)



Net sales



Recurring income



* The planned figure represents the initial plan as of February 13, 2025.

* For more information about performance for the FY ended December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>



In addition to increasing our share of the housing market, we will accelerate innovation and aim to further improve profitability

Review of Mission TREEING 2030 Phase 1

Despite the continuing decline in the number of housing starts for owner-occupied houses, as well as the severe business environment, the Company was able to win orders across a wide price range thanks to our custom-built houses, which boast a high level of customer satisfaction backed by our advanced design capabilities. In the custom-built detached housing business, we were able to raise order prices and sales unit prices by offering high value-added proposals through Net Zero Energy Houses (ZEH), which consume zero net energy, and the Grand Estate Design Project. In addition to focusing on sales activities utilizing the internet and social media, we worked to promote sales of our semi-customized product, Forest Selection. Furthermore, profit margins improved due to sales price revisions and reductions in construction material costs. In the rental housing business, we launched The Forest Barque, a wooden commercial construction brand, to promote the use of wood in offices and medical facilities, and focused on expanding orders for Forest Maison GRANDE, a wood construction apartment for rent that combines design and performance. In the renovation business, performance remained strong thanks to efforts to promote orders for environmentally conscious renovations and the promotion of the benefits of

our unique seismic-resistance and seismic-vibration damper technologies in the detached house renovation product Reforest. As a result, net sales for fiscal 2024 amounted to 542.3 billion yen, up 1.5% year on year, and recurring income was 35.173 billion yen, up 7.3% year on year, both exceeding our initial Phase 1 plan.

Initiatives for Mission TREEING 2030 Phase 2

In Phase 2 of our Medium-term Management Plan, we recognize that the domestic housing market is expected to shrink further due to declining population and household numbers, and that the business environment will become even more challenging than before. Amidst such circumstances, our unique Big-Frame (BF) Structure celebrated its 20th anniversary in February 2025. Through continuous refinement and improvement of our technology, the BF Structure, which combines seismic resistance with design flexibility, has become the standard for Sumitomo Forestry homes. We will continue to make improvements to ensure the safety, security, and comfort of our customers' lives. In addition, our original kitchen, Germoglio, was developed to enhance the appeal of the wood-focused PRIME WOOD space. We will continue to grow orders for custom-built detached houses by developing products that leverage our strengths. Furthermore, in order to strengthen profitability, we established a Construction Process Innovation Department in 2023 and, in addition to integrating management data, we will standardize high-quality designs to strengthen "modular design," which will reduce the workload of design, production, and building contractors, thereby improving profitability.

We will also strengthen our business foundations in areas with growth potential, such as rental housing, spec homes, renovations, real estate brokerage, rental management, and greening, with the aim of achieving a recurring income of 60 billion yen by 2030.

Housing Segment

Housing Business

Toward achieving Phase 2

Strategic indicators



Business opportunities

- Custom-built houses: demand for environmentally conscious homes is growing in response to the increasing focus on decarbonization
- Rental homes: stable demand is expected due to declining affordability of owner-occupied houses and an increase in the number of households

Challenges

- Growth of the rental, for-sale, and renovation businesses (among others)
- Reduction of construction time and increase of productivity

Competitive advantages

- Unique BF Structure, product lineup and technical capability meeting diverse needs, building proposal and construction capabilities which integrate housing exteriors
- Networks within and outside Japan for procuring timber and wood-based materials, cooperative relationships with contractors
- Brand strength in wooden construction cultivated over many years
- Relationships with owners of approximately 360,000 homes delivered in Japan (cumulative total)

Growth strategies

- Expanding the market share of the custom-built housing business by strengthening land procurement and implementing sales strategies based on price ranges, such as for single-story houses, Forest Selection, and the Grand Estate Design Project
- Expanding rental business through promotion of wooden 3-story apartment housing
- Promoting initiatives to reduce construction time through increased pre-cutting rates and panelization
- Strengthening Group company operations in renovation, real estate brokerage, rental management, landscaping, etc.

Design capabilities

Strengthening design capabilities through expansion of the Grand Estate Design Project

Sumitomo Forestry offers a Grand Estate Design Project tailored to high-net-worth individuals, providing homes that embody the customer's ideal through careful design proposals by highly specialized chief designers.

This project is positioned as part of the basic policy of "strengthening the profitability of custom-built detached houses" in our Medium-term Management Plan, and aims to expand market share, particularly in the high-end market. We will provide competitive products and services by training chief designers and strengthening our ability to offer differentiated proposals through interior design. By providing our customers with unique value of Sumitomo Forestry, we aim to enhance the value of our brand and achieve sustainable growth.



No. 2 Komazawa exhibition house crafted by a chief designer



Product capabilities

Creating homes that are chosen for their enhanced appeal with Forest Selection

Our semi-customized product, Forest Selection, is a popular housing plan chosen by more than 1,000 households annually. While offering the same level of amenities and guarantees as custom-built houses, these homes are highly regarded for their flexibility in responding to diversifying lifestyles and needs.

The semi-customized approach helps reduce the workload and raise productivity in sales, design, and construction at each work site. In February 2025, we introduced a new original kitchen called Germoglio, developed jointly with Sumitomo Forestry Crest. The high-quality design with a wood-focused texture and high functionality further enhance the appeal of the entire living space.

Going forward, we will continue to enhance the value of our homes as "the homes of choice" by strengthening our product appeal, thereby expanding the revenue base of our detached housing business and further improving customer satisfaction.



Germoglio is an original kitchen that pursues both design and functionality.

Promoting Group collaboration and business innovation with DX at its core

Based on the basic policy of "building a Group-wide growth model," as stated in our new Medium-term Management Plan, we will work with our housing branches, Sumitomo Forestry Home Tech and Sumitomo Forestry Landscaping, to maximize profits on a regional basis, with DX promotion at the core. From fiscal 2025, we established a new DX Strategy Group and are promoting IT integration that includes our affiliated companies. Furthermore, we aim to significantly improve operational efficiency and customer service capabilities through the introduction of AI automation for structural design work, electronic contracts, and database restructuring. This will enable us to visualize consolidated performance for each area and develop Group marketing strategies based on area characteristics, with the aim of providing value as a unified Group, while further improving customer satisfaction.

Housing Segment

Housing Business

Accelerating the decarbonization of homes in the rental housing business

Sumitomo Forestry is also working to decarbonize our rental housing business by leveraging the strengths of wooden construction. Forest Maison GRANDE, launched in November 2023, are wooden apartments that combine design and performance, and meet the ZEH-M Oriented^{*1} standard at the unit level, thanks to the installation of solar power generation panels. Compared to reinforced concrete and steel-frame apartment buildings, wooden apartment buildings generate lower CO₂ emissions (embodied carbon) during the manufacturing of materials and the construction phase, and also have a carbon storage effect, thereby reducing their environmental impact. Based on the Forestry Agency's guidelines,^{*2} the estimated carbon storage amount for the model plan (three stories, total floor area of 652.13 m²) is approximately 110 tons (CO₂ equivalent), which is comparable to the amount of CO₂ absorbed by approximately 1.7 hectares of cedar forest (approximately 1,700 trees) over 50 years.

In addition, in 2025, we will strengthen our build-and-land package business,^{*3} which combines rental housing and land sales, through a takeover bid for LeTech Corporation. We will expand the supply of environmentally friendly wooden rental properties, mainly in urban areas, and promote low-carbon urban development.

^{*1} Apartments that reduce energy consumption by 20% or more compared to the 2016 energy efficiency standards.

^{*2} Forestry Agency of Japan "Guidelines to Indicate Carbon Storage in Wood Used for Buildings" <https://www.rinya.maff.go.jp/j/mokusan/mieruka.html> (Available in Japanese only)

^{*3} A method whereby a business acquires land, builds rental housing, and then sells the land and rental housing together to an individual or corporation.



**FOREST MAISON
GRANDE**

Promoting decarbonization of homes through renovation

Sumitomo Forestry's renovation business contributes to the creation of a decarbonized society by extending the life of existing homes and improving their energy conservation through seismic-resistant renovations, exterior renovations, and other measures. Energy-saving renovations aimed at improving thermal insulation efficiency improve heating and cooling efficiency and reduce CO₂ emissions through the introduction of insulation materials and high-performance sashes. The amount of CO₂ reduced by thermal insulation renovation is equivalent to the annual absorption amount of approximately 71 Japanese cedar trees.^{*4} Furthermore, we are improving the overall environmental performance of homes by proposing the introduction of high-efficiency water heaters and water-saving equipment, as well as smart renovations such as solar power generation and storage batteries. In addition, our Reforest renovation products promote the use of wood in homes, actively utilizing wood in interior design and contributing to long-term carbon sequestration. By proposing spaces that combine the warmth of wood with environmental performance, we can satisfy both comfort and environmental considerations at the same time.

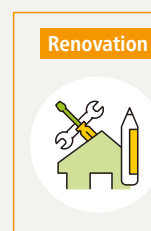
Additionally, it is possible to redesign the layout to suit the customer's lifestyle, such as modifying the floor plan or making it accessible to all, contributing to the realization of a comfortable living environment that can be enjoyed for many years to come.

Through these initiatives, the Sumitomo Forestry Group will contribute to the creation of a decarbonized society as part of its Long-term Vision Mission TREEING 2030.

^{*4} Based on the insulation renovation model plan (two-story wooden structure, construction area of 69.56 m², energy-saving region classification 6), calculated using the CO₂ emission coefficient for fiscal 2021 reported by Tokyo Electric Power Company to the Ministry of Economy, Trade and Industry and the Ministry of the Environment in 2022, the primary energy consumption data from the Homes-kun Energy-Saving Diagnosis, and the figures published by the Forestry Agency in "How Much Carbon Dioxide Do Forests Absorb?"



Energy-saving benefits from renovation



- Seismic-resistant renovation
- Exterior renovation
- Insulation renovation
- Smart renovation (solar power generation, battery storage, etc.)

Benefits

- Long-term carbon sequestration and resource conservation through longer-lasting homes
- Energy conservation, CO₂ reduction, and low carbon emissions
- Energy creation



Global Construction and Real Estate Segment

Global Construction and Real Estate Business

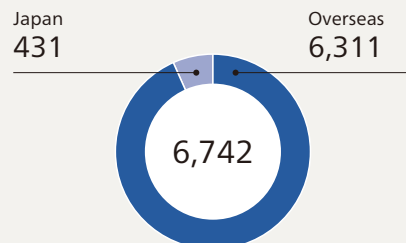


Promote wood change

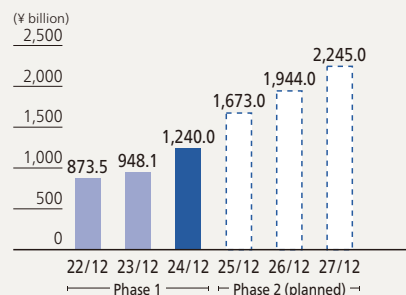


Standardize carbon neutral design

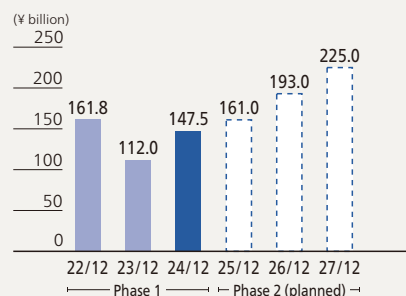
Number of employees (As of December 31, 2024)



Net sales

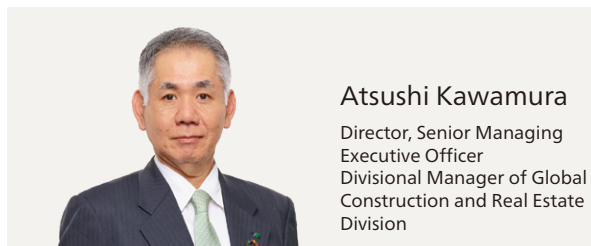


Recurring income



* The planned figure represents the initial plan as of February 13, 2025.

* For more information about performance for the FY ended December 2024, please visit the Group's website: <https://sfc.jp/english/ir/library/statements/2024.html>



With the two pillars of single-family homes and multi-family housing specialized in wooden construction, we will expand our business while responding to the needs of each region

Review of Mission TREEING 2030 Phase 1

During the three years of Phase 1, in the United States we expanded the business scale of both single-family homes and multi-family rental housing, and also entered the Fully Integrated Turn key Provider business (FITP business), which provides everything from design to manufacturing, delivery, and construction of panels and trusses in an integrated manner, achieving rationalization of our production system. In 2022, we acquired an equity stake in Southern Impression Homes, which engages in the development and management business of single-family rental homes, and entered Florida, which boasts the second-highest number of single-family housing permits issued in the United States. Furthermore, in 2024 we acquired the business of Biscayne Homes, which operates a single-family homes business, strengthening our business foundation toward achieving annual sales of 5,000 units in the state. In the Australian single-family homes business, through the acquisition of Metricon in 2024, our annual sales exceeded 7,000 units, establishing an overwhelming top share across Australia. Not only did we expand the number of units sold, but our lineup also broadened to include Metricon's affordable second brand products,

townhouses, and products for affluent customers.

In each area of the real estate development business, Australian business, Asian business, domestic real estate development and construction business, we also implemented initiatives for new projects that connect to Phase 2. In April 2024, through collaboration with IINO KAIUN KAISHA, LTD., Kumagai Gumi Co., Ltd., and a major local developer in Texas, U.S., we completed a seven-story wooden ESG-conscious office building, advancing initiatives that contribute to the realization of a decarbonized society. As a result of these efforts, this business achieved net sales of 1,239.997 billion yen (30.8% increase year on year) and recurring income of 147.451 billion yen (31.6% increase) for the fiscal year ended December 2024. In Phase 2, we will continue proactive resource investment, aiming to achieve sales of 2,245 billion yen and recurring income of 225 billion yen in the final fiscal year ending December 2027.

Initiatives for Mission TREEING 2030 Phase 2

In Medium-term Management Plan Phase 2, while robust housing demand continues to be expected mainly in the United States, we will expand our business responding to housing demand in each region with two pillars: single-family homes and multi-family housing development centered on wooden construction.



Global Construction and Real Estate Segment

Global Construction and Real Estate Business

United States Single-family homes business

Toward achieving Phase 2

Strategic indicators

Actual 2024 Unit Sales **11,267** Plan 2027 Unit Sales **17,700**

Business opportunities

- Stable demand is expected to continue due to population growth and housing supply shortages
- Mortgage interest rates are expected to decline gradually over the medium term

* Short-term financial volatility and existing home market trends need to be closely monitored.

Challenges

- Development of business infrastructure toward achieving 23,000 unit deliveries in 2030

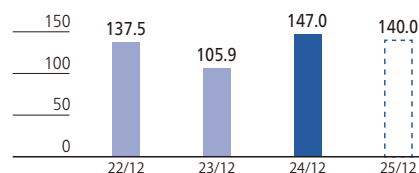
Competitive advantages

- Operating business in the Sun Belt with remarkable population and employment growth
- Excellent community-based land procurement capabilities
- Financial strength, material procurement capabilities, and unified governance

Growth strategies

- Continuing organic growth of four U.S. builders
- Constantly exploring new M&A opportunities
- Sequentially expanding the FITP business in our Group's business areas

Recurring income (¥ billion)



United States Single-family homes business

In the United States, stable housing demand is expected to continue due to population growth and chronic housing shortages. In the United States single-family homes business, we aim for further business expansion toward achieving sales of 23,000 units in 2030. While there is potential for short-term impact from persistently high mortgage interest rates and trends in the existing homes market, we will continue aggressive investment toward business expansion in growth markets. During the Phase 2 period, centered on four U.S. builders*¹, we will advance business expansion through organic growth in growth

markets called the Sun Belt*² and M&A as opportunities arise. While aggressively advancing land acquisition necessary for business expansion, we operate our business with awareness of capital efficiency, appropriately controlling inventory risks while closely monitoring market trends. As of the end of December 2024, we owned and controlled 80,284 housing lots, securing a foundation for immediate growth, but we will continue to strive to explore and secure quality properties.

*¹ In March 2025, we announced making Brightland Homes a subsidiary of DRB.

*² A warm region in the southern United States south of the 37th parallel north, spanning from California to North Carolina, maintaining high rates of employment and population growth.

Single-family homes business areas in the United States

● MainVue Homes Group

WA: Washington

● Edge Homes Group

UT: Utah

● Bloomfield Homes Group

TX: Texas

● DRB Group
(including Brightland Homes)

PA: Pennsylvania

MD: Maryland

WV: West Virginia

VA: Virginia

TX: Texas

AZ: Arizona

CO: Colorado

TN: Tennessee

NC: North Carolina

SC: South Carolina

DE: Delaware

GA: Georgia

AL: Alabama

FL: Florida



MainVue Homes Group



Edge Homes Group



Bloomfield Homes Group



DRB Group

Global Construction and Real Estate Segment

Global Construction and Real Estate Business

United States Real estate development business

Toward achieving Phase 2

Strategic indicators



Business opportunities

- High occupancy rates and sustained demand for multi-family housing due to population growth and housing supply shortages
- Improvement in medium- to long-term investment environment due to gradual interest rate decline
- Rising demand for woodification due to responses to decarbonization and carbon neutrality, expansion of mass timber usage, and increasing well-being orientation

Challenges

- Diversification and stabilization of real estate development business revenues

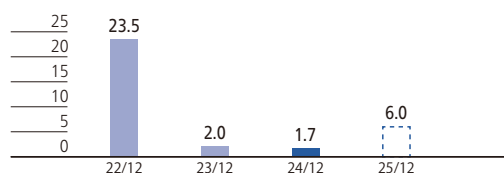
Competitive advantages

- Operating business in the Sun Belt with remarkable population and employment growth
- Developing high added value properties through community-based resident dialogue
- Capabilities to optimize cost and quality with design and construction functions

Growth strategies

- Developing multi-family rental housing
- Promoting the decarbonized sustainable real estate development business including woodification

Recurring income (¥ billion)



United States Real estate development business

In the U.S. real estate development business, Crescent Communities, our wholly owned subsidiary, develops multi-family rental housing, commercial and mixed-use complexes, logistics facilities, single-family rental homes, and other projects mainly in the Sun Belt area. During the Phase 1 period, together with Sumitomo Forestry Asset Management Co., Ltd., we formed an ESG-conscious real estate development private fund, marking our full-fledged entry into the asset management business. Also in 2023, we made JPI Group, which develops and constructs multi-family housing, a consolidated subsidiary, expanding our business area to Southern California, a massive market. Our Group's multi-family rental housing starts in the United States totaled approximately 5,300 units in 2024, equivalent to 4th place nationwide.*¹ In the fiscal year ended December 2024, due to persistently high expected returns (cap rates), the gap between expected sale prices and prices desired by buyers expanded, and the number of sales remained low, resulting in decreased profits. On the other hand, leasing remained solid, and against the backdrop of supply shortages and price increases in single-family homes, we believe demand for multi-family housing will remain to be firm, and we will continue to carefully select quality projects for business development.

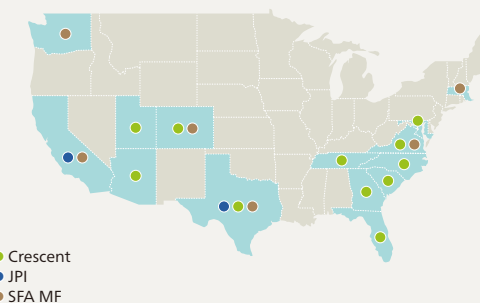
During the Phase 2 period, we are expanding initiatives to diversify and stabilize revenue sources, including not

only capital gains from property sales but also income gains such as construction fee income from in-house construction and rent income. As efforts toward carbon neutrality accelerate in the global construction industry, demand for wooden mass timber*² construction, where our company has strengths, is also growing. We will broadly promote the decarbonized sustainable real estate development business from multi-family rental housing to commercial and mixed-use complexes as well as offices.

*¹ Combined 2024 construction start results of our Group's three companies (Crescent, JPI, SFA MF). Equivalent to 4th place in the NMHC2025 national multi-family housing business ranking.

*² Construction using "mass timber," which is engineered wood of relatively large mass and volume formed by combining multiple types of wood such as CLT and LVL.

U.S. real estate development business area



Trend in development projects (Construction starts [as of fiscal year end])

	21/12		22/12		23/12		24/12	
	Number of projects	Total number of units	Number of projects	Total number of units	Number of projects	Total number of units	Number of projects	Total number of units
Multi-family rental housing	27	8,631	33	10,533	44	14,385	55	17,915
Single-family rental homes	4	398	5	440	5	447	6	759
Commercial and mixed use complexes	11	—	16	—	19	—	19	—

Global Construction and Real Estate Segment

Global Construction and Real Estate Business

United States FITP business

Toward achieving Phase 2

Strategic indicators



Business opportunities

- Stable demand is expected to continue due to population growth and housing supply shortages
- Growing expectations for the FITP business to address structural challenges such as labor shortages and rising construction costs

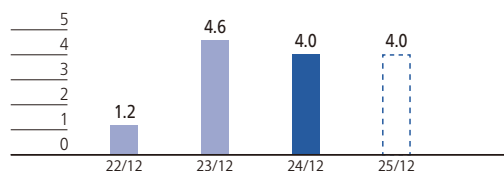
Challenges

- Business expansion in areas where our single-family homes business and real estate development business operate

Competitive advantages

- Community-based human connections and trust relationships
- High-level construction quality including safety measures

Recurring income (¥ billion)



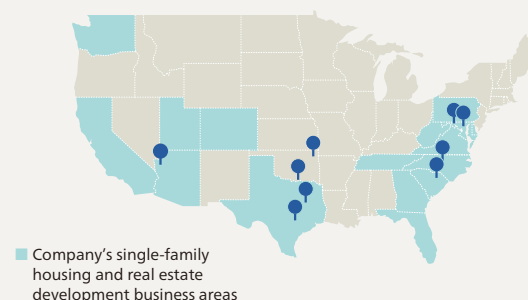
United States FITP business

The U.S. FITP business is sequentially expanding to areas where our single-family homes business and real estate development business operate. In the U.S. architecture and construction industry, the decrease in young people and progression of aging among workers has made craftsman shortages and accompanying cost increases a structural challenge. Our Group addresses these challenges through the FITP business, which provides everything from factory production to construction of structural components such as trusses and floor/wall panels, establishing stable material supply and construction systems, and promoting rationalization of the entire construction process, quality improvement, and safety assurance.

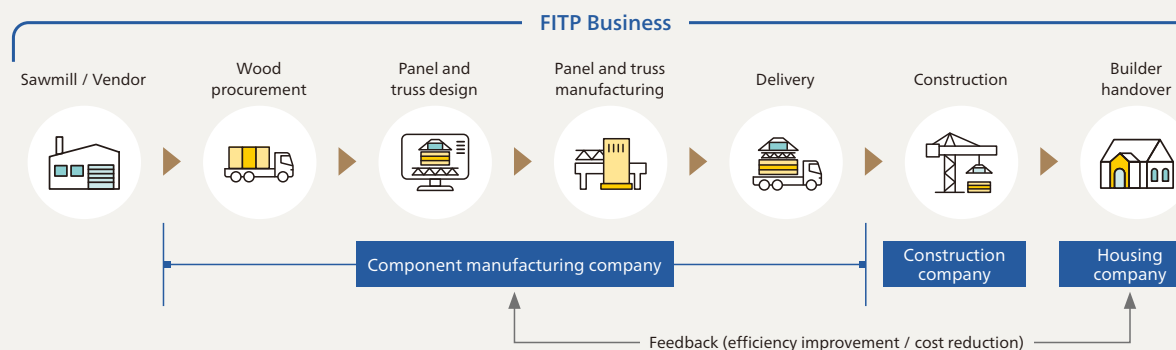
In the fiscal year ended December 2024, while net sales increased due to business system expansion including full-year contribution from new consolidated companies and operation of new factories, profits decreased due to sluggish sales prices from multi-family housing market deceleration and advance expenses. During the three years of Phase 2, we will improve productivity and construction

quality of business processes and construction sites through digitalization and linkage of various data from design to construction. We will also pursue business growth through expansion of operating areas and further rationalization of construction processes, while expanding inter-group synergies including collaboration with the Timber and Building Materials Business, aiming for further business expansion and growth.

FITP manufacturing locations (as of end of December 2024)



Flow of the FITP business process



Global Construction and Real Estate Segment

Global Construction and Real Estate Business

Australia Housing business

Toward achieving Phase 2

Strategic indicators

Actual 2024 Unit Sales **3,287** Plan 2027 Unit Sales **8,200**

Business opportunities

- Robust housing demand against the backdrop of population growth and continuing housing shortages
- Persistently high housing prices and declining affordability due to population growth and rising residential land prices

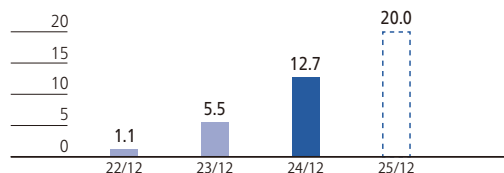
Challenges

- Realization of group synergies leveraging the scale advantages of having the top market share in Australia

Growth strategies

- Expanding the product lineup including affordable products, townhouses, and products for affluent customers

Recurring income (¥ billion)



Australia Single-family homes business

In the Australian single-family homes business, we operate in the five major cities of Melbourne, Brisbane, Sydney, Adelaide, and Perth. In the fiscal year ended December 2024, the final year of Phase 1, we acquired Australia's largest housing company Metricon Group (hereinafter, Metricon), bringing our Group's single-family housing starts in Australia to over 7,000 units annually, equivalent to 1st place nationwide. This enabled us to achieve the target of 5,500 single-family homes supply units set forth in our Long-term Vision six years ahead of schedule.

In Phase 2, we will strengthen our business operation system following the Metricon acquisition while expanding our product lineup including affordable products, townhouses, and products for affluent customers. Leveraging the advantage of our scale of over 7,000 units across the Group, we will realize group synergies through joint purchasing of materials, construction method development, system integration, and transformation of sales methods, aiming to improve profitability and achieve

sales of 10,000 units in 2030. We will also work to reduce operational carbon through specification revisions in line with stricter building codes and expanded introduction of solar power generation systems.

Trend in single-family home sales in Australia

(Units)

21/12	22/12	23/12	24/12*1	25/12 (planned)*2
3,169	2,787	3,402	3,287	7,790

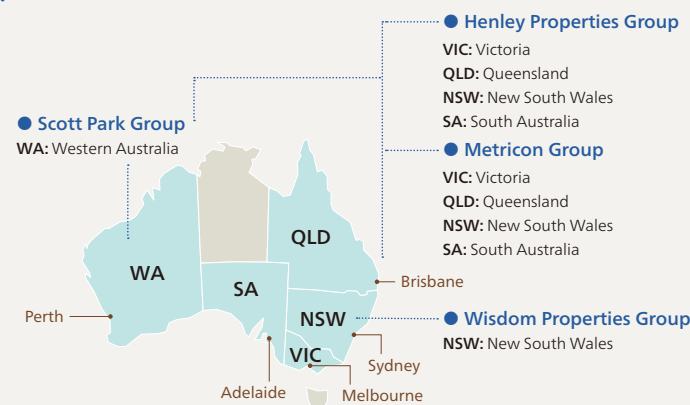
*1 Metricon sales results not included in December 2024 period results: 4,178 units

*2 The planned figure represents the initial plan as of February 13, 2024.

Australia Multi-family rental housing business and others

Using the multi-family rental housing business "50 Quay Street Project" in Queensland, which began operations in 2024, as a foothold, we will pursue the medium- to large-scale rental housing development business while actively promoting the single-family rental homes business and land development business, aiming to diversify revenue.

Single-family homes business areas in Australia



Construction works of single-family home operating companies



Henley Properties Group



Wisdom Properties Group



Scott Park Group



Metricon Group

Global Construction and Real Estate Segment

Global Construction and Real Estate Business

Asia/U.K. Housing and real estate development business

Toward achieving Phase 2

Strategic indicators

- Asia: Third pillar after U.S. and Australia
- Europe: Building business foundation and stabilizing profits

Business opportunities

- Asia: Strong housing demand against the backdrop of population growth
- Europe: Growing interest in wooden construction that contributes to decarbonization

Growth strategies

- Multi-family housing development in Europe
- Large-scale township development in Asia
- Sustainable real estate development business

Asia Housing and real estate development business

In Asia, we are currently working on condominium development projects and the single-family homes business in Vietnam, Indonesia, and Thailand in collaboration with local companies. We plan to develop a system to secure stable revenue in Phase 2 in order to grow our Asian business into the third pillar following the U.S. and Australia. In Asia, economic development and increased demand for housing are expected against the backdrop of population growth, and environmentally conscious 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*1 and supplying homes with low environmental impact.

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

United Kingdom Housing and real estate development business

During the Phase 1 period, in 2022, we started the development of a six-story wooden office building in London in collaboration with Bywater Properties in the U.K., entering the U.K. real estate market which is significantly advanced in terms of addressing environmental issues. In 2023, we co-founded a property development company Bywater SFC with Bywater Properties, and in 2024 we began the office development "Golden Lane Project" in London through extension and alteration to wooden structures in joint investment with Fuyo General Lease Co., Ltd. We will promote environmentally conscious 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. With this, we will build our business foundation and aim to stabilize revenue.



Golden Lane Project exterior image

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

Demand for medium- to large-scale wooden constructions (mass timber constructions) 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,*2 we are promoting a joint development project for a large-scale wooden office building. In 2023, we completed a 15-story wooden office building in Melbourne, Australia, and in 2024, we completed a 7-story wooden building in Dallas, Texas. We will expand our medium- to large-scale wooden constructions business globally to realize a decarbonized society.

*2 A building that effectively achieves zero operational carbon dioxide (CO₂) emissions during use.



15-story wooden office in Melbourne



7-story wooden office in Dallas

Environment and Resources Segment

Environment and Resources Business

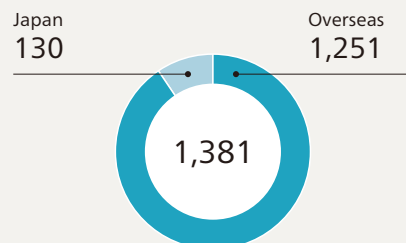


Accelerate the cyclical forest business

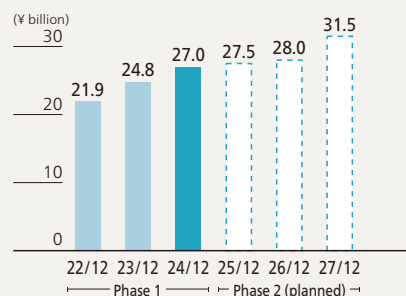


Promote wood change

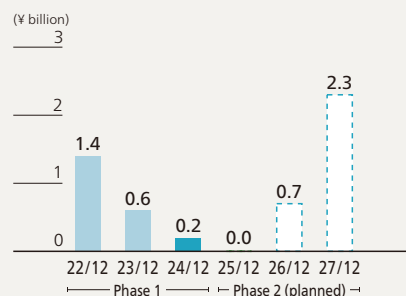
Number of employees (As of December 31, 2024)



Net sales

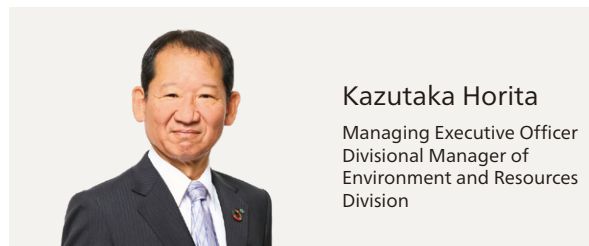


Recurring income



* The planned figure represents the initial plan as of February 13, 2025.

* For more information about performance for the FY ended December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>



Kazutaka Horita

Managing Executive Officer
Divisional Manager of
Environment and Resources
Division

We aim to expand sustainable forests, realize the Wood Cycle, and maximize the value of forest resources

Review of Mission TREEING 2030 Phase 1

In the Environment and Resources Business, through the advancement of upstream businesses such as forestry management and forestry funds, we aim to expand properly managed sustainable forests and are engaged in the business to achieve a sustainable Wood Cycle while making maximum use of forest resources. During the Phase 1 period, in addition to forming and starting operation of forestry funds targeting forest assets in North America and Central America, we began initiatives for a demonstration project of new peatlands management technology utilizing advanced technology in Indonesia in August 2024. Under this project, based on a cooperation memorandum concluded between Japan's Ministry of the Environment and Indonesia's Ministry of Environment and Forestry (at the time), we will work to build a sustainable tropical peatlands management model utilizing cutting-edge satellite, drone, and AI technologies contributing to building cooperative relationships toward decarbonization between Japan and Indonesia through reduction of GHG emissions.

In the fiscal year ended December 2024, although various initiatives progressed, we were affected by severe market conditions including falling log prices in the

forestry business and soaring purchase prices for biomass fuel in the renewable energy business, resulting in net sales of 26.95 billion yen (8.5% year on year increase) and recurring income of 236 million yen (58.1% decrease).

Initiatives for Mission TREEING 2030 Phase 2

Toward improving profitability

As society-wide efforts toward carbon neutrality accelerate, demand for high-quality forest-derived carbon credits is growing worldwide. In Phase 2, we will expand the area of appropriately managed forests domestically and internationally by utilizing forestry fund capital, and develop a foundation for sustainable forestry. We aim to maximize the value of wood resources, including the biomass power generation business and biorefinery field. Furthermore, we will advance the pilot project of tropical peatlands management technology in Indonesia, aiming to model sustainable forest management that balances economy and environment.

Meanwhile, in domestic forestry, reforestation rates remain at low levels due to the prolonged slump in timber prices and labor shortages caused by aging. Centered on Japan Forest Asset Co., Ltd., we will accelerate reforestation of harvested areas and connect this to revitalization of domestic forestry.

In the fiscal year ending December 2025, we expect decreased income due to recording of advance expenditures related to our tropical peatlands demonstration project in Indonesia.



Environment and Resources Segment

Environment and Resources Business

Toward achieving Phase 2

Strategic indicators



Business opportunities

- World: Decrease in forest area
- Japan: Growing momentum for promoting utilization of domestic timber due to the arrival of harvest time for Japanese cedar and Japanese cypress planted after the war
- Growing demand for high-quality carbon credits derived from nature
- Growing expectations for the biorefinery field
- Low-level trends in reforestation rates in domestic forestry

Challenges

- Strengthen overseas forestry business marketing
- Enhance competitiveness of biomass power generation business

Competitive advantages

- Accumulation of various technologies and knowledge related to forest management
- Sustainable tropical peatlands management technology
- Expertise in renewable energy power generation and fuel procurement capabilities through the Group's network

Growth strategies

- Through the promotion of forestry fund business, expand properly managed sustainable forests
- In Indonesia, advance the pilot project of tropical peatlands management technology, aiming to model sustainable forest management
- Aim to maximize the value of wood resources, including improving profitability of the wood biomass power generation business and biorefinery field
- Accelerate reforestation of harvested areas and connect to revitalization of the domestic forestry business

Contribute to carbon offsets for society through forestry fund mechanisms

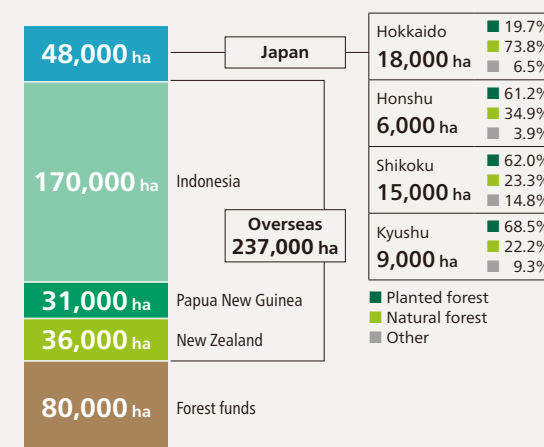
Utilization of sustainable forest resources

In the forestry business in Japan and overseas, Sumitomo Forestry owns and manages approximately 365,000 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. (Forest Stewardship Council® (FSC®) License Number: FSC-C113957)

Formation of forest funds

Our group company Eastwood Forests, LLC formed the large-scale forest fund Eastwood Climate Smart Forestry Fund I to promote decarbonization in June 2023. The fund acquires forest assets mainly in North America, where carbon credit systems are also advanced, and produces timber generated from appropriate forest management and creates carbon credits. As of December 2024, the fund had acquired approximately 80,000 hectares of forest assets. Through the fund mechanism, we will appropriately manage forests over large areas and maximize utilization

of biodiversity conservation and the CO₂ absorption and fixation functions that forests possess as strategic indicators, contributing to the realization of a decarbonized society.

Area of forest owned and managed
(as of end of December 2024)

Wood biomass power plant operated in partnership by the Company (as of end of December 2024)

	Service areas	Start of operations	Sumitomo Forestry's investment ratio	Power generation capacity	Fuel
Kawasaki	Kawasaki City, Kanagawa Prefecture	February 2011	34%	33 MW	Construction waste and others
Mombetsu	Mombetsu City, Hokkaido	December 2016	51%	50 MW	Unused forest resources and others
Tomakomai	Tomakomai City, Hokkaido	April 2017	20%	6.2 MW	Unused forest resources and others
Hachinohe	Hachinohe City, Aomori Prefecture	April 2018	52%	12.4 MW	Unused forest resources and others
Kanda	Miyako District, Fukuoka Prefecture	June 2021	41.49%	75 MW	Imported wood pellets and others
Morinomiyako	Sendai City, Miyagi Prefecture	November 2023	15.0%	75 MW	Imported wood pellets and others

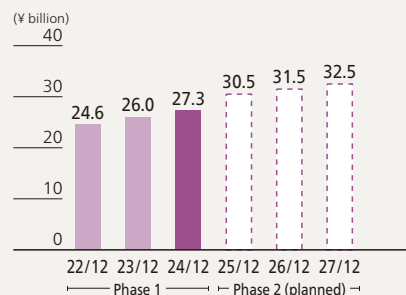
Other Segment

Lifestyle Services Business

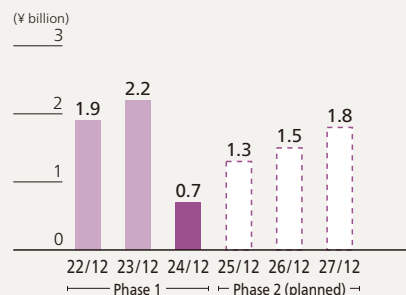
Number of employees (As of December 31, 2024)



Net sales



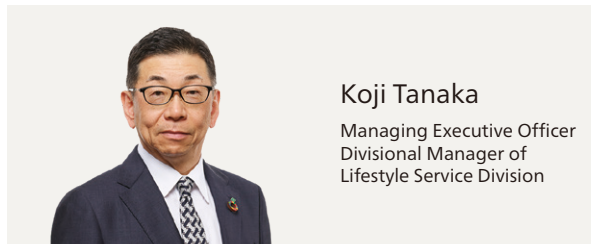
Recurring income



* 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 13, 2025.

* For more information about performance for the FY ended December 2024, please visit our website. <https://sfc.jp/english/ir/library/statements/2024.html>



Koji Tanaka

Managing Executive Officer
Divisional Manager of
Lifestyle Service Division

Through a wide range of services, we solve social issues and provide secure and affluent lifestyles for all life stages

Review of Mission TREEING 2030 Phase 1

The Other segment, which includes the Lifestyle Services Business, operates private nursing homes and assisted living, various service businesses such as insurance agency services for housing customers, and other operations. As of the end of December 2024, Sumirin Fill Care and Sumirin Care Life provided a total of 1,842 rooms in housing for the elderly. Furthermore, we are working on regional economic revitalization, including participation in hotel development and operation business at VISON, a commercial and mixed use complex opened in collaboration among industry, government, and academia, contributing to solving social issues and providing secure and affluent lifestyles for all life stages. The Other segment

achieved net sales of 27.314 billion yen (4.9% year-on-year increase) and recurring income of 705 million yen (67.8% decrease) in the fiscal year ended December 2024.

Initiatives for Mission TREEING 2030 Phase 2

Toward improving profitability

During the Phase 2 period, we aim for improvement and strengthening of existing businesses and initiating new developments and initiatives in the nursing care business domestically and globally. The population aged 75 and above in the main operating areas of our Group's nursing care business is expected to increase by approximately 3 million people over the 30 years from 2020 to 2050, presenting opportunities for further business expansion. In Phase 2, we will actively capture these opportunities and promote educational system enhancement and equipment investment such as digital transformation leveraging our business scale, while securing stable human resources including overseas human resources, aiming for sustainable growth of the nursing care business.

We will also promote further improvement and strengthening of existing businesses including not only the nursing care business but also insurance, the accommodation business of VISON, and the golf course management business, building a stable earnings base.

Businesses that solve social issues and support people's lives

At private nursing homes operated by the Sumitomo Forestry Group, we are promoting support for independence and service provision tailored to each resident and enhancing hospitality while improving operational efficiency through the introduction of systems that utilize ICT.

For buildings and housing exteriors, we leverage group resources and know-how to provide comfortable spaces where people can enjoy the warmth of wood and greenery. At Grand Forest Denenchofu, we are working to create a housing exterior that considers biodiversity*, including obtaining the ABINC Certification*.

We plan to newly open the private nursing home "Grand Forest Noborito" in fall 2025.

Nursing care business (As of end of December 2024)

Sumirin Fill Care

- Number of private nursing homes operated: **17**
- Number of senior daycare centers operated: **3**

Sumirin Care Life

- Number of private nursing homes operated: **3**
- Number of private nursing homes (assisted living) operated: **1**
- Home care services: **8** locations

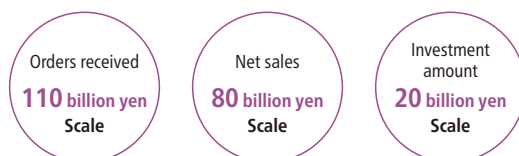
Other Segment

Alliance with Kumagai Gumi

Review of collaboration

In our alliance with Kumagai Gumi, we are promoting collaboration with a medium- to long-term perspective. In the fiscal year ended December 2024, we held business collaboration promotion committee and joint subcommittee meetings. For the contract business, we have established two pillars: medium- to large-scale wooden construction and environmental greening construction with added value proposals. For the investment business, we are implementing real estate development investments in the United States, Vietnam, and other countries.

6-year cumulative total for both companies, FY2019/3-FY2024/3



Collaboration Field	Collaboration Results
Medium- to large-scale wooden construction	<ul style="list-style-type: none"> Launched medium- to large-scale wooden construction brand with TREE First JV construction project completed - Sapporo fire-resistant wooden building Actively expanding wooden construction, primarily for offices and schools through joint collaboration
Environmental greening	<ul style="list-style-type: none"> Proposed and expanded orders for environmental real estate integrating architectural design and greening plans
Overseas construction & development	<ul style="list-style-type: none"> Completed largest wooden 7-story office building in Dallas area Township development in Binh Duong Province, Vietnam

Future collaboration plan cumulative three-year total for both companies (FY2025/3-FY2027/3)

Contract business

Medium- to large-scale wooden constructions, renovation, environmental greening

- Orders received: **130 billion yen scale**
- Net sales: **110 billion yen scale**
- Gross profit: **10 billion yen scale**

Investment business

Environment and energy, overseas construction and development

- Investment amount: **30 billion yen scale**
 - Investment in domestic and overseas real estate development business
 - Promotion of investment in domestic and overseas renewable energy business

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 strategy

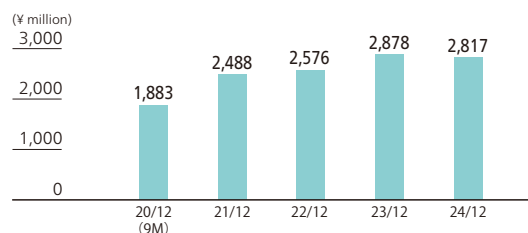
The Tsukuba Research Institute, the core driver of the Group's research and technological development, was established in 1991. Since then, it has supported the Sumitomo Forestry Group with its advanced research and technological development capabilities related to trees. The Tsukuba Research Institute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

At the Tsukuba Research Institute, each research group advances research and technological development comprehensively covering trees from upstream to downstream areas, from resources and materials to housing and construction. Through new value-creating research to enhance the value of trees and greenery, we are advancing research and development toward realizing a Timberized Eco City that transforms cities into forests through various future technologies such as innovative construction technologies, new wood materials, and development of new tree species, aiming to achieve Sumitomo Forestry's goals of decarbonization and realization of the circular bioeconomy through various business activities.

Research and development expenses

In fiscal 2024, research and development expenses for the entire Group were 2,817 million yen. We effectively advance research and development activities by maintaining close collaborative relationships with research and development institutions of universities and the government.

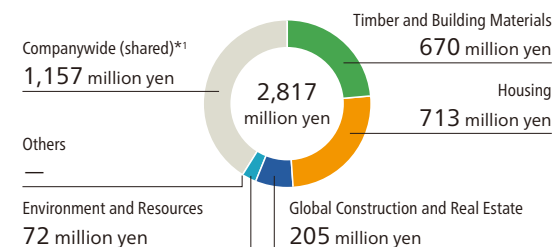
Research and development expenses



* 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 FY2024



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

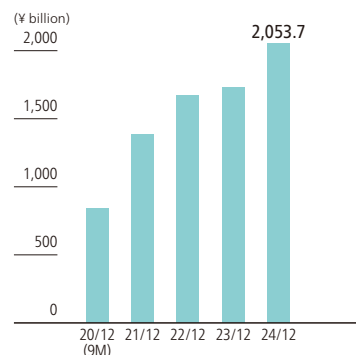
Financial and Non-financial Highlights

Financial highlights

* 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.

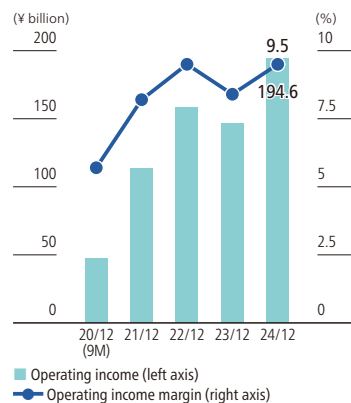
*1 Current market value by TSR is shown as an index figure based on the closing price as of December-end in 2014 set as 100.

Net sales



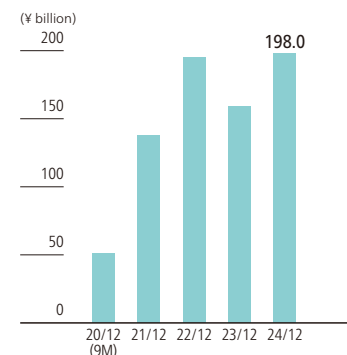
In addition to the favorable performance of the U.S. single-family homes business, the recovery of profitability in the Australian housing business and yen depreciation also contributed, resulting in net sales of 2,053.7 billion yen, an increase of 18.5% year on year.

Operating income / Operating income margin



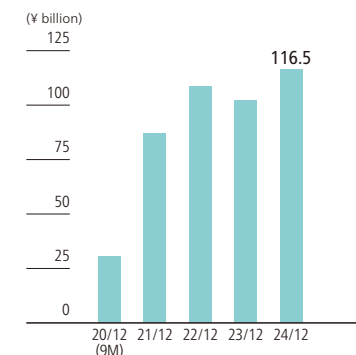
Operating income was 194.6 billion yen, an increase of 33.0% from the previous period, and the operating income margin was 9.5%, an increase of 1.1 percentage points.

Recurring income



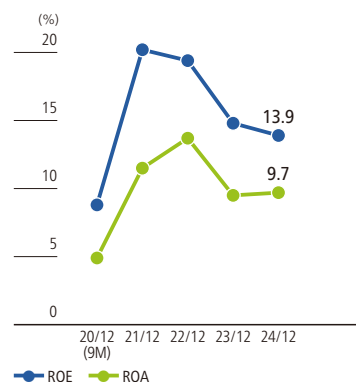
Recurring income was 198.0 billion yen, an increase of 24.6% from the previous period, exceeding the original plan of 173.0 billion yen for the fiscal year ended December 2024 in Mission TREEING 2030 Phase 1 by 25.0 billion yen, setting a new record high.

Net income attributable to shareholders of parent



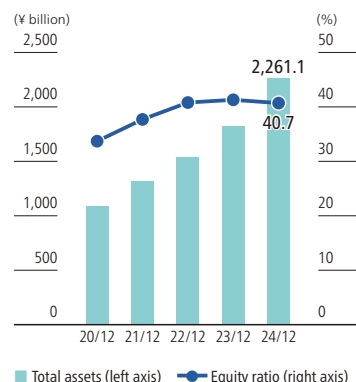
Net income attributable to shareholders of the parent company was 116.5 billion yen, an increase of 14.1% from the previous period.

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



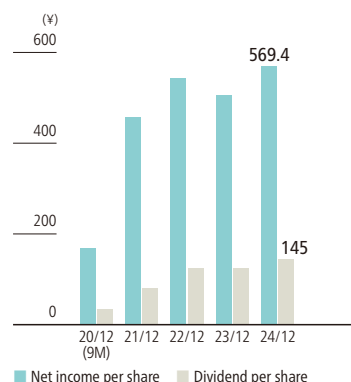
As yen depreciation progressed while our overseas business expanded in scale, foreign currency translation adjustments included in shareholders' equity increased significantly, resulting in ROE of 13.9%, a decrease of 0.9 percentage points from the previous period.

Total assets / Equity ratio



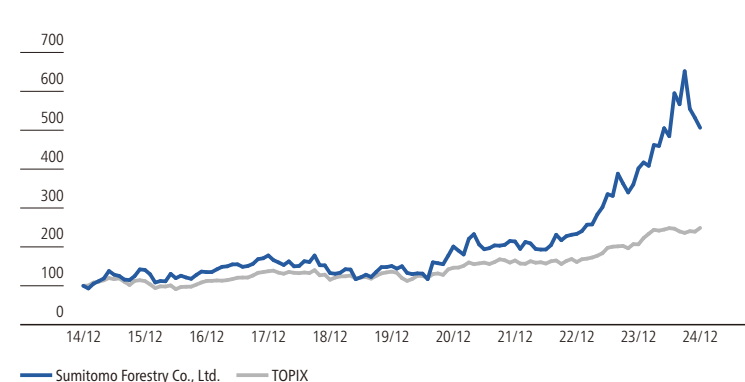
Total assets were 2,261.1 billion yen, and the equity ratio was 40.7%. Of the 436.4 billion yen increase in total assets, approximately 130.0 billion yen was due to foreign exchange impact.

Net income per share / Dividend per share



The annual dividend per share for the fiscal year ended December 2024 was 145 yen per share, including an interim dividend of 65 yen and a year-end dividend of 80 yen.

TSR*1



Our cumulative TSR is 406.3%, outperforming TOPIX. We will continue to improve profitability and pay stable dividends while striving to achieve TSR that exceeds the cost of equity.

Financial and Non-financial Highlights

Non-financial highlights

*2 Data collection period: April to December 2020

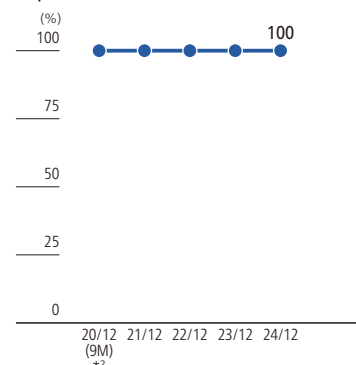
*3 Sumitomo Forestry Crest, the Agro-Products division of Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy

*4 Data collection period: January to December 2020

*5 Includes Nearly ZEH and ZEH Oriented.

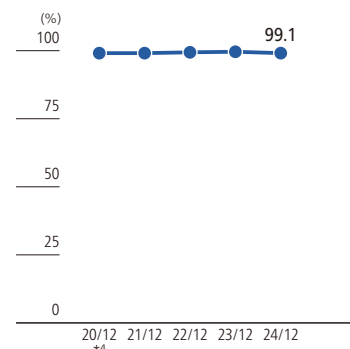
*6 Rate of taking childcare leave = number of persons starting childcare leave in fiscal year/number of persons whose children were born in the applicable each fiscal year.

Sustainability procurement survey implementation rate of suppliers of imported timber



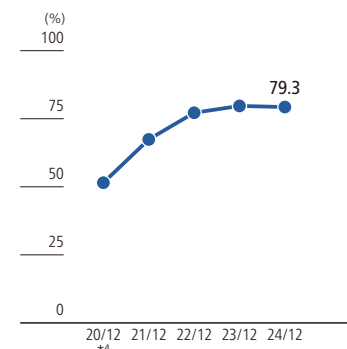
We continue to implement confirmation of legal compliance regarding timber procurement for all suppliers, as well as considerations for human rights, labor, biodiversity conservation, and local communities, and practice sustainable procurement.

Recycling rate at manufacturing plants in Japan*3



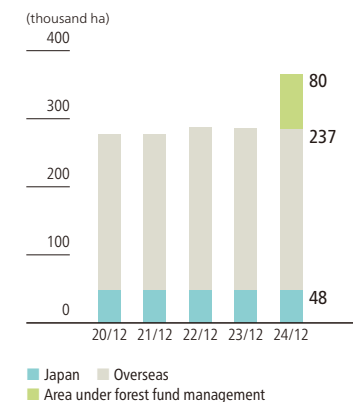
Each manufacturing plant continues to work on reducing waste emissions, and the recycling rate for fiscal 2024 was 99.1% against a plan of 99.0%.

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



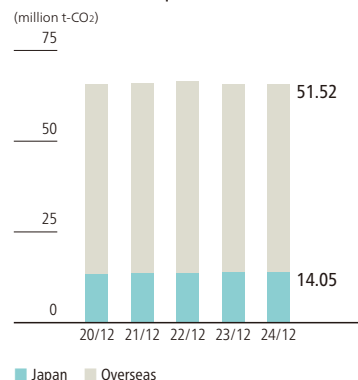
With the inclusion in employee performance evaluations, the rate improved by 11.9 percentage points from 67.4% in fiscal 2021 to 79.3% in fiscal 2024, nearly achieving the fiscal 2024 plan of 80%.

Area of forest owned, managed



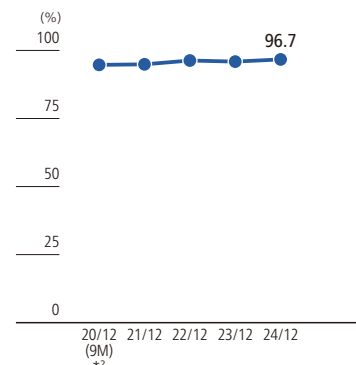
To make permanent use of timber resources while maintaining the public benefit of forests, we are promoting sustainable forest management in Japan and overseas under appropriate management. Starting from fiscal 2024, we include the managed area of forestry funds.

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



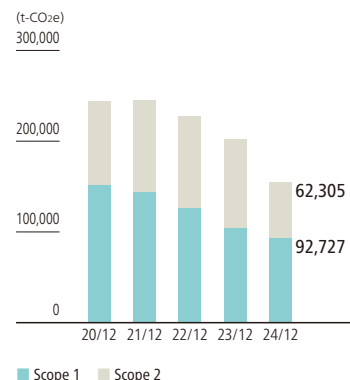
We strive to maintain and improve the public benefit of forests by implementing appropriate management of forests that we own and manage.

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



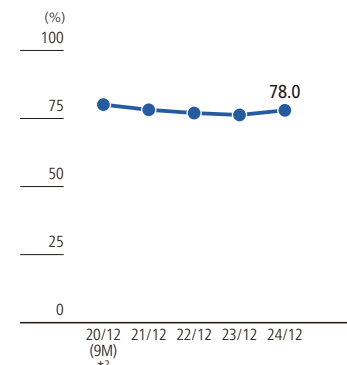
Sumitomo Forestry has set as a standard specification that Sumitomo Forestry homes must clear all conditions for certification as Long-life Quality Housing with the highest grade (evaluation under the Housing Performance Indication System).

CO2 emissions



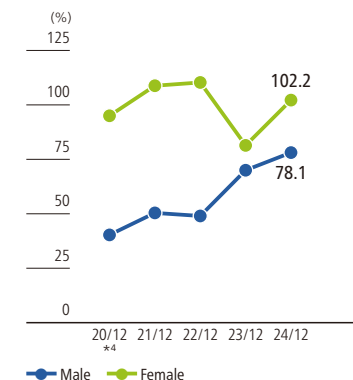
Through the introduction of renewable energy at overseas manufacturing plants, Scope 1 and 2 emissions for fiscal 2024 decreased by 23.4% compared to fiscal 2023.

Employee satisfaction (non-consolidated)



The results of the employee satisfaction surveys show that 78.0% of employees answered "absolutely or somewhat agree" to the question "Are you satisfied with your work at the Company?" in FY2024.

Rate of taking childcare leave (non-consolidated basis)*6



Regarding male employees' participation in childcare, understanding has deepened not only among the male employees themselves but also in the workplace, and 100 employees took childcare leave in fiscal 2024.

3

Sustainability Management

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Responding to the Environment Issues and Climate Change	60
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The Sumitomo Forestry Group pursues value creation from a medium- to long-term perspective in an era requiring the integration of business and societal issues, such as decarbonization, resource recycling, human rights, and human resources. In this chapter, we will clarify the specific implementation details of sustainability management, focusing on the establishment of an ESG promotion system and the status of responses to our Nine Material Issues.

Philosophy of Sustainability Management

With the aim of realizing a sustainable and prosperous society, the Sumitomo Forestry Group set focus on 2030, the target year for the SDGs, and in February 2022 formulated a Long-term Vision, Mission TREEING 2030, and a Medium-term Management Plan, Mission TREEING 2030 Phase 1 (2022-2024), which embody our long-term business vision for the future of our Group, marking the start of our journey toward creating new value. In our Long-term Vision, we have identified Nine Material Issues from the perspective of three types of value: value for our planet, value for people and society, and value for the market economy. One of the five basic policies of the Medium-term Management Plan is “further integration of business operations and ESG,” and we have established Mid-Term Sustainability Targets that incorporate sustainability

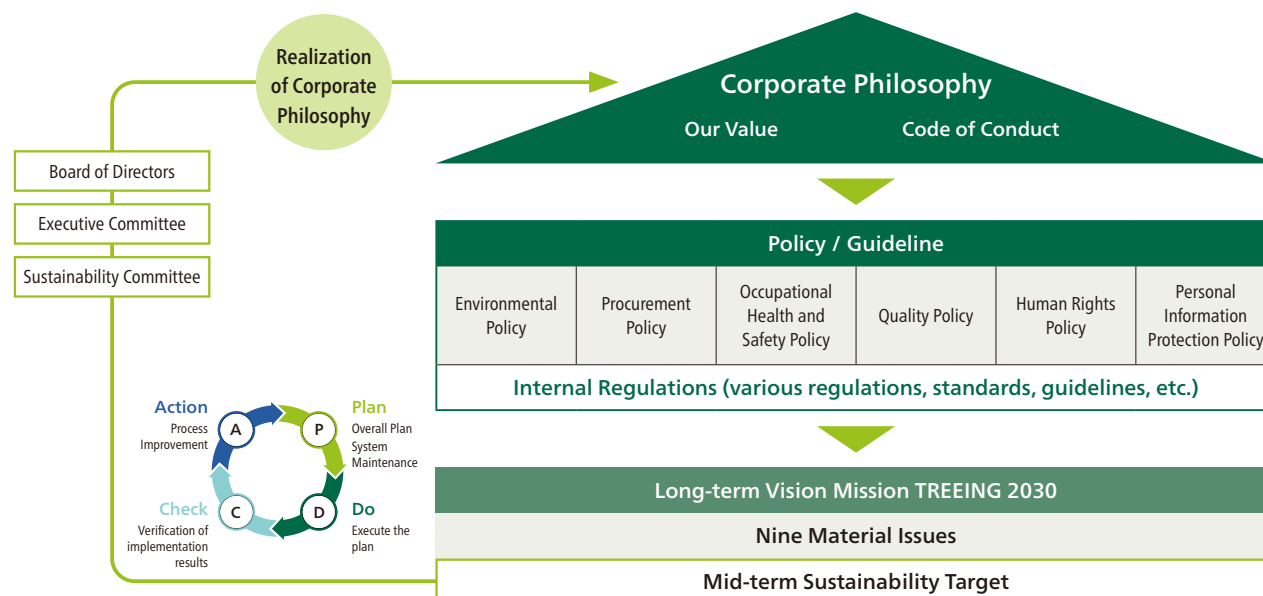
strategies and initiatives to address material issues. In February 2025, we formulated Mission TREEING 2030 Phase 2 (2025-2027) of our Medium-term Management Plan, with the theme of three years of reform and realization aimed at achieving dramatic growth, and we are accelerating our efforts to further enhance corporate value.

Supervisory framework

We have set targets for each business division in order to address the Nine Material Issues. The progress and achievement status of each target are confirmed by the Sustainability Committee and reported to the Board of Directors, thereby ensuring that the PDCA cycle is steadily implemented.

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 chairperson. 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 societal issues.

The Sumitomo Forestry Group’s Sustainability Management



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 2024, 14 new businesses and projects were discussed. By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management.

Philosophy of Sustainability Management

Nine Material Issues

Identifying material issues

Following the important CSR issues identified in fiscal 2008 and 2014, the Sumitomo Forestry Group developed our Long-term Vision Mission TREEING 2030 in February 2022, and newly identified Nine Material Issues. In the process, we have analyzed geopolitical changes, technological innovations such as DX, and changes in the preferences of stakeholders. We have leveraged the strengths of the Sumitomo Forestry Group, which have grown significantly through M&A and capital and business alliances, as we redefined the areas of contribution unique to the Group as material issues not just for sustainability, but for our entire business.

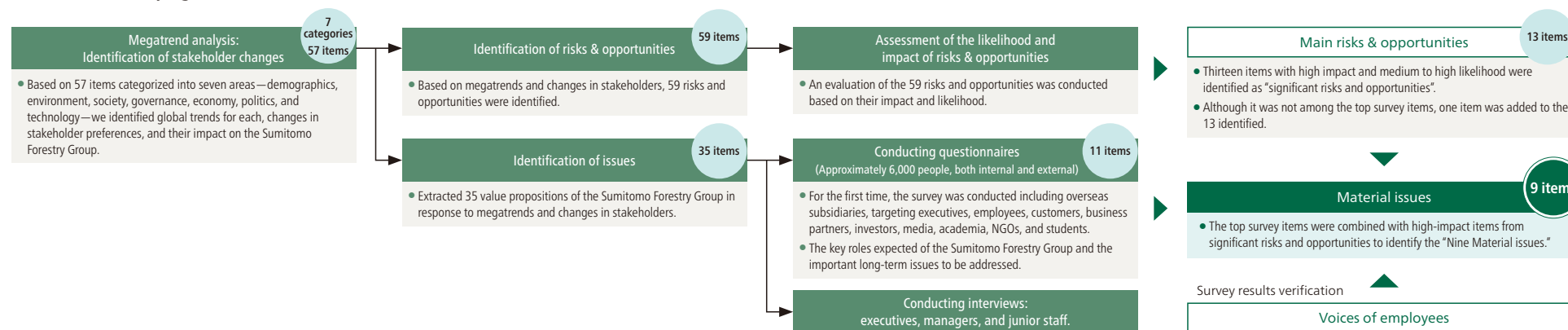
Identification method of material issues

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

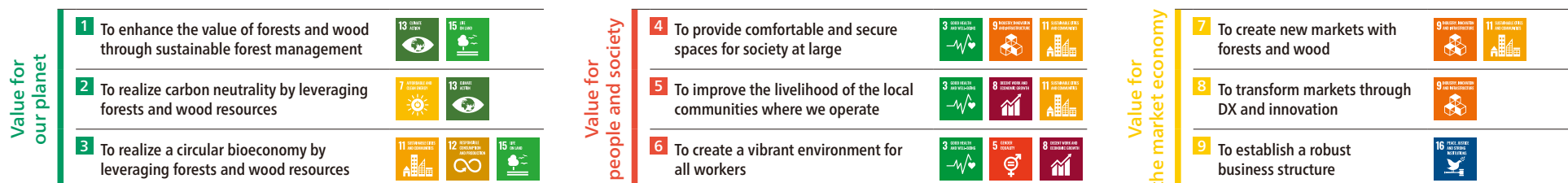
management-level personnel were also conducted.

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."

Process for identifying material issues



Nine Material Issues and related SDGs



Nine Material Issues and the Mid-term Sustainability Targets



For details on the review process and FY2024 results, please refer to the Sustainability Report 2025.








<https://sfc.jp/english/sustainability/management/materiality1.html>



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 identified Nine Material Issues. In the Medium-term Management Plan Mission TREEING 2030 Phase 2, we are reviewing the progress and achievement levels, and some of the evaluation indicators are being revised. These indicators will be incorporated into the annual activity policies and initiatives of the management departments to facilitate effective management.



Value for our planet










Nine Material Issues	Initiatives	Indicators for Evaluation	FY2025 Targets	FY2026 Targets	FY2027 Targets	Related SDGs
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.	Utilization of sustainable forest resources	Domestic and overseas certified forest area (ha)	346,152	420,152	451,152	 
		Seedlings supplied Domestic forest (10 thousand)	168	185	207	
		Volume of domestic timber handled (1,000 m³)	2,798	3,205	3,553	
		Reforestation projects (ha)	600	800	1,000	
	Responding to nature-related issues	Implementation and improvement of ecosystem monitoring Monitoring of flora and fauna in HCVF*1 areas (Domestic Company-owned forests and overseas afforestation areas)	Implementation, reporting, and disclosure	Improvement and enhancement	Setting numerical targets	
		Number of harmonic plants sold*2 (Units)	1,400,000	1,500,000	1,600,000	
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.	Promotion of decarbonization (Scope 1 & 2)	[Scope 1 & 2] Total greenhouse gas emissions Change rate compared to FY2021 (t-CO₂, %)	170,484 -30.4%	165,488 -32.4%	162,415 -33.7%	
		Renewable energy consumption rate [Efforts to achieve RE100] (%)	45.1	55.4	66.3	
	Promotion of decarbonization (Scope 3)	ZEH ratio (%)	83 (6,880)	84 (7,056)	85 (7,140)	 
		Percentage of orders for ZEH type houses out of new custom-built detached housings (Number of units)				
		Number of environmentally certified houses obtained (total in the U.S.) (Houses)	3,800	4,100	4,600	
		Amount of electricity supplied by renewable energy business (MWh)	826,469	843,001	840,072	
		[Scope 3] Category 11				
		CO₂ emission reduction rate per floor area of sold houses compared to fiscal 2021				
		Housing Division	-5.4%	-7.5%	-9.6%	
		Global Construction and Real Estate Division	-13.0%	-14.0%	-16.0%	
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.	Reduction and recycling of industrial waste	Final disposal amount (t) consolidated Percentage change from fiscal 2023	21,213 -7%	21,735 -9%	21,018 -12%	
	Reduction of water consumption	Water consumption (m³)	2,971,001	2,972,632	2,989,957	  
		Unit water consumption (m³)				
		Water withdrawal per net sales (m³ per ¥1 million)	1.22	1.09	0.98	
	Management of the supply chain	Rate of sustainability procurement surveys conducted (%)	38.0	39.0	40.0	
		Percentage of companies that grasp their greenhouse gas (GHG) emissions (%)				

*1 Abbreviation for high conservation value forests.

*2 Target trees: Tall trees, medium trees, shrubs

Nine Material Issues and the Mid-term Sustainability Targets





Value for people and society

Nine Material Issues		Initiatives		Indicators for Evaluation		FY2025 Targets	FY2026 Targets	FY2027 Targets	Related SDGs	
4	To provide comfortable and secure spaces for society at large Providing safe, comfortable and secure spaces to society at large.	Improving customer satisfaction		Questionnaire at the time of moving in (Non-consolidated NPS*1 value) (pt)		56.0	57.0	58.0	  	
		Response to declining birthrate and aging population		Number of rooms available at nursing care facilities (rooms)		1,882	1,882	1,943		
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.	Communication with local communities		Implementation of environmental education programs (Indonesia) (Number of schools)		22	22	22	  	
		Human rights		Building effective remedial grievance mechanisms		Revalidation	Establishment	Implementation		
6	To create a vibrant environment for all workers Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	Work-life balance (Workstyle reform)	Employee satisfaction level (%)	Non-consolidated	80.0	81.0	82.0	  		
				Consolidated in Japan	64.6	66.3	68.5			
		Diversity	Ratio of female employees to all employees (%)	Non-consolidated	25.1	26.0	26.8			
				Consolidated in Japan	36.0	37.0	37.1			
		Human resources development	Training cost per employee (1,000 yen)	Non-consolidated	140.0	150.0	160.0			
				Consolidated in Japan	59.0	59.0	59.0			
		Occupational health and safety	Number of serious occupational injuries*2 (four or more days of lost worktime) (incidents)		0	0	0			

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

*2 Occupational accident equivalent to a serious occupational injury in Japan's occupational injury classification (four or more days of absence)

Value for the market economy

Nine Material Issues	Initiatives	Indicators for Evaluation	FY2025 Targets	FY2026 Targets	FY2027 Targets	Related SDGs
7 To create new markets with forests and wood Creating new markets that enrich the economy through the resourceful use of forests and wood.	Creation of new markets	Volume of domestic timber used through the operation of wood industrial complexes (1,000 m ³)	0	70	102	 
		Cumulative number of EPDs acquired by suppliers (Cases)	55.0	95.0	145.0	
8 To transform markets through DX and innovation Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	DX related	Number of RPA citizen developers (persons)	260	380	500	
		Number of contract IDs through the JUCORE Mitsumori service* ³	1,070	2,714	3,674	
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 / Non-financial information disclosure	Number of BCM training sessions conducted (Times)	2	2	2	
		Disclosure in securities reports based on SSBJ* ⁴ standards	Identification of scope of applicability	Consideration of data collection and reporting methods	Preparation for disclosure	

*3 Initiatives for building a platform to restructure the wood and building materials industry / quotation support system

*4 Sustainability Standards Board of Japan (SSBJ)

Responding to the Environment Issues and Climate Change



Visit the Sustainability website below for other indicators.

<https://sfc.jp/english/sustainability/management/materiality1.html>



Material Issues and Related SDGs

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



Indicators for Evaluation (numerical targets)	Managing department	FY2024 Results	FY2025 Targets	FY2026 Targets	FY2027 Targets
Seedlings supplied Domestic forests (million)	Environment and Resources Division	1.77	1.68	1.85	2.07
Renewable energy consumption rate [Efforts to achieve RE100] (%)	All Sumitomo Forestry Group Companies	36.4	45.1	55.4	66.3
Amount of electricity supplied by renewable energy business (MWh)	Environment and Resources Division	830,540	826,469	843,001	840,072
Recycling rate at domestic manufacturing plants (%)	Timber and Building Materials Division	99.1	99.6	99.6	99.6
Water consumption (m³)	All Sumitomo Forestry Group Companies	2,939,316	2,971,001	2,972,632	2,989,957

The Sumitomo Forestry Group's environmental management

The Sumitomo Forestry Group advocates contributions to the realization of a sustainable and prosperous society in its Corporate Philosophy. The Environmental Policy applies to all stages of the 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 by balancing the environment and the economy.

Our Long-term Vision, Mission TREEING 2030, outlines the relationship between the Nine Material Issues and the SDGs, and the previous Medium-term Management Plan, Mission TREEING 2030 Phase 1, alongside Phase 2 which began in 2025, set the "further integration of business operations and ESG" as one of their five basic policies. We have also established the Mid-term Sustainability Targets Phase 2 (2025-2027) and will enhance our environmental management based on these goals.

Environmental management structure

To ensure that management is practiced in accordance with the Corporate Philosophy, 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.

We have acquired ISO 14001 certification to raise the effectiveness of environmental activities. Furthermore, the general manager of the Sustainability Department acts as the Environmental Management Officer, steadily implementing a PDCA cycle by checking the progress of environmental targets formulated by each department in the Group and reporting this to the Sustainability Committee.

The Board of Directors is also involved in monitoring environmental performance, as the director in charge of sustainability promotion reports to the Board of Directors on the content of discussions held by the Sustainability Committee. The Sustainability Committee, whose members include directors who also serve as executive officers, has oversight responsibility for planning and promoting initiatives to address medium- and long-term ESG issues, including climate change.

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. 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. The Sumitomo Forestry Group makes every effort to disclose information in all areas, referring to the disclosure recommendations issued by the TCFD and TNFD.

The issues identified using the TCFD and TNFD frameworks are reflected as targets for each business unit and headquarters division in the new Medium-term Management Plan, Mission TREEING 2030 Phase 2.

Responding to the Environment Issues and Climate Change

Identification of risks and opportunities

The major opportunities and risks identified in TCFD scenario analyses and the main opportunities and risks identified in TNFD/LEAP analyses are shown in the following table.

With regard to climate change, we considered the state of the world in 2030 under the 4°C scenario, in which no further progress is made in tackling climate change, and under the 1.5°C/2°C scenario, in which progress is made in transforming society toward decarbonization, conducted a financial impact assessment, and discussed measures to address particularly important risks and opportunities. Scenarios from the International Energy Agency (IEA) and the United Nations Intergovernmental Panel on Climate Change (IPCC) were used in conducting the scenario analysis.

For nature-related issues, from the end of 2023 into 2024, we organized a working group consisting of members from the headquarters and business divisions to conduct an analysis using the LEAP approach covering our dependence/impact on nature, risks, and opportunities. The findings of this working group were compiled in March 2024.

Forests and trees, the core of the 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.

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	• Expansion in market for medium- to large-scale wooden constructions due to ESG demand from investors and financial institutions
	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 peatlands 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

* Only TCFD scenario analysis was conducted for the Lifestyle Services business

Responding to the Environment Issues and Climate Change

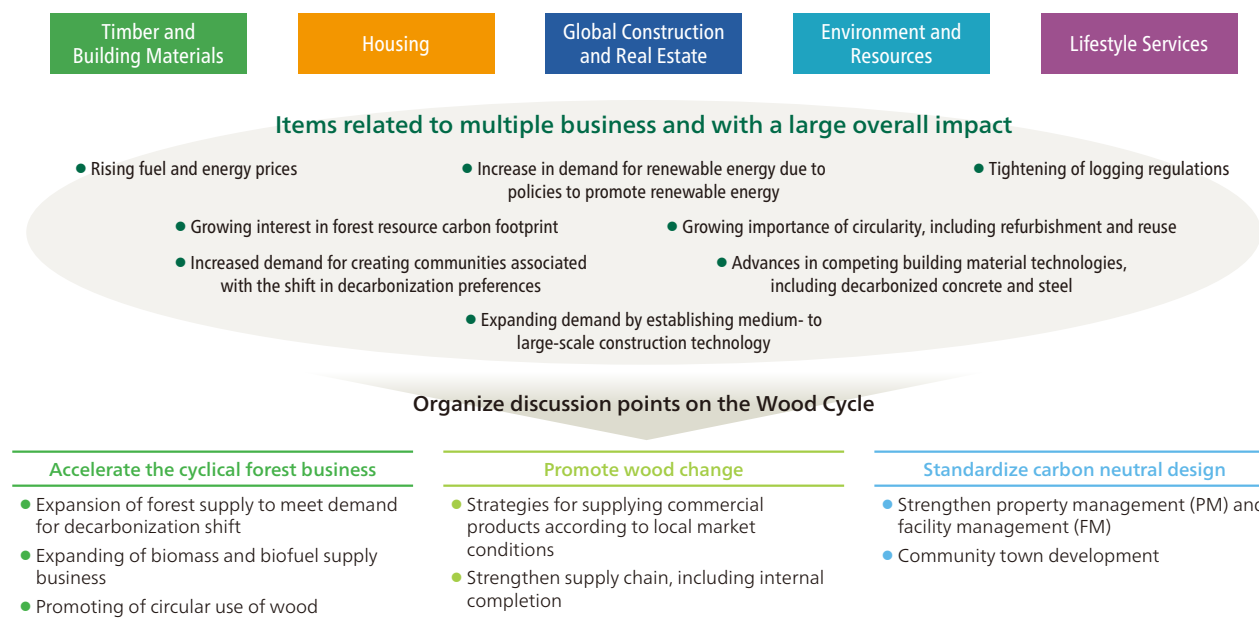
Risk and impact management

At the Sumitomo Forestry Group, each department agrees on specific countermeasures and evaluation indicators for business risks, and reports progress to the Risk Management Committee on a quarterly basis. The Risk Management Committee is chaired by the President and includes each divisional manager, the general manager in charge of administration, and the general managers of the Corporate Planning Department, Personnel Department, Legal Department, IT Solutions Department, and Sustainability Department.

In the TCFD scenario analysis, 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



		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 VECO, 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.	<ul style="list-style-type: none"> 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

Responding to the Environment Issues and Climate Change

Metrics and targets

Formulation of our SBTs (Science Based Targets)

The Sumitomo Forestry Group has established long-term targets related to climate change and is promoting initiatives while incorporating them into its Mission TREEING 2030 Phase 1 and Phase 2 Medium-term Management Plans and annual plans. In 2017, the Group declared its intention to formulate Science Based Targets

(SBTs) and formulated new Group-wide greenhouse gas emissions reduction targets, which were approved as SBTs in July 2018. In November 2024, we received certification for new targets and FLAG (Forest, Land and Agriculture) sector targets, which were developed based on an assumption of reaching net-zero emissions by 2050. Short-term targets through 2030, updated in accordance with published SBT guidance, have also been approved.

Progress toward RE100

In March 2020, the Sumitomo Forestry Group joined RE100, an international initiative aiming to convert 100% of electricity used to renewable energy sources. We aim to make 100% of electricity used in our business activities and fuel used in our power generation operations renewable by 2040, and we are accelerating our efforts to utilize renewable energy and reduce greenhouse gas emissions to this end.

In fiscal 2024, renewable energy introduced for electricity used in the Sumitomo Forestry Group's business activities accounted for 39.8% of the Group's total electricity use, 20.2 percentage points higher than in fiscal 2023. In the Mid-term Sustainability Targets Phase 2 (2025-2027), the Group has set a target of introducing 66.3%^{*3} of renewable energy in the electricity used in its business activities by fiscal 2027, aiming to achieve RE100 by 2030 to the extent achievable through its own efforts.

^{*3} Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as an entire country (41.4% achieved as of fiscal 2024).

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

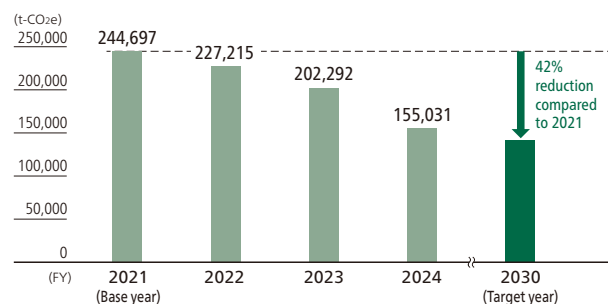


Formulation of the Nature Positive Statement

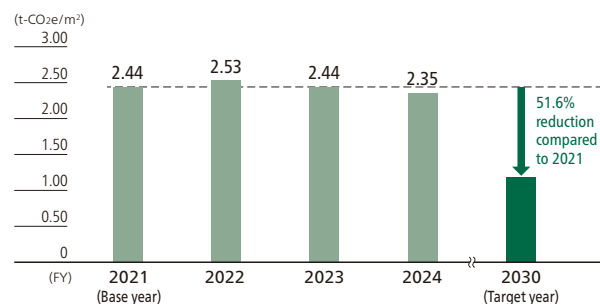
In 2025, the Sumitomo Forestry Group issued its Nature Positive Statement. We do business in Japan and overseas based on the concept of sustainable, recycling-oriented forestry: "Plant trees, nurture forests, use them as resources, and replant to cover the amount used."

At the same time, environmental issues such as climate change and loss of nature are becoming more serious around the world, directly and indirectly affecting local communities, economies, and people's lives. We feel that

SBT progress: Scope 1 and 2



SBT progress: Emissions intensity (sum of Categories 1 and 11 per total floor area of homes sold)



The Sumitomo Forestry Group's SBTs

Net-zero target

- Scope 1 and 2 reduction targets: 90% reduction by 2050 vs. 2021 levels (total amount)
- Scope 3 reduction target: 97% reduction by 2050 vs. 2021 levels (emissions intensity per total floor area of homes sold) (Eligible Categories: 1, 4, 11)
- Neutralizing residual emissions^{*1} to achieve net-zero emissions

Near-term targets

- Scope 1 and 2 reduction targets: 42% reduction by 2030 vs. 2021 levels (total amount)
- Scope 3 reduction target: 51.6% reduction by 2030 vs. 2021 levels (emissions intensity per total floor area of homes sold) (Eligible Categories: 1, 11)

FLAG sector targets

- In line with FLAG Guidance^{*2}, signed a commitment required by the SBT Initiative to halt deforestation by December 31, 2025

^{*1} Emissions that cannot be reduced within a company's value chain by the target year are referred to as residual emissions. The concept of achieving net zero involves neutralization of these residual emissions outside of the value chain through forest carbon absorption and the use of carbon removal technologies.

^{*2} Guidance for setting science based greenhouse gas emission reduction targets in the forestry, land, and agricultural sectors.

Responding to the Environment Issues and Climate Change

we have a responsibility as a company to help resolve these issues by working to gain a quantitative understanding of the relationship between our business and biodiversity.

The Sumitomo Forestry Group will work to realize this goal by implementing the Wood Cycle of forests, timber, construction, and renewable energy in order to contribute to Nature Positive, an initiative to halt and reverse the loss of nature by 2030. To this end, we are exploring the formulation of Nature Positive Targets, which will integrate existing declarations and action guidelines and provide specific targets for action.

Basic policy and initiatives to realize Nature Positive

The Sumitomo Forestry Group strives for sustainable timber production based on the concept of sustainable forestry, in which afforestation, forest cultivation, and harvesting are carried out systematically and continuously in the forests it owns and manages. In addition to determining appropriate harvesting times and formulating and implementing forest management plans in accordance with these plans, we also ensure the daily management of the entire forestry business site, including systematic clearing of underbrush and thinning of trees. In Indonesia and Papua New Guinea, where we are engaged in large-scale forestry businesses, we are steadily engaged in activities such as local job creation, construction of lifeline facilities, and environmental education.

Our efforts to realize Nature Positive in 2030 are based on quantitative targets based on material issues in the Mid-term Sustainability Targets, which form the basis of our progress management.



For more information on Nature Positive initiatives, please visit the sustainability website below.

<https://sfc.jp/english/sustainability/environment/biodiversity/>



Basic policy and initiatives to realize Nature Positive

Basic policy		Initiatives and commitments
Avoidance	The Sumitomo Forestry Group has formulated the Sumitomo Forestry Group Procurement Policy and Wood Procurement Management Regulations, and procures only sustainable timber and wood products that conform to these policies, avoiding the use of problematic timber and wood products. In our forestry business, we manage forests separately as "working forests" for wood production and "conservation forests" for environmental conservation, avoiding business in areas where biodiversity must be preserved. In company-owned forests in Japan, we have also created the Riparian Forest Management Manual to ensure restricted operations in areas around bodies of water that are rich in biodiversity.	<ul style="list-style-type: none"> Annual Sustainability Procurement Survey in supply chain Wood Procurement Committees are held four times a year Certification acquisition rate of incoming PKS (fiscal 2024 plan: 100%) Securing ratio of conservation forests in company-owned forests (fiscal 2024 plan: more than 30%) Prepared the Sumitomo Forestry Red Data Book and Riparian Forest Management Manual, and implementing appropriate management and conservation Conducting mangrove conservation project in Indonesia (9,738 ha) Initiatives toward net zero greenhouse gas emissions Conservation activities for the National Natural Monument "Tsugazakura (<i>Phyllodoce nipponica</i>) Community of Mt. Dozan", a company-owned forest in Niihama, Ehime Prefecture, and registration as a Natural Symbiosis Site by the Ministry of the Environment
Mitigation	By promoting the recycling of wood, we aim to reduce resource consumption and increase efficiency, thereby realizing a circular bioeconomy and reducing the burden on nature. In our forestry business, we advance sustainable forest management to ensure that wood resources will be available in perpetuity while preserving public benefits of forests, including biodiversity conservation.	<ul style="list-style-type: none"> Development of Wood Cycle (acceleration of cyclical forest management, promotion of wood change, each business based on standardization of carbon neutral design) Examples: Establishment of forestry funds, NeXT FOREST (an AI model that contributes to CO₂ emissions and forest fire control in tropical peatlands), establishment of timber industrial complexes, wood change (replacement of steel, concrete, fossil fuels, etc. with wood), promotion of One Click LCA and environmental labeling EPD (visualization of CO₂ emissions during construction) Launch of the Forest Value Creation Platform to support the three parties of forest-derived carbon J-credit creators, screening organizations, and credit buyers through GIS in Japan (2024) Establishment of Japan Forest Asset Co., Ltd. as a joint venture with Sumitomo Mitsui Trust Bank, Limited to accelerate replanting of logging sites and to revitalize the domestic forestry business (2024) Final disposal of industrial waste (reduction rate compared to fiscal 2021; 5.4% reduction planned for fiscal 2024) Recycling rate at new housing construction sites (98.0% planned for fiscal 2024 vs. 95.1% in fiscal 2021) Recycling rate of waste at manufacturing plants (99.0% overseas/99.0% domestic planned for fiscal 2024 vs. 98.5%/99.1% in fiscal 2021) Unused resource (biomass use) handling volume (fiscal 2024 plan: 19,202 m³) Domestic and overseas forest certified area (242,493 ha planned for fiscal 2024 vs. 221,971 ha in fiscal 2021) Maintaining 100% SGE certified area (company-owned forests in Japan)
Restoration and regeneration	We are engaged in activities to restore and regenerate biodiversity that has been lost or threatened with loss, in our core business of urban and residential greening and in social contribution activities that utilize management resources cultivated through our business activities.	<ul style="list-style-type: none"> Increase in the number of native tree species sold (500,000 planned for fiscal 2024 vs. 465,000 in fiscal 2021), and promotion of Harmonic Plants® that sets guidelines for the selection of tree species, mainly native species, according to the target sites for afforestation Promote acquisition of ABINC certification for urban greening business, etc. Carried out the Mt. Fuji Manabi no Mori project to restore 30 ha of typhoon-damaged national forest at the foot of Mt. Fuji. Registered as a Natural Symbiosis Site by the Ministry of the Environment in 2024 Carried out the Oku-Matsushima Nature Restoration Volunteer Program, a tree-planting activity to restore the tsunami-devastated coastal area at the time of the Great East Japan Earthquake
Reform	We participate in and communicate our opinions on the activities of domestic and international rulemaking, industry associations, and related organizations regarding nature and biodiversity, and support the activities of NGOs and other organizations.	<ul style="list-style-type: none"> Participated in TNFD Forum Joined the WBCSD Forest Solutions Group and was involved in the process of developing the Nature Positive Roadmap (released in 2022) and the TNFD Forest Sector Guidelines (released in 2023) Endorsed Business for Nature's "Call to Action" and "COP15 Business Statement for Mandatory Assessment and Disclosure" Participated as a pilot company in the development of new guidelines for GHG protocols to calculate GHG removals and emissions from biological and soil-based sources Participated in the 30by30 Alliance led by the Ministry of the Environment Served as vice-chairperson of the Keidanren Nature Conservation Council and joined the Japan Business Initiative for Biodiversity (JBIB)

Human Resources Strategy



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>



Material Issues and Related SDGs

6 To create a vibrant environment for all workers



Indicators for Evaluation (numerical targets)		Managing department	FY2024 Results	FY2025 Targets	FY2026 Targets	FY2027 Targets
Paid leave usage ratio (%)	Non-Consolidated	Personnel Department	68.9	69.5	70.0	70.0
	Consolidated in Japan		69.1	70.9	72.6	77.1
Male childcare leave acquisition rate (%)	Non-Consolidated	Personnel Department	78.1	100.0	100.0	100.0
	Consolidated in Japan		48.7	55.7	61.7	68.2
Female officer ratio (%)	Non-Consolidated	Personnel Department	13.8	16.3	18.8	21.4
Training costs per employee (thousand yen)	Non-Consolidated	Personnel Department	152.0	140.0	150.0	160.0
	Consolidated in Japan		52.0	59.0	59.0	59.0

Human resources strategy

In order to achieve Mission TREEING 2030, and to realize sustainable management, the Sumitomo Forestry Group has established a human resources strategy based on the following 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.” The Group’s basic policy for human resource development is to “nurture employees who learn by themselves, think about the essence of things, and take action on their own” and have a “goal of creating a workplace culture in which employees can work open mindedly and be energetic.” We aim to realize our Corporate Philosophy by cultivating human resources who will transform and create businesses, and by fostering an open-minded and energetic corporate culture.

Human resources development

With regard to Group-wide human resource development, the Personnel Department’s Sumitomo Forestry Business Institute plays a central role in planning and promoting human resource development measures for all employees, from new recruits to middle and upper management. In addition, we have assigned training managers to each

Human resources strategy issues and countermeasures

Pillars of our Human Resource Strategies	Issues	Countermeasures
Securing and developing human resources who will transform and create businesses	<ul style="list-style-type: none"> Acquisition of specialized and globally minded human resources to respond to business diversification Development of management personnel who can bring 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 globally minded human resources by strengthening the recruitment of international students Human resources 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
A system to maximize employee performance and a free and open corporate culture	<ul style="list-style-type: none"> Creation of an open-minded and energetic organizational culture that ensures psychological safety so that all employees can work with passion, express their autonomy, and utilize their diverse abilities and values Respect for employees’ career aspirations and provision of a system for job reassignment and reskilling support that allows employees to play an active role in a wide range of areas 	<ul style="list-style-type: none"> New graduate and mid-career recruitment by job category 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 fuller 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
Promotion of health management	<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

Human Resources Strategy

business division and Group company to conduct training programs for acquiring the knowledge and skills necessary for each business, and to plan human resource development measures.

Training programs and costs

In addition to Company-led training, the Sumitomo Forestry Group supports employee learning that emphasizes independence. In addition to 300 courses, including job category and grade-specific skill development programs, e-learning, correspondence courses, and external training opportunities aimed at the acquisition of business skills and knowledge, we offer online video learning courses from approximately 8,000 classes.

Additionally, we have a system in place to subsidize part of the costs for external training courses that are not designated by the Company. In fiscal 2024, 2,082 employees took classes. With the revision of our personnel system and the increase in opportunities to receive information about external training programs, awareness of the system itself and opportunities for independent learning are gradually increasing.

At Sumitomo Forestry (non-consolidated), training expenses per employee amounted to 152,000 yen (up

35,000 yen from fiscal 2023), and training hours per employee totaled 20.9 hours (up 1.7 hours over the same period). We believe that the main factors behind this increase are the expansion of self-development training, which has led to an increase in the number of participants, and the implementation of rank-based training in conjunction with revisions to the personnel system.

Overseas human resources development

To nurture human resources who can contribute to managing our expanding business overseas, and to support employees with extraordinary business performance who would like to work abroad, 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, since fiscal 2022, we have been implementing a course dealing with international affairs in general. In fiscal 2024, 32 employees participated.

Management personnel development

We conduct selective training for employees who are at least 35 years old. In fiscal 2023, 53 employees took part in 11 programs, and 55 employees took part in 10 programs in fiscal 2024, focusing on management leadership development training and transformational training for middle management.

In order to improve the management skills of managers, we provide management skills training to all managers in order to bring out the abilities of each employee. In fiscal 2024, 98 managers participated in this training.

For the purpose of creating a freer workplace where open-minded and energetic discussions can take place, we have been conducting psychological safety training for all managers since fiscal 2021, with 351 participants in fiscal 2024.

For more details about our training programs, please visit our website.
<https://sfc.jp/english/sustainability/social/employment/career-support.html>



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

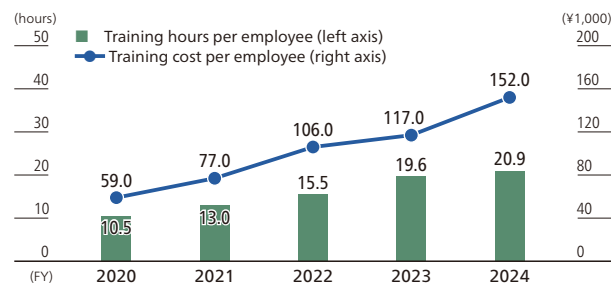
Male childcare leave acquisition rate

		FY2020	FY2021	FY2022	FY2023	FY2024
Non-Consolidated	Acquisition rate (%)	46.8	50.4	49.0	70.0	78.1
Consolidated in Japan	Acquisition rate (%)	13.2	28.0	32.8	28.0	48.7

Number of participants in major training programs (FY2024)

Training Program	Participants (non-consolidated) (no.)	Participants (Group companies) (no.)	Total
Rank-based Training (27 classes)	3,026	526	3,552
Selective Training (14 classes)	134	15	149
Self-development Training (132 classes)	2,082	23	2,105
E-learning (mandatory, 9 classes)	5,577	7,377	12,954

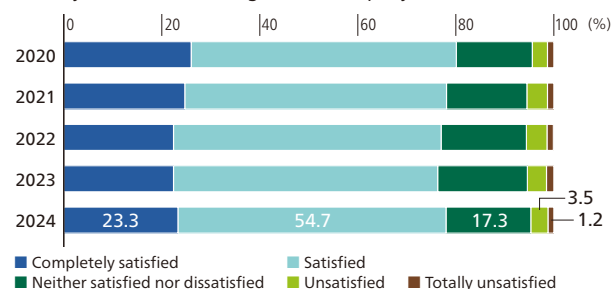
Training costs & hours (non-consolidated)



Human Resources Strategy

Trends in employee satisfaction from the employee awareness survey

Q: Are you satisfied working for the Company?



Department, run by the Personnel Department, supports the physical and mental health of employees. As numerical targets for work-life balance, in our Mid-term Sustainability Targets, we have set goals for improving employee satisfaction, increasing the rate of childcare leave for men, boosting the rate of taking paid leave, and reducing long working hours, and we are promoting initiatives including at our subsidiaries in Japan.

Although we had a target of 100% utilization in fiscal 2024 for male childcare leave, the result we achieved was 79.4%. The acquisition rate has been rising every year thanks to early notification to relevant employees and the sharing of case studies on our intranet site. Employees' attitudes toward childcare leave are changing, and awareness is spreading within the Group. We will continue to implement measures to raise awareness not only among employees with children, but also in the workplace overall, with the aim of achieving better work-life balance.

Diversity, equity & inclusion

In April 2024, we issued the Sumitomo Forestry Group Declaration on DEI, which defines and clarifies the terms diversity, equity and inclusion.

To grow our business sustainably, it is important to create a vibrant workplace 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. Furthermore, we will strengthen various measures and accelerate the promotion of DEI so that we can bring out the best in everyone by accepting and harnessing the diverse abilities and values of each employee and creating a sense of unity.

Indicators for women's empowerment (non-consolidated)

		FY2020	FY2021	FY2022	FY2023	FY2024
Ratio of female employees (%) ^{*1}	Non-Consolidated	22.0	22.6	23.1	23.8	24.4
Ratio of newly graduated female recruits (%) ^{*2}	Non-Consolidated	30.2	26.9	33.1	34.1	32.8
Ratio of female employees in management positions (%)	Senior managers		2.2	2.4	3.2	3.7
	Managers	4.8	8.3	8.5	8.8	9.8
Average years of service of female employees ^{*3}	Non-Consolidated	11 years 4 months	11 years 8 months	12 years	12 years	12 years

^{*1} 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.

In terms of diversity in our DEI Declaration, we are managing targets based on five indicators as measures to encourage women to play active roles in the workplace.

In fiscal year 2024, we achieved our target for the ratio of female senior managers, but failed to achieve the other four indicators. To meet our targets, we conducted educational activities with a long-term view of careers, including training for manager candidates, newly appointed managers, and female leadership candidates, as well as training on working styles after childcare leave. Going forward, we will further strengthen educational activities as one of the pillars of DEI.

Ratio of female employees in management positions / Gender wage gap (non-consolidated)

	FY2023	FY2024
Ratio of female employees in management positions (%) ^{*4}	3.2	3.7
Gender wage gap (%) ^{*4,5}	All employees	47.8
	Regular employees	63.2
	Part-time and fixed-term employees	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.

Holding a participatory DEI forum

As a participatory event to encourage each employee to think about and communicate DEI, we held a DEI Forum in November 2024 with 40 participants from nine Sumitomo Forestry Group companies. The event featured presentations on daily awareness, actions, and initiatives related to DEI, titled "My DEI," which were submitted by employees. It also included a roundtable discussion on DEI with the participants, the President, and the Vice President, as well as explanations of DEI and unconscious bias, and networking sessions among participants. Given the diversity in gender, age, and workplace environments, the event yielded many new insights and discoveries. Participants shared feedback such as, "I realized that even small changes in my daily actions can make a difference," "I want to promote DEI back at my workplace," and "Talking with everyone gave me a renewed sense of energy."



DEI Forum roundtable discussion

Supply Chain Management



Sumitomo Forestry Group Procurement Policy / Supply Chain Management in Distribution and Housing Businesses
<https://sfc.jp/english/sustainability/social/supply-chain/>



Material Issues and Related SDGs

Supply Chain Management

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



Indicators for Evaluation (numerical targets)		Managing department	FY2024 Results	FY2025 Targets	FY2026 Targets	FY2027 Targets
Percentage of sustainable wood used in new custom-built detached houses (principal structural materials)		Housing Division	100	100	100	100
Sustainability procurement survey implementation rate	Companies where greenhouse gas emissions are tracked (%)	Timber and Building Materials Division	—	38.0	39.0	40.0
	Companies with greenhouse gas emission reduction plans (%)		—	27.0	28.0	30.0

Supply chain management

The Sumitomo Forestry Group has been committed to responsible wood procurement activities by establishing Wood Procurement Standard and Wood Procurement Philosophy and Policy in 2005 and 2007, respectively. 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.

Wood procurement management

We have established the Wood Procurement Committee chaired by the executive officer in charge of sustainability promotion. This committee deliberates on important issues such as timber procurement standards and illegal logging risk assessments together with those responsible for administration at each procurement department. The Wood Procurement Committee confirms legality/sustainability and conducts the Sustainability Procurement Survey for direct-import suppliers subject to screening and suppliers with whom overseas Group companies

(distribution) do business. Inspections are conducted regularly, either once a year or once every two years, depending on the risk level of the country in question.

Enabling sustainable wood procurement

With regard to the wood products we procure, we confirm the following items through actions such as conducting the Sustainability Procurement Survey with suppliers, carrying out on-site inspections, holding interviews, etc. In these actions, we give consideration to biodiversity conservation, labor practices, human rights, and local communities.

- Whether there are any violations of the rights of workers and local residents in the area where the supplies or their raw materials are procured. In addition, whether logging is being done in a manner that takes into consideration the rights of workers and local residents.
- Whether the area from which the supplies or their raw materials are procured contains forests with high conservation value. In addition, whether logging is being done in a manner that takes into account forests with high conservation value.
- Whether wood from forests being converted to oil palm plantations, etc., is being used.

Each procurement department reports the progress of these initiatives to the Wood Procurement Committee to promote continuous improvement in the supply chain. Sumitomo Forestry is planning and executing measures 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. As a result of this, we suspended contracts with suppliers whose sustainability could not be verified in September 2021, and achieved 100% handling of sustainable wood and wood products on a contract basis. We will continue to maintain this 100% level in the future while ensuring sustainable wood procurement.

Policy on sustainable timber and wood products

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

Sustainable	● Environmental
	No contribution to deforestation
Sustainable	● 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)

FY2024 Results

Wood Procurement Committee
Held 4 meetings

Sustainability Procurement Survey
Conducted by 222 companies

Human Rights

Material Issues and Related SDGs

Human Rights	5 To improve the livelihood of the local communities where we operate	Indicators for Evaluation (numerical targets)	Managing department	FY2024 Results	FY2025 Targets	FY2026 Targets	FY2027 Targets
	  	Building effective remedial grievance mechanisms	Sustainability Department	Operational structure under consideration	Revalidation	Establishment	Implementation

Respect for 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.



The Sumitomo Forestry Group Human Rights Policy

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



Implementation of due diligence and managing important risks

The Sumitomo Forestry Group strives to prevent and mitigate its negative impact on human rights by identifying that impact through a Group-wide human rights due diligence mechanism. We also undertake similar initiatives for business partners and work to ascertain and mitigate human rights risks.

Main steps in human rights due diligence

Mapped stakeholder risks in the value chain for each division



Analyzed impact and uncovered the severity and priority of human rights risks for each division



Implemented measures to mitigate identified risks and correct related problems for each business



As a result, we identified the following human rights issues as material risks:
Respect for rights of indigenous peoples and communities, occupational safety and health management, prevention of negative impact on the safety and health of local residents, prevention of forced labor and child labor, and construction of a grievance mechanism

Responding to identified risks

The Sumitomo Forestry Group recognizes the importance of a grievance mechanism and thus operates whistleblowing hotlines. 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.

Respecting human rights in overseas forestry business

In the Sumitomo Forestry Group's overseas forestry business, we have implemented the following initiatives as one part of stakeholder engagement and grievance mechanism.

Indonesia

2012

- In line with the idea of protecting residents' rights and cultural heritage, we conducted surveys of whether the land use plan for business land is being properly implemented and sufficient consideration is being given to the lives of regional residents, and similar issues.

2013, 2015

- We held public hearings that stakeholders (local residents, surrounding companies, academics, NGOs, and related government officials) were invited to in order to deepen understanding of our business and consideration of the environment.

2018

- We constructed a complaint processing mechanism (grievance mechanism). After obtaining the opinions of local residents, both those submitted in writing and those gleaned through face-to-face exchanges, we provided responses that have been approved by the management team.

Papua New Guinea, Open Bay Timber Ltd.

- The company installed a suggestion box that any local person, whether a member of the company or not, can leave suggestions and complaints in.

New Zealand, Tasman Pine Forests Ltd.

- When there are important exchanges with stakeholders, such as local residents and partner businesses, the company records the exchange. This helps to create smooth relations through communication based on an understanding of past developments.

Stakeholder Engagement

The Sumitomo Forestry Group has created opportunities for dialogue with various stakeholders in order to expand our extensive global business that ranges from upstream to downstream operations. In addition to striving to build trust with stakeholders by disclosing appropriate information in a timely manner, we work to solve critical issues by using provided opinions as feedback and reflecting them in business activities and to link that to further value creation.



Stakeholder Engagement

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



Stakeholders of the Sumitomo Forestry Group



	Responsibilities	Communication methods
● 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
● 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 ● Holding discussions 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
● 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"> ● General Meeting of Shareholders, financial results briefings, business briefings for investors, site briefings, etc. as well as individual one-on-one meetings and meetings with shareholders ● Communicating information on websites, integrated reports, shareholder correspondence, various briefing materials and in other relevant forms ● Responding to surveys for assessment and research agencies related to sustainability, etc.
● 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 and regulations 	<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)
● 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
● 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

Stakeholder Engagement

Actual dialogue with stakeholders



● Customers	FY2023	FY2024
Number of calls received by the call center	126,641	130,016
Customer satisfaction ratio (surveyed when residents move in)	96.9%	97.2%
● Employees and Their Families	FY2023	FY2024
Overtime working hours (Compared to FY2017)(Non-consolidated)	13.2% reduction	13.1% reduction
Education expense per employee (Non-consolidated)	117,000 yen	152,000 yen
● Shareholders and Investors	FY2023	FY2024
Individual meeting for analysts and investors (in and outside Japan)	329	478
Full-year dividend per share (Year ended December 31)	125 yen	145 yen
● Business Partners	FY2023	FY2024
Sustainability procurement survey implementation rate of suppliers of imported timber	100%	100%
Evaluation and feedback based on the Supplier Evaluation Standards implementation rate	100%	100%
● Global Environment	FY2023	FY2024
Percentage of orders for ZEH out of new custom-built detached housings	79.7%	79.3%
Percentage of sustainable timber and wood products handled	100%	100%
● Global Society and Local Communities	FY2023	FY2024
Expenditure on social contribution activities	Approx. 76 million yen	Approx. 81 million yen
Cumulative number of visitors to Mt. Fuji Manabi no Mori	Approx. 1,300	Approx. 1,600

Dialogue with Employees

Communication between the President and field employees

The Sumitomo Forestry Group regularly offers opportunities for communication between the President and employees. In 2024, we conducted exchanges of opinions through a field dialogue program conducted by President Mitsuyoshi himself at ten locations throughout Japan. The President provided an explanation of the Wood Cycle and answered questions from employees. Employees participating in the program had various impressions of the event, including that directly speaking to the President improved one's work motivation, and video of the event was distributed within the Company.



Field dialogue program conducted by President Mitsuyoshi himself

Human Resources Strategy [P.65](#)

Dialogue with Customers

Customer Surveys

At Sumitomo Forestry, we have customers complete questionnaires three times, when residents move into their home and during the second and tenth years after moving in. In the fiscal 2024 survey, the satisfaction ratio was 97.2% in the survey of new owners, and 97.1% in the survey of second-year owners. The comments obtained from the questionnaire are the unfiltered views of customers, and we work to improve the level of satisfaction by sharing those opinions with related in-house departments. By using the questionnaire results to revise current measures, we try to improve customer satisfaction.

Value Creation Story [P.9](#)

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.

Message from the Executive Officer in Charge of Corporate Planning and Finance [P.29](#) [IR FAQ](#) [P.93](#)

Dialogue with Business Partners

Sustainability Procurement Survey

The Housing Division conducts a Sustainability Procurement Survey of existing suppliers and checks a total of 53 items regarding social and environmental issues and the sustainability of lumber procurement. In fiscal 2024, the survey was sent to 88 companies (companies that account for 98.0% of the annual value of purchased supplies for the previous fiscal year), and the response rate was 100%. In addition to providing feedback to all companies, we ask about the details and encourage improvements when there are high risk items and there has been backsliding with the previous year's initiatives. We will continue to move forward with ongoing dialogue and follow-up activities in order to achieve responsible procurement.



Sustainability Procurement Survey Briefing

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4

Governance Supporting Growth Strategy

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Board of Directors and Audit & Supervisory Board Members	85

The foundation for increasing corporate value is a sound and transparent management system. The Sumitomo Forestry Group is strengthening our supervisory and executive functions through the use of a Nomination and Remuneration Advisory Committee and through the evaluation of the effectiveness of the Board of Directors. This chapter introduces our overall governance structure and efforts to improve that structure's effectiveness.

Corporate Governance



- ① Akira Ichikawa
Representative Director,
Chairman of the Board
- ② Toshiro Mitsuyoshi
Representative Director,
President
- ③ Tatsumi Kawata
Representative Director
- ④ Atsushi Kawamura
Director
- ⑤ Ikuro Takahashi
Director
- ⑥ Nobuyuki Otani
Director
- ⑦ Mitsue Kurihara
Outside Director
- ⑧ Yuko Toyoda
Outside Director
- ⑨ Toshio Iwamoto
Outside Director
- ⑩ Kenji Sukeno
Outside Director

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. This philosophy is founded in Sumitomo’s Business Spirit, which places prime importance on fairness and integrity for the good of society. 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, thereby establishing a more agile and appropriate management structure.



Sumitomo Forestry Basic Policy on Corporate Governance

<https://sfc.jp/english/ir/management/pdf/CorporateGovernance.pdf>

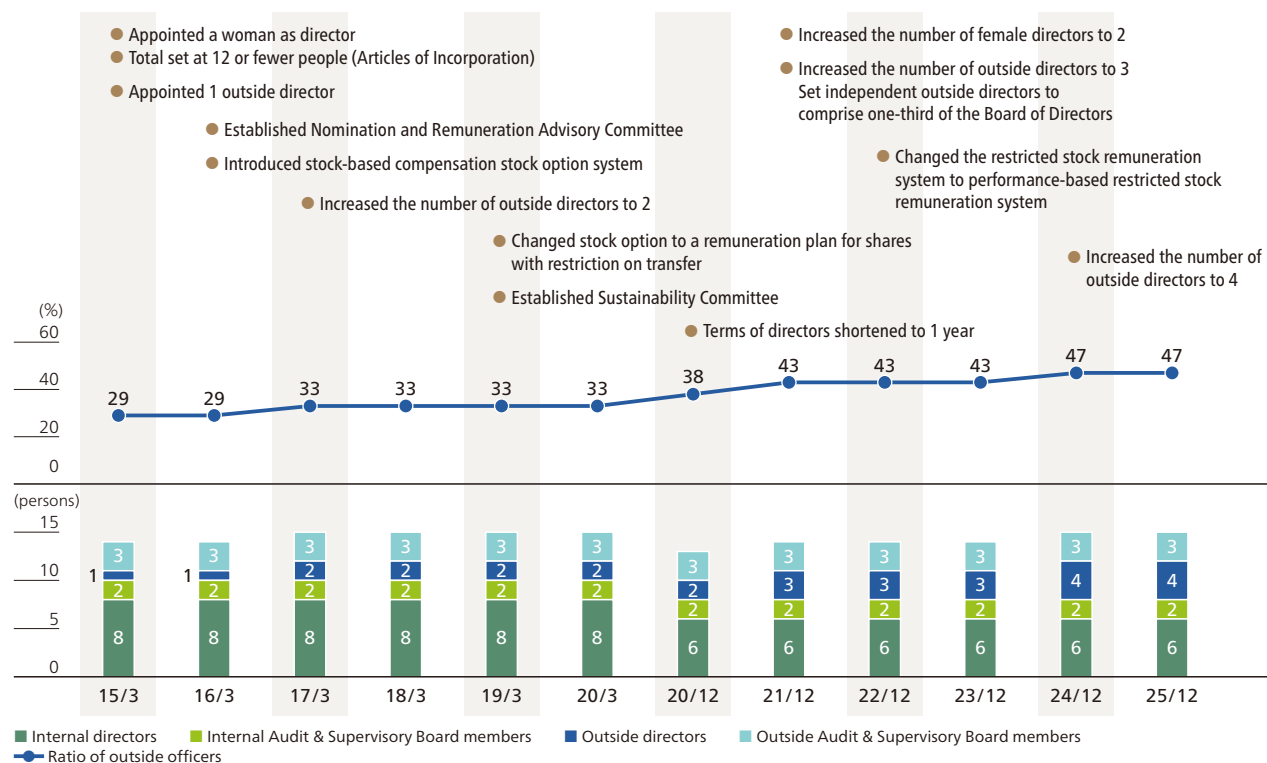


Outline of the corporate governance system

Organizational structure	Company with an Audit & Supervisory Board
Number of independent officers	7
Number of Board of Directors meetings (fiscal year ended December 2024)	15 times
Adoption of the executive officer system	Yes
Nomination and Remuneration Advisory Committee	Yes
Accounting auditor	Ernst & Young ShinNihon LLC

Corporate Governance

Initiatives for corporate governance



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

Board of Directors and Executive Committee

The Board of Directors is comprised of 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. Directors and Audit & Supervisory Board members strive to maintain a Board of Directors meeting attendance rate of at least 75%.

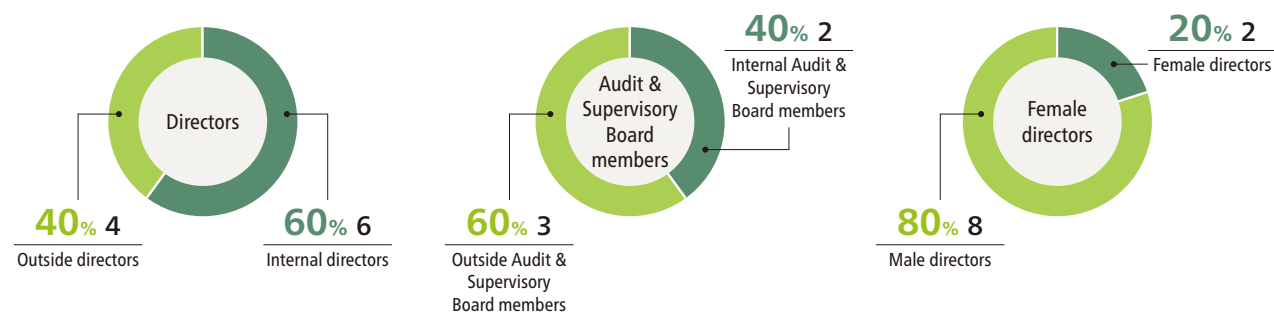
FY2024 Results	
Board of Directors	Executive Committee
15 times held	26 times held

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.

Staff in charge of assisting 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

Membership and composition of directors, Audit & Supervisory Board members, and female directors (as of March 28, 2025)



Corporate Governance

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 deputy divisional manager of the Corporate Division that controls management planning 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.

FY2024 Results	
Audit & Supervisory Board	Group Audit & Supervisory Board
14 times held	6 times held

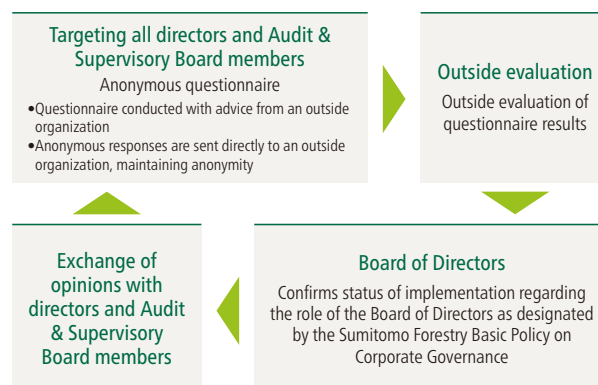
Nomination and Remuneration Advisory Committee

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 on the effectiveness of the Board of Directors

The Company carries out annual self-analysis and self-evaluation of the effectiveness of the Board of Directors.

Analysis/evaluation process



We strive to enhance the effectiveness of the Board of Directors by making continuous efforts to improve any issues identified.

Analysis and evaluation of the effectiveness of the Board of Directors

1. Method of evaluation

Regarding the effectiveness of the Board of Directors, this fiscal year, in addition to conducting a self-evaluation and self-analysis with the advice of an outside organization, plus a questionnaire conducted for all directors and Audit & Supervisory Board members (the method of response was anonymous with responses sent directly to an outside organization, which maintained anonymity), an outside evaluation of the questionnaire results was conducted. The Board of Directors also confirmed the status of implementation regarding its role as designated by the Sumitomo Forestry Basic Policy on Corporate Governance, and conducted an evaluation based on an exchange of opinions with the directors and Audit & Supervisory Board members.

2. Results of evaluation

- As a result of the evaluation in 1. above, the Company's Board of Directors was found to be functioning effectively overall.
- In order to further enhance the monitoring function of the Board of Directors, we are striving to ensure sufficient time for discussion by shortening the time required for explanation of matters by reviewing the criteria for agenda items at Board of Directors meetings and narrowing down the issues to be discussed. Going forward, we will continue to aim for further efficiency in the operation of the Board of Directors.
- As for future challenges, some commented that the Company should make efforts to ensure appropriate supervision so that effective plans are set up for the systematic development of successor candidates. Others commented that, with regard to dialogue with shareholders (investors), there should be ample feedback about dialogue status for greater dialogue quality with investors.

Going forward, Sumitomo Forestry will continue its efforts to improve recognized challenges to further enhance the effectiveness of the Board of Directors.

Corporate Governance

Executive remuneration system

Based on the discussions and opinions of the Nomination and Remuneration Advisory Committee, the Company's Board of Directors resolves the policy for determining the details of remuneration for each individual director.

Basic 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 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).

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 two elements: a portion linked to the achievement rate of the greenhouse gas emission reduction target based on the SBTs (Science Based Targets), and a portion linked to the growth rate of the Company's market capitalization relative to TOPIX, each during the relevant period. In order to strengthen our focus on sustainability, as of fiscal 2025, we have revised the ratio of performance-linked stock remuneration, which accounts for 15% of total remuneration, so that the ratio of standard stock remuneration for each director will be linked at a rate of

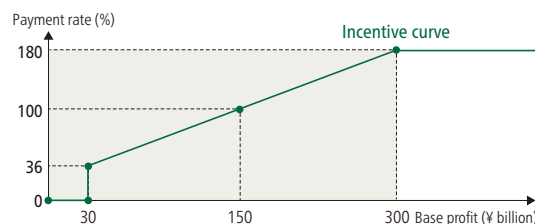
Remuneration composition ratio of directors (illustration using base profit of 150 billion yen)



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).

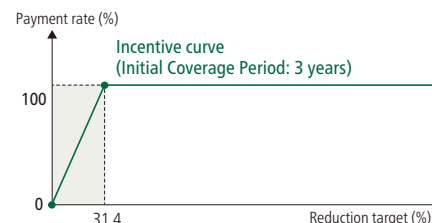


Formula for calculating performance-based restricted stock remuneration

(1) Amount equivalent to two-thirds 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)*2

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

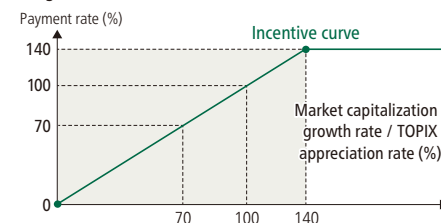
(1) Remuneration linked to the sustainability index achievement rate



(2) Amount equivalent to one-third of the standard stock remuneration 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)*3

*3 The payout ratio range will be from 0% (lower limit) to 140% (upper limit).

(2) Remuneration linked to market capitalization growth rate



Corporate Governance

two-thirds for the achievement rate of the greenhouse gas emission reduction target based on the SBTs and one-third for the growth rate of the Company's market capitalization relative to TOPIX.

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.

Strategically-held shares

The Company's policy with regard to strategically-held shares is that the Board of Directors reviews the returns and transaction status of each issue held, and if the rationality and necessity of holding the issue is not recognized, the policy is to reduce the number of shares held.

To verify the rationality and necessity of these shareholdings, the Board of Directors compares the returns of each strategically-held share to the hurdle rates set by the Company and also verifies the status of transactions with the shares' issuing companies. 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. Over the three years from the fiscal year ended December 2022 to the fiscal year ended December 2024, seven issues have been completely sold, with the ratio of strategically-held shares to net assets continuously declining since the fiscal year ended December 2021.

Total remuneration paid to directors and Audit & Supervisory Board members (Fiscal 2024)

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	530	271	168	92	7
Audit & Supervisory Board members*4	53	53	—	—	3
Outside directors	52	52	—	—	4
Outside Audit & Supervisory Board members	35	35	—	—	4

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

*5 The above includes one director and two Audit & Supervisory Board members (including one outside Audit & Supervisory Board member) who retired at the conclusion of the 84th Ordinary General Meeting of Shareholders held on March 28, 2024.

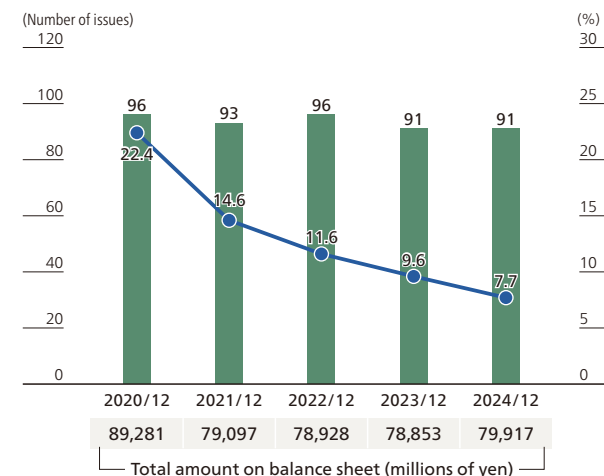
*6 Base profit has been chosen as the performance indicator serving as the basis for the calculation of bonuses, which are performance-linked remuneration. Base profit for the fiscal year under review was 157.3 billion yen.

*7 The amount of non-monetary remuneration is the amount recorded for the fiscal year under review, including 15 million yen as an adjustment to the amount of expenses recorded in consideration of the degree of achievement of performance evaluation indicators (market capitalization growth rate, etc.) in fiscal 2022 and 2023 during the previous Medium-term Management Plan (three years from January 1, 2022 to December 31, 2024). Within this, the achievement rate related to the market capitalization growth rate-linked remuneration was 170.1%, resulting in a vesting rate of the maximum of 120%. The achievement level for the sustainability index achievement rate-linked remuneration was a 40.1% reduction in greenhouse gas emissions versus our fiscal 2017 levels, resulting in a vesting rate of the maximum of 100%.

Total consolidated remuneration per officer (for officers receiving over 100 million yen) (Fiscal year ended December 2024)

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	127	Director	Sumitomo Forestry Co., Ltd.	65	40	22
Toshiro Mitsuyoshi	127	Director	Sumitomo Forestry Co., Ltd.	65	40	22

Holdings of Strategically-held Shares*8



■ Number of issues (left axis)

● Ratio of strategically-held shares to net assets (right axis)

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

Corporate Governance

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.

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. 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>



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.

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_2025.pdf



Corporate Governance

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 30, 2024, 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.

In fiscal 2024, we conducted training on how to have constructive dialogue with shareholders. In addition, to deepen their understanding of the business, the outside directors visited domestic and international business sites such as the Niihama Forest, land for sale in the United States, and an FITP factory.

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	●	●	●	●				
	Mitsue Kurihara	Outside Director	●	●	●	●				●
	Yuko Toyoda	Outside Director			●			●		
	Toshio Iwamoto	Outside Director	●		●		●		●	
	Kenji Sukeno	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 skill selection

Corporate management	To achieve further growth of existing businesses in a wide range of domestic and international sectors, and to achieve our Long-term Vision amidst a global movement toward decarbonization, experience in corporate management is necessary.
Resources/ Environment	To ensure the creation of new value from forests and the expansion of sustainable forests, while also acting based on recommendations from the TCFD/TNFD and steadily implementing initiatives to achieve our SBT-based greenhouse gas emission reduction targets, expertise and experience in resources and the environment are necessary.
Construction/ Real estate development	To rapidly establish a stable earnings base for the medium- to large-scale wooden construction business and to nurture and reinforce real estate development as a new pillar of revenue, expertise and experience in construction and real estate development are necessary.
Global	In order to realize the business policy of "advancing globalization" outlined in our Long-term Vision, overseas experience is necessary to expand the scope and scale of our Group's business in foreign markets.
Finance/ Accounting	To achieve sustainable and steady profit growth by executing strategic investments with an awareness of capital costs while ensuring financial soundness, expertise and experience in finance and accounting are necessary.

Human resources development/DEI	To continuously secure and enhance the development of human resources responsible for transforming and creating business, and to advance efforts such as fostering a free and open-minded corporate culture that maximizes employee performance, as well as promoting and maintaining health, expertise and experience in human resource development and DEI are necessary.
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, expertise and experience in legal affairs and risk management are necessary.
IT/DX	To achieve business transformation and streamlining through the renewal of business infrastructure via IT and digitalization and the promotion of DX, and to enhance the medium- to long-term competitiveness of the business by utilizing new IT technologies, expertise and experience in IT and DX are necessary.
Industrial policy	In order to advance the value proposition and market penetration of our sustainable products and services that contribute to decarbonization, it is necessary to create policy frameworks in connection with society, for which knowledge of industrial policy is necessary.

Risk Management and Compliance

Material Issues and Related SDGs

9 To establish a robust business structure



Indicators for Evaluation (numerical targets)	Managing Department	FY2024 Results	FY2025 Targets	FY2026 Targets	FY2027 Targets
Number of BCM training sessions held	General Administration Department	2	2	2	2
Educational activities, including voluntary inspections of the legal compliance system and training sessions		Voluntary inspection under industry-specific laws	Voluntary inspection under industry-specific laws	Voluntary inspection under industry-specific laws	Voluntary inspection under industry-specific laws
Number of confirmations of environmental regulatory compliance (affiliates in Japan)	Sustainability Department	—	1	1	1
Disclosure according to the SSBJ* standards in securities reports		—	Identification of scope	Consideration of collection/ reporting methods	Preparation for disclosure

* Sustainability Standards Board of Japan

Risk management system

To strengthen the risk management system for the entire Group, the Company has established the Risk Management Basic Regulations to comprehensively manage environmental, social, and governance (ESG) risks. In our risk management system, the President of Sumitomo Forestry is appointed as the highest authority on risk management, while each divisional manager is responsible for risk management in the area of their own responsibility, and general managers are risk management promoters.

Business risks are under the jurisdiction of the Risk Management Committee. The Committee consists of the President as the highest authority on risk management, divisional manager and deputy divisional manager of the Corporate Division, related general managers, and divisional managers from other divisions and their general managers responsible for administration. The Committee meets quarterly to conduct risk analysis and evaluation for each division, and prioritize monitoring the progress in addressing risks of particularly high importance. The Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee have been established under this committee to undertake activities aimed at enhancing the effectiveness of responses to Groupwide risks.

FY2024 Results

Risk Management Committee	Compliance Subcommittee	BCM Subcommittee	Reports to the Board of Directors
4 times	2 times	2 times	4 times



Visit our website for further details about risk management.

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



Compliance

To address compliance risks across the Group, the Compliance Subcommittee has been established 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. This subcommittee shares information on revisions to various laws and regulations, including those governing the construction industry, as well as government agency trends, to address compliance risks. This committee met twice in fiscal 2024 to continue its improvement efforts. 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 the Group.

Whistleblowing mechanism (Compliance Hotline)

The Sumitomo Forestry Group has established the Compliance Hotline (advice desks) to allow for the reporting of compliance violations. When a report is received, we conduct careful investigations, and if an incident is confirmed, we take necessary corrective actions. In addition to reporting operational results to the Board of Directors on a quarterly basis, the Company also creates model cases from reported cases and uses them in training sessions as necessary to prevent recurrence. In fiscal 2024, there were 15 consultations received regarding suspected misconduct or harassment.



Visit our website for further details about compliance.

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



Roundtable Discussion of Outside Directors



Strengthening global human resources development and governance toward sustainable growth

Yuko Toyoda
Outside Director
Member of the Nomination and Remuneration Advisory Committee

Mitsue Kurihara
Outside Director
Chairperson of the Nomination and Remuneration Advisory Committee

Toshio Iwamoto
Outside Director
Member of the Nomination and Remuneration Advisory Committee

new Medium-term Management Plan, Mission TREEING 2030 Phase 2 (the “new medium-term plan”) will see the Group aim to further accelerate growth overseas and to achieve high added value domestically. To achieve these goals, we have set three key measures. The first is human resources development, particularly the development of local talent and global management talent. The second is to promote our environmental contributions, including not only the effect of reducing CO₂ emissions but also the conservation of natural ecosystems, through our unique Wood Cycle value chain toward the realization of a sustainable society. The Group will also visualize the financial impact (earning power) that leads to the creation of economic added value in its business and communicate it to stakeholders. The third is to strengthen cross-sectional corporate functions through the newly established Corporate Division.*¹

*¹ The Corporate Division was newly established on January 1, 2025, incorporating all organizations within the head office, except for the Customer Service Department and the New Business Development Department. This aims to strengthen collaboration among Head Office organizations, enhance personnel development and support functions for business divisions, and promote efforts to address various management challenges such as human resources development and DEI.

How do you evaluate the three years of the previous Medium-term Management Plan Mission TREEING 2030 Phase 1 (2022-2024)? Also, what are your expectations for the new Medium-term Management Plan Mission TREEING 2030 Phase 2, which kicked off in the fiscal year ending December 2025?

Kurihara: In the previous Medium-term Management Plan, Mission TREEING 2030 Phase 1 (the “previous medium-term plan”), Sumitomo Forestry was able to achieve extremely favorable results in terms of

performance. This included exceeding the initial plan of 173 billion yen in recurring income for the fiscal year ending December 2024, the final year of the plan, by 25 billion yen. Another notable achievement is that the Company actively invested in M&A, including overseas. By acquiring Metricon, Australia’s largest housing company, in November 2024, the Company was catapulted to the top market share of single-family homes starts in Australia. In the United States, the Company made progress in entering the FITP business and in the formation and management of forestry funds. I believe that the previous medium-term plan was a time when the Group expanded its business upstream, midstream, and downstream. The

Toyoda: I became an outside director in 2023, during the second year of the previous medium-term plan. As Ms. Kurihara noted, the period of the previous medium-term plan was one in which the Group’s overseas business expanded significantly through investment and acquisitions. In particular, the forestry funds, one of the businesses launched during the previous medium-term plan period, are rigidly connected to the Company’s original business. I recognize it as a business with multiple significance in that it contributes to environmental conservation and the future of humanity, and look forward to its future growth. Moreover, in the process of considering the new medium-term plan, we, the outside directors, were able to have in-depth discussions that went into even the

Roundtable Discussion of Outside Directors

smallest details at meetings of officers*² and Board of Directors meetings, so I also highly value this process.

*² Meetings where management holds lively discussions mainly about business strategies. Participants include all directors, as well as Audit & Supervisory Board members and the general managers of each business division.

Iwamoto: I became an outside director in 2024, the third year of the previous medium-term plan. As both of you have just talked about, the Group achieved remarkable growth over the three years of the previous medium-term plan. However, after observing for a year as an outside director, there are some concerns I have, such as whether the people within the Company are keeping up with this rapid growth. For example, although Sumitomo Forestry has a strong brand power in Japan for custom-built wooden houses, currently more than 70% of its profits are generated from its overseas housing business. I feel that this reality has not been communicated sufficiently to stakeholders. In addition, the new medium-term plan should not only aim to achieve numerical targets, but also widely promote Sumitomo Forestry's culture and the value it creates toward the Green Transformation (GX).^{*3}

*³ A transformation of the entire socio-economic system (as defined by the Ministry of Economy, Trade and Industry) that views initiatives to achieve a decarbonized society as an opportunity for economic growth and aims to reduce emissions and improve industrial competitiveness.

What are the challenges in achieving the new medium-term plan?

Iwamoto: Currently, overseas employees account for nearly 50% of the Company's total workforce, so in addition to maintaining its unifying power, the Group needs to further strengthen its governance system globally. However, it is assumed that 20 years are necessary to develop human resources who can compete globally, so digital technologies are an effective tool to make up for the shortage of human resources. On the other hand, the introduction and use of

digital technologies require a considerable investment. As such, this should be addressed by setting priorities.

Kurihara: The establishment of the Corporate Division is a major point in the new medium-term plan. I think it is important that this organizational reform strengthen corporate functions, such as human resources development, globalization, workplace improvements, safety management, and compliance. I hope that this leads to further advancements in management resources and risk management.



Toyoda: I am also paying close attention to the establishment of the Corporate Division. As the Group expands and accelerates its growth globally, further reforms in terms of human resources and organization are required. I believe that strengthening the Corporate Division will enable the Company to complete these reforms. As the Group rapidly expands worldwide, it is important to secure the required human resources. The most pressing issue for the Corporate Division is to build a system that addresses the needs of each business. This includes whether to dispatch management personnel from head office to overseas bases or to secure them locally.

How do you assess the effectiveness of the Company's Board of Directors?

Iwamoto: The Company has an Audit & Supervisory Board,

and I have the impression that the functions of the Board of Directors are management-oriented. In other words, the Board of Directors functions as the final decision-making body, and when implementing a policy, approval is obtained at the Board of Directors meetings. This is the so-called traditional approach of a Board of Directors. However, for example, companies with a governance structure with a Nominating Committee, etc., now have a Board of Directors that is almost entirely focused on monitoring. Of course, even under the current system, advice on management and execution is being provided properly. However, if it moves to a monitoring-type system, the themes that the Company discusses at Board of Directors meetings will also change. Personally, I think that the Board of Directors should spend more time discussing strategies and the allocation of management resources.

Toyoda: Companies with an Audit & Supervisory Board, Audit & Supervisory Committee, or Nominating Committee, etc. have different legal structures in terms of the extent to which business execution matters can be delegated to individual directors and executive officers. Companies with an Audit & Supervisory Board are said to have a management-type structure, and there is a legal requirement that certain important matters must be resolved by the Board of Directors. Sumitomo Forestry is currently operating within that framework. However, even with the current structure of a company with an Audit & Supervisory Board, it is more than possible to balance management and monitoring. The Company has already established a voluntary Nomination and Remuneration Advisory Committee. I think that the nature of governance will change significantly depending on how it is operated. On the other hand, currently, a lot of time is spent on individual matters. As Mr. Iwamoto said, it would be good to secure a little more time to discuss strategy at Board of Directors meetings. For example, because materials are

Roundtable Discussion of Outside Directors

shared in advance, the time spent explaining individual matters at the Board of Directors meeting can be shortened to a certain extent, and that time can be spent on strategy discussions.

Kurihara: I also feel that at Sumitomo Forestry, individual issues are discussed at Board of Directors meetings quite often. Although the criteria for issues to be submitted to the board are reviewed every year, I believe that efficient discussions can be achieved by thoroughly examining the strategies and risks to be discussed and better organizing the agenda. Meanwhile, the Board of Directors is made up of directors and Audit & Supervisory Board members with diverse backgrounds. An environment has also been created in which opinions can be freely expressed. All members proactively voice their sometimes harsh opinions, not just on the pros and cons of issues, but also from the perspective of what Sumitomo Forestry should be addressing. For these reasons, I highly regard the Board of Directors as functioning effectively.

Iwamoto: Monitoring is the duty of the Board of Directors, whether it is a company with a Nomination Committee, etc. or with an Audit and Supervisory Board. As Ms. Toyoda said, there should be room for improvement if we change the allocation of time or pursue other creative approaches. Perhaps because Sumitomo Forestry is a company with a long history, it tends to stick to traditional approaches. However, defining the themes to be discussed at Board of Directors meetings is an especially crucial point in increasing board effectiveness, so I would like to continue to consider various reforms through discussions.

What kind of discussions are held at Board of Directors meetings regarding capital policy and shareholder returns?

Toyoda: The Group has been proactive in investing to



date, which has proven to be successful. I believe there will be many investment opportunities in the future, particularly overseas, that will allow the Group to leverage its strengths. Therefore, it is appropriate to sustain the capital policy of allocating funds with a focus on profit reinvestment rather than share buybacks. I believe that these proactive investments are also being evaluated as part of the uniqueness and future potential of the Company's businesses, which are centered on the Wood Cycle. It is necessary for us to continue to communicate our capital policy going forward.

Kurihara: Capital policy is often discussed at Board of Directors meetings and meetings of officers. As the Group continues to make vigorous growth investments, the balance with financial strategies and global cash management is key. We should also discuss capital recycling. That is, the efficient use of capital through recovery and reinvestment of past investments. Regarding shareholder returns during the new medium-term plan, the Company has set a dividend payout ratio of 30% or higher and a lower limit of 150 yen per share. I believe that capital policy should aim for long-term growth rather than short-term returns, and we, as outside directors, will provide advice and supervision from that perspective.

Iwamoto: Regarding indicators such as ROE and PER, the Company should discuss these indicators only after all members of the management team are truly convinced of their necessity. I also believe that there is currently no need

for the Company to engage in share buybacks, and that in order to increase corporate value, it is a good policy to focus on reinvesting profits.

What kind of discussions, including at the Nomination and Remuneration Advisory Committee, are taking place regarding succession plans for management?

Kurihara: As for the management level, Sumitomo Forestry selects and develops human resources for each hierarchical level, but the lack of diversity in terms of gender and globalization has been discussed at both meetings of the Board of Directors and the Nomination and Remuneration Advisory Committee, and there is room for improvement. Each business division has a list of candidates for the next generation of management. I have said that it would be good to have a system in place to set up areas where the management team would like to strategically develop the type of human resources they need and develop them in a systematic manner. Although the skills currently possessed by directors have been disclosed, the lack of a clear definition of the required qualities and selection criteria is an issue. President Mitsuyoshi has demonstrated excellent management skills for business growth, including promoting reforms to close the gap between issues faced by the front lines and the head office. In this respect, I fully appreciate the selection of management, but would like to clarify the criteria and check the progress in order to develop and secure the next generation of talent.

Toyoda: Human resources are becoming more mobile, so it is necessary to update and organize them from time to time, such as adding mid-career hires to the management talent pool. In terms of the management selection process, the role of nomination committees and other bodies varies from company to company. It is certain, though, that the

Roundtable Discussion of Outside Directors

trend is to move away from closed-door selection to a process that involves the judgment of many people. In light of this trend, I think the Company should also clarify the selection criteria for directors and the definition of the qualities required of managers, and disclose them as well.



Iwamoto: The Company has established a Nomination and Remuneration Advisory Committee, which is responsible for determining whether the personnel and remuneration proposals put forward by the executive side are appropriate and providing advice to the Board of Directors. I chair the Nomination Committee at another company, where even outside directors have the authority to select and dismiss management, which better guarantees fairness and neutrality. At Sumitomo Forestry, too, the executive side first holds extensive discussions regarding appointments, and then we, the outside directors, provide our advice in a responsible manner. As Ms. Toyoda said, however, I believe that the appointment of management should be decided after discussions involving outside directors. Also, the process should be as open as possible to ensure transparency. In addition, the Board of Directors has repeatedly discussed the qualities required of management, but since ensuring gender diversity and diversity of values is absolutely necessary, I would like the Company to continue to consider these parameters, including hiring from outside the Company.

Message from the Newly Appointed Outside Director



Kenji Sukeno
Outside Director

I will contribute to Sumitomo Forestry's governance through discussions from a multifaceted perspective

The key to increasing the effectiveness of the Board of Directors is to share necessary and sufficient information with each director and to hold lively discussions. The current tone of discussion surrounding corporate governance seems to be somewhat too biased toward form and attributes, such as ratios of nationalities, genders, and degree of independence of directors. I believe that the foundation of governance is to thoroughly discuss from a multifaceted perspective what should be done to ensure that the Sumitomo Forestry Group continues to gain the trust of the general public in the future. To achieve this, the most important thing is for each director to utilize their expertise, regardless of attributes, to monitor whether the direction of execution is in line with the values and common sense of the general public, and to provide their knowledge and make recommendations.

In terms of finance, investors have recently adopted a stricter approach toward financial discipline. Of course, it is important to increase net sales and operating income, but on the same level, the soundness of cash flows, such as ROIC and CCC, needs to be maintained as well. A company will not be valued highly if it "balances the books but has no cash."

The business environment is becoming increasingly severe with recent geopolitical risks, disruptions to the international order due to unilateral policies and countermeasures by major powers, and economic stagnation. Nevertheless, in order to increase the corporate value of the Sumitomo Forestry Group, with its long history, I hope to contribute by looking at management from the perspectives that I have cultivated through my career experience to date.

Board of Directors and Audit & Supervisory Board Members



Please refer to the Notice of Convocation for further details of the biographies of the directors and officers.

https://sfc.jp/english/ir/stockholder/pdf/2024_syosyu_en.pdf



Directors

* is an independent officer. "Attendance" is the number of Board of Directors meetings attended in the fiscal year ended December 2024. "Company shares held" is current as of December 31, 2024.



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
Apr. 2010 - Representative Director (current position)
Apr. 2020 - Chairman of the Board (current position)

Important concurrent jobs

Outside Director of Sumitomo Chemical Company, Limited
Outside Director of Konica Minolta, Inc. (until June 17, 2025)
Outside Director of Daiwa Securities Group Inc. (since June 20, 2025)



Toshiro Mitsuyoshi

Representative Director, President
Born May 23, 1962

Attendance: 15/15
Company shares held: 21,000

Apr. 1985 - Joined the Company
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
Jan. 2024 - Representative Director (current position)
Executive Vice President (current position)
Jan. 2025 - Divisional Manager of Corporate Division (current position)



Mitsue Kurihara*

Outside Director
Born Apr. 7, 1964

Attendance: 15/15
Company shares held: 0

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
Outside Director (Audit & Supervisory Committee Member) of Mizuho Bank, Ltd.



Yuko Toyoda*

Outside Director
Born Aug. 21, 1970

Attendance: 15/15
Company shares held: 0

Oct. 2000 - Registered as Attorney at Law admitted in Japan

Jan. 2023 - Partner of City-Yuwa Partners (current position)

Mar. 2023 - Outside Director of the Company (current position)

Important concurrent jobs

Attorney at Law



Atsushi Kawamura

Director
Born Feb. 24, 1965

Attendance: 15/15
Company shares held: 18,000

Apr. 1987 - Joined the Company
Jun. 2020 - Director (current position)
Jan. 2023 - Senior Managing Executive Officer (current position)
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
Apr. 2020 - Managing Executive Officer (current position)
Mar. 2022 - Director (current position)
Jan. 2023 - Divisional Manager of Housing Division (current position)



Nobuyuki Otani

Director
Born May 30, 1971

Attendance: 12*1
Company shares held: 0

Apr. 1995 - Joined the Company
Jan. 2024 - Managing Executive Officer (current position)
Mar. 2024 - Director (current position)
Jan. 2025 - Deputy Divisional Manager of Corporate Division (Head of Corporate Planning and Finance), and General Manager of Corporate Planning Department, Corporate Division (current position)

*1 Since appointment as Director on March 28, 2024.



Toshio Iwamoto*

Outside Director
Born Jan. 5, 1953

Attendance: 12*2
Company shares held: 0

Jun. 2012 - Representative Director, President and Chief Executive Officer of NTT DATA Corporation (Currently NTT DATA Group Corporation)
Mar. 2024 - Outside Director of the Company (current position)
Apr. 2025 - Chief Executive Officer of IT Mirai Research Institute LLC (current position)

Important concurrent jobs

Outside Director of Daiwa Securities Group Inc.
Outside Director of East Japan Railway Company
Outside Director of Isetan Mitsukoshi Holdings Ltd.

*2 Since appointment as Outside Director on March 28, 2024.



Kenji Sukeno*

Outside Director
Born Oct. 21, 1954

Attendance: -*3
Company shares held: 1,000

Jun. 2021 - Chairman & Director of FUJIFILM Corporation (current position)
Jun. 2023 - Chairman & Director of FUJIFILM Holdings Corporation (current position)
Mar. 2025 - Outside Director of the Company (current position)

Important concurrent jobs

Chairman & Director of FUJIFILM Holdings Corporation
Chairman & Director of FUJIFILM Corporation
Director of FUJIFILM Business Innovation Corporation
Outside Director of Isetan Mitsukoshi Holdings Ltd.

*3 Appointed on March 28, 2025.

Board of Directors and Audit & Supervisory Board Members

Audit & Supervisory Board Members

* is an independent officer. "Attendance" is the number of Board of Directors meetings (left) and Audit & Supervisory Board meetings (right) attended in the fiscal year ended December 31, 2024.



Toshio Kakumoto

Audit & Supervisory Board Member (full-time)
Born Apr. 7, 1964

Attendance: 15/15 14/14

Apr. 1988 - Joined the Company
Mar. 2023 - Audit & Supervisory Board Member
(current position)



Kazunari Hada

Audit & Supervisory Board Member (full-time)
Born Dec. 4, 1959

Attendance: 12*4 10*4

Dec. 1991 - Joined the Company
Mar. 2024 - Audit & Supervisory Board Member
(current position)

*4 Since appointment as Director on March 28, 2024.



Yoshimasa Tetsu*

Outside Audit & Supervisory Board Member
Born Dec. 23, 1948

Attendance: 15/15 14/14

Aug. 1981 - Registered as a Certified Public Accountant
Jun. 2018 - Outside Audit & Supervisory Board
Member of the Company (current position)

Important concurrent jobs
Certified Public Accountant



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.
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
Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd.
Director of Rapidus Corporation



Takashi Kawachi*

Outside Audit & Supervisory Board Member
Born Sep. 24, 1957

Attendance: 11*5 9*5

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

*5 Since appointment as Director on March 28, 2024.

Executive Officers

* Doubles as Director and Executive Officer

Position	Name	Department administered
President	Toshiro Mitsuyoshi*	—
Executive Vice President	Tatsumi Kawata*	Divisional Manager of Corporate Division and overseeing Lifestyle Service Division
Senior Managing Executive Officer	Atsushi Kawamura*	Divisional Manager of Global Construction and Real Estate Division and overseeing Timber and Building Materials Division
Managing Executive Officer	Ikuro Takahashi*	Divisional Manager of Housing Division
	Nobuyuki Otani*	Deputy Divisional Manager of Corporate Division (Head of Corporate Planning and Finance), General Manager of Corporate Planning Department of Corporate Division and overseeing Environment and Resources Division
	Takahisa Higaki	Executive Vice President and Representative Director of Cohnan 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 (Head of North America Business), and Sumitomo Forestry America, Inc. President and General Manager of Housing Department
	Yoichi Hosoya	Divisional Manager of Timber and Building Materials Division
	Kazutaka Horita	Divisional Manager of Environment and Resources Division

Position	Name	Department administered
Executive Officer	Masanobu Nishikawa	Environment and Resources Division (Jakarta Office) and President and Representative Director of NeXT FOREST Corporation
	Junko Saishu	General Manager of Legal Department of Corporate Division
	Yutaka Kamiya	President and Representative Director of Sumitomo Forestry Home Engineering Co., Ltd.
	Tomio Tozaki	General Manager of IT Solutions Department of Corporate Division
	Yuuko Iizuka	Deputy Divisional Manager of Corporate Division (Head of Sustainability, and Quality and Occupational Safety Management) and General Manager of Sustainability Department of Corporate Division
	Kenji Inui	Deputy Divisional Manager of Housing Division (Head of Administration and Planning, Customer Relations, and Innovation Strategy), and General Manager of Administration and Planning Department of Housing Division
	Kazuo Maniwa	General Manager of Personnel Department of Corporate Division
	Kiyoshi Sakurai	Deputy Divisional Manager of Housing Division (in charge of Asset Solution and Urban Development) and President and Representative Director of Sumitomo Forestry Home Service Co., Ltd.
	Toshiya Sakamaki	Deputy Divisional Manager of Housing Division (Head of Technology and Product Development), General Manager of New Business Development Department, and Deputy General Manager of Tsukuba Research Institute of Corporate Division
	Etsuya Yasui	Deputy Divisional Manager of Timber and Building Materials Division (Head of Manufacturing), and General Manager of Manufacturing Department of Timber and Building Materials Division

5

Corporate Profile and Stock Information

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This chapter summarizes various data that support the Sumitomo Forestry Group's management and financial base. We provide basic information to deepen understanding of the Group, including ESG evaluation results, financial and non-financial highlights, and investor information. We hope that this material will supplement your understanding of the report as a whole.

Eleven-Year Consolidated Financial Summary

	2024/12	2023/12	2022/12	2021/12	2020/12 (9M)*6	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3
Operating results (¥ million)											
Net sales	¥2,053,650	¥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
Gross profit	502,952	408,830	392,970	321,994	191,323	242,689	232,146	219,315	204,138	183,134	169,492
Selling, general and administrative expenses	308,364	262,573	234,717	208,344	143,862	191,312	182,899	166,294	150,149	153,041	135,498
Operating income	194,588	146,258	158,253	113,651	47,462	51,377	49,247	53,021	53,989	30,093	33,994
Recurring income	197,955	158,921	194,994	137,751	51,293	58,824	51,436	57,865	57,841	30,507	36,424
Net income attributable to shareholders of parent / Net income	116,528	102,170	108,672	87,175	30,398	27,853	29,160	30,135	34,532	9,727	18,572
Recurring income (excluding actuarial differences)	188,153	153,919	187,027	134,491	46,470	61,396	54,846	55,574	52,860	42,038	36,681
Financial position (¥ million)											
Total assets	¥2,261,128	¥1,824,727	¥1,537,598	¥1,314,226	¥1,091,152	¥1,004,768	¥ 970,976	¥ 899,120	¥ 794,360	¥ 710,318	¥665,538
Working capital*1	883,938	639,401	578,653	470,909	297,669	273,167	236,047	209,506	190,386	178,215	158,110
Interest-bearing debt	613,411	423,872	348,323	302,763	302,933	268,491	248,885	200,630	163,817	119,069	103,369
Net assets	1,020,127	826,462	682,554	540,089	399,456	357,064	353,489	345,639	295,857	265,257	260,782
EBITDA*2	241,967	189,595	218,991	159,186	67,777	84,647	75,501	79,645	76,261	46,354	51,606
Cash flows (¥ million)											
Cash flows from operating activities	¥ 27,078	¥ 125,300	¥ 55,276	¥ 91,576	¥ 46,840	¥ 45,724	¥ 40,689	¥ 13,732	¥ 40,337	¥ 45,705	¥ 14,709
Cash flows from investment activities	(135,103)	(112,497)	(52,385)	(40,254)	(44,635)	(38,874)	(71,659)	(46,250)	(62,350)	(9,972)	(23,575)
Cash flows from financing activities	133,225	10,236	(32,998)	(7,029)	(6,782)	1,142	11,523	25,156	14,267	1,813	(17,286)
Cash and cash equivalents at the end of the year	206,297	174,771	147,373	170,035	122,220	112,565	105,102	125,555	132,707	141,265	103,296

*1 Working capital = Current assets - Current liabilities

*2 EBITDA = Recurring Income + Interest expenses + Depreciation and Amortization

Eleven-Year Consolidated Financial Summary

	2024/12	2023/12	2022/12	2021/12	2020/12 (9M)*6	2020/3	2019/3	2018/3	2017/3	2016/3	2015/3
Capital investment (¥ million)											
Property, plant and equipment	¥ 54,470	¥ 23,367	¥ 31,657	¥ 21,844	¥ 18,124	¥ 32,414	¥ 17,071	¥ 17,685	¥ 48,204	¥ 18,042	¥ 12,617
Intangible fixed assets	8,005	4,913	5,334	3,892	2,989	3,470	3,173	2,470	2,839	2,006	2,488
Others	7,106	10,154	7,026	2,488	2,834	2,267	2,088	3,792	3,085	400	282
Total	69,582	38,433	44,017	28,224	23,946	38,151	22,331	23,947	54,128	20,448	15,388
Depreciation and amortization	27,916	20,618	17,911	16,491	11,503	14,388	13,696	13,727	12,887	11,753	11,453
Per share data (¥)											
Net income	¥ 569.40	¥ 504.01	¥ 543.80	¥ 457.69	¥ 167.54	¥ 153.54	¥ 160.80	¥ 168.49	¥ 194.95	¥ 54.92	¥ 104.85
Net assets	4,497.17	3,684.87	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
Cash dividends	145.0	125.0	125.0	80.0	35.0	40.0	40.0	40.0	35.0	24.0	21.5
Financial ratios (%)											
Gross profit margin	24.5	23.6	23.5	23.2	22.8	22.0	17.7	17.9	18.3	17.6	17.0
Operating income margin	9.5	8.4	9.5	8.2	5.7	4.7	3.8	4.3	4.8	2.9	3.4
Recurring income margin	9.6	9.2	11.7	9.9	6.1	5.3	3.9	4.7	5.2	2.9	3.7
Return on assets (ROA)*3	9.7	9.5	13.7	11.5	4.9	6.0	5.5	6.8	7.7	4.4	5.6
Return on equity (ROE)*3	13.9	14.8	19.4	20.2	8.8	8.8	9.3	10.3	13.3	4.0	8.0
Return on invested capital (ROIC)	12.1	11.9	17.0	14.1	6.1	7.6	7.3	9.3	11.0	6.4	7.9
Equity ratio	40.7	41.3	40.8	37.7	33.7	32.1	32.8	34.7	34.6	34.3	36.9
Interest-bearing debt ratio*4	40.0	36.0	35.7	37.9	45.2	45.4	43.9	39.2	37.3	32.8	29.6
Current ratio	233.5	207.1	217.1	211.9	178.3	175.3	163.2	158.8	158.8	156.9	154.1
Interest coverage ratio (times)*5	3.59	29.3	18.4	39.7	24.9	16.9	20.1	9.6	27.1	43.1	12.6
Net debt equity ratio (times)	0.4	0.3	0.3	0.3	0.5	0.5	0.5	0.3	0.1	0.1	0.1

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

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

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

*6 In conjunction with the change in fiscal year-end, the fiscal year ended December 2020 is an irregular transition period covering the nine months from April to December 2020 on a consolidated basis.

ESG Information

		2024/12	2023/12	2022/12	2021/12	2020/12
Environment (E)	Energy consumption (MWh)	2,768,650	2,862,493	2,880,398	2,878,334	2,848,460
	Water use volume (thousand m ³)	2,939	2,916	2,937	2,858	2,851
	Greenhouse gas emissions (t-CO ₂ e)	92,727	103,726	126,301	143,806	151,534
	Greenhouse gas emissions (t-CO ₂ e)	62,305	98,566	100,915	100,891	91,960
	Greenhouse gas emissions (ten thousand t-CO ₂ e)	1,073.5	944.6	940.0	983.5	911.9
	Renewable energy introduction rate (%)	81.7	78.1	75.7	74.5	74.1
	Renewable energy introduction rate in electricity used in the Group overall (%)	39.8	19.6	17.5	17.2	17.4
	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	100.0	95.8
	Recycling rate at domestic manufacturing plants (%)	99.1	99.6	99.4	99.1	99.1
	ZEH order ratio for new custom-built detached houses (%) (order basis)	79.3	79.7	77.2	67.4	51.5
	Rate of new custom-built detached houses certified as long-life quality housing (%)	96.7	95.9	96.3	94.9	94.7
	Area under forest ownership/management (ten thousand ha)					
	Domestic	4.8	4.8	4.8	4.8	4.8
	Overseas	23.7	23.8	24.0	22.9	22.9
	Area under forest fund management	8.0	—	—	—	—
	Carbon storage amount in area under forest ownership/management (carbon dioxide equivalent) (ten thousand t-CO ₂)					
	Domestic	1,405	1,384	1,373	1,361	1,348
	Overseas	5,152	5,191	5,264	5,240	5,212
Social (S)	Number of employees (persons)					
	Non-consolidated	5,341	5,235	5,139	5,091	5,073
	Consolidated	26,741	24,815	21,948	21,254	20,562
	Ratio of female employees (%)					
	Non-consolidated	24.4	23.8	23.1	22.6	22.0
	Consolidated in Japan	35.2	36.1	33.4	34.4	32.4
	Consolidated overseas	30.1	28.4	28.2	30.0	30.8
	Ratio of female employees in management position (%)					
	Non-consolidated	7.6	6.8	6.3	5.6	4.8
	Consolidated in Japan	10.4	9.4	8.9	8.4	7.1
	Consolidated overseas	27.4	25.4	23.2	20.9	19.5
	Ratio of newly graduated female recruits (%)					
	Non-consolidated	32.8	34.1	33.1	26.9	30.2
	Consolidated in Japan	45.1	41.8	34.6	35.1	43.4
	Consolidated overseas	39.1	35.7	39.5	32.8	38.7
	Ratio of female recruits (%)					
	Non-consolidated	2.60	2.46	2.40	2.38	2.25
	Consolidated in Japan	2.30	2.25	2.23	2.04	1.85
Governance (G)	Rate of childcare leave taken by male employees (%)*					
	Non-consolidated	78.1	70.0	49.0	50.4	46.8
	Consolidated in Japan	48.7	28.0	32.8	28.0	13.2
	Rate of childcare leave taken by female employees (%)*					
	Non-consolidated	102.2	81.4	110.3	108.8	84.4
	Consolidated in Japan	101.6	96.8	114.3	118.8	122.0
	Rate of paid leave taken (%)					
	Non-consolidated	68.9	69.0	68.4	64.1	60.7
	Consolidated in Japan	69.1	68.1	66.6	59.6	58.1
	Training hours per employee (hours)					
	Non-consolidated	20.9	19.6	15.5	13.0	10.5
	Training expenses per employee (thousand yen)					
	Non-consolidated	152	117	106	77	59
	Turnover ratio (%)					
	Non-consolidated	3.6	3.1	3.2	2.7	1.8
	New graduate employee retention rate (three years with the Company) (%)					
	Non-consolidated	81.7	83.7	82.9	83.3	82.3
	Employee satisfaction (%)					
	Non-consolidated	78.0	76.3	77.0	78.2	80.1
Governance (G)	Number of Board of Directors meetings held	15	15	15	16	10
	Number of Directors	10	9	9	9	9
	Ratio of Outside Directors (%)	40	33	33	33	33
	Attendance rate of Outside Directors at Board of Directors meetings (%)	100	100	100	100	100

* 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, 2025)

External Evaluations



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



**FTSE Blossom
Japan Index**

**2025 CONSTITUENT MSCI NIHONKABU
ESG SELECT LEADERS INDEX**



**Morningstar Japan ex-REIT
Gender Diversity Tilt Index**



**FTSE Blossom
Japan Sector
Relative Index**

**2025 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**

* The inclusion of Sumitomo Forestry Co., Ltd. in MSCI indices and the use of the MSCI logo, trademarks, service marks, and/or index names on its website do not constitute sponsorship, endorsement, or advertising by MSCI or its affiliates of Sumitomo Forestry Co., Ltd. MSCI indices are the exclusive property of MSCI. MSCI and MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Dow Jones Sustainability Indices

* Name changed to "Dow Jones Best-in-Class Indices" in February 2025.



Major Initiative Participations and Endorsements



Statement of Authenticity



Tatsumi Kawata
Representative Director,
Executive Vice President

Publication of Integrated Report 2025

In order to realize a sustainable society and promote management aimed at the long-term improvement of corporate value, the Sumitomo Forestry Group established its Long-term Vision Mission TREEING 2030 in fiscal 2022, and identified the Nine Material Issues of material importance to management. In the new Medium-term Management Plan Mission TREEING 2030 Phase 2, launched in fiscal 2025, the Company clarified policies for further deepening and accelerating Sumitomo Forestry Group's unique value creation centered on trees. In this report, we have attempted to provide a clear overview of our Group's value creation to a wide range of stakeholders by devoting space to explaining the mechanisms through which we create three types of value—value for our planet, value for people and society, and value for the market economy—through this new Medium-term Management Plan and our unique Wood Cycle.

In preparing this report, we referred to disclosure criteria that included the International Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation and the Guidance for Collaborative Value Creation 2.0 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 and management teams cooperated and collaborated closely during the preparation. For important non-financial information, we are working to improve the reliability of reported matters by measures including obtaining a limited warranty from a third-party warranty organization. As the person 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 readers understand the current standing of the Group, as well as our future direction, and will serve as a launching pad for constructive dialogue. We look forward to your continued understanding and support of the Sumitomo Forestry Group as we move forward.

IR FAQ

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

A While the number of housing starts in the U.S. 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 36 million people since the GFC to over 340 million in 2024, and there is a shortage of housing. In particular, the population of millennials and Generation Z, the core of the home-buying population, appears relatively robust. Mortgage rates are trending at a high level between 6–7% and, while there is future policy uncertainty and buyers appear to be taking a wait and see approach, we expect stable growth to continue over the medium to long term.

Q What is your roadmap to realize the 2030 recurring income target of 350 billion yen?

A Currently, through four builders of single-family homes in the U.S., we are developing our housing business from Washington State to the East Coast, but mainly in the Sun Belt, which is experiencing significant population growth. In the Global Construction and Real Estate Segment, we have set a target of increasing recurring income from 225 billion yen in the fiscal year ending December 31, 2027 to 270 billion yen in 2030. In addition, we plan to increase our annual sales target for the U.S. single-family homes business from 17,700 units in the fiscal year ending December 31, 2027 to 23,000 units in 2030. Going forward, we will aim to achieve our targets by focusing on organic growth at our four builders, while also exploring new M&A opportunities. Furthermore, we currently have secured approximately 80,000 plots of land, including option contracts, which we plan to utilize as sites for our 2030 growth plans.

Q What is your outlook for the future of the real estate development business in the United States?

A As for the U.S. real estate development business, we plan to sell an annual average of 20 properties during Medium-term Management Plan Mission TREEING 2030 Phase 2 (from January 1, 2025 to December 31, 2027). Currently, negotiations for sales are difficult to conclude, given the backdrop of high interest rates. In the fiscal year ending December 31, 2025, we believe it will be important to improve the occupancy rate of rental properties and create conditions conducive to sale, as high supply pressure will continue in the rental housing market. One of our two U.S. real estate development companies has general contractor capabilities, enabling it to earn fee income in addition to income gains and capital gains. Going forward, we will aim to build a U.S. real estate development business that can generate stable revenue.

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

A Including the new plant in Missouri that came on line in March 2025, as of the end of June 2025 we have 10 plants in operation as manufacturing bases for roof trusses, wall panels, and other construction materials. For current Group companies, we are supplying products to companies including DRB, a single family homes builder in the U.S., for its spec homes, and to Crescent, a real estate developer in the U.S., 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 U.S.

Q How do you specifically plan to improve the profitability of the Australian housing business?

A In Australia, we acquired Metricon Group in November of 2024. Metricon is making progress in improving its earnings, and aims to achieve recurring income of 20 billion yen in fiscal 2025. We expect steady performance improvements at existing Group companies, and, going forward, we will strengthen synergies across the entire Group through efficiency measures such as centralized material procurement and integration of back-office functions.

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

A In the domestic housing business in the fiscal year ended December 31, 2024, the number of privately-owned housing starts in Japan declined year-on-year, 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. In addition, through our Grand Estate Design Project, proposals that leverage high-quality materials and design capabilities that exceed the scope of luxury properties are gaining support from customers. Orders for the semi-customized Forest Selection product line in the mid-price range are also steadily increasing, demonstrating the success of measures taken in each price range.

Going forward, we will strengthen our land acquisition capabilities in the rental housing business, expand our build-and-land package business, and promote the strengthening of the business of each Group company, including the renovation business, in order to strengthen the earnings base of our domestic housing business as a whole.

Corporate Profile and Stock Information (as of December 31, 2024)

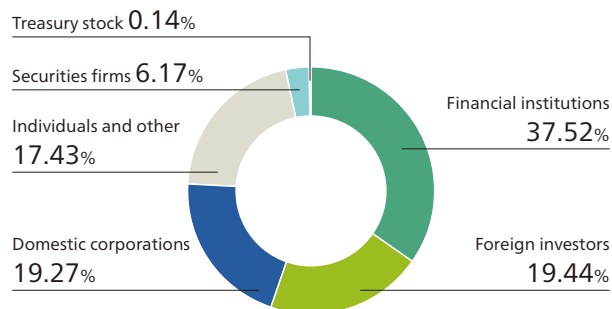
Corporate profile

Company name	Sumitomo Forestry Co., Ltd.
Founded	1691
Incorporated	1948
Paid-in capital	¥55,101 million
Head office	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Affiliated companies	654 (Overseas 601)
Number of employees (consolidated)	26,741
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	206,067,368
Ordinary General Meeting of Shareholders	March
Number of shareholders	68,515

Breakdown of shareholders



* Percentages in breakdown of shareholders are rounded down.

Major shareholders (top 10)

Shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	27,601	13.4
Custody Bank of Japan, Ltd. (trust account)	12,815	6.2
Sumitomo Metal Mining Co., Ltd.	10,110	4.9
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
SMBC Nikko Securities Inc.	4,131	2.0
JP Morgan Securities Japan Co., Ltd.	3,938	1.9

* 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.

Global Network (as of January 1, 2025)

Growing business in **12** countries, including Japan



Timber and Building
Materials Business



Housing Business



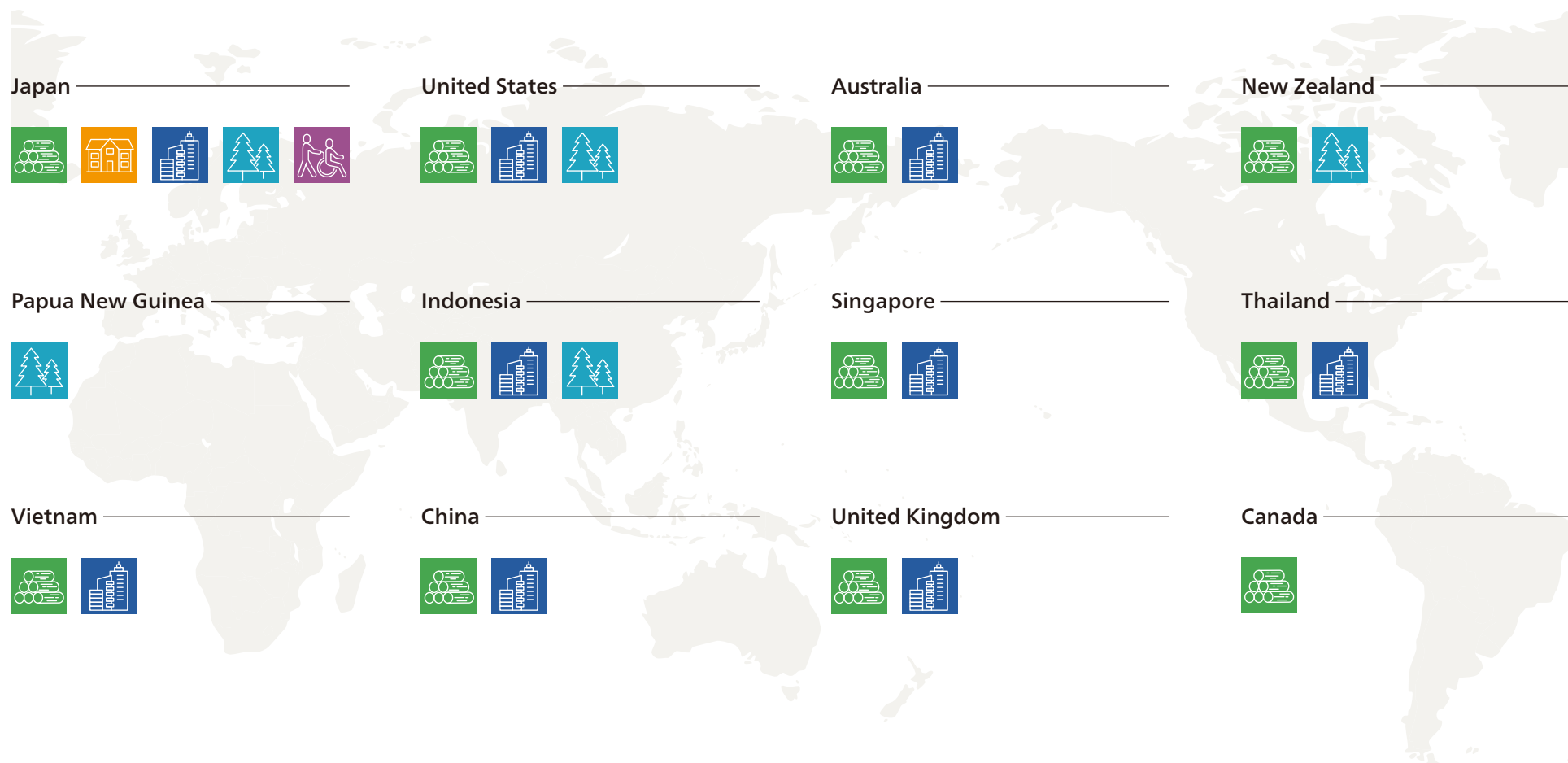
Global Construction and
Real Estate Business



Environment and
Resources Business



Lifestyle Services
Business





Corporate Communications Department IR Group
Keidanren Kaikan, 3-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8270, Japan
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URL: <http://sfc.jp/english/>

