PART 1

Our Long-Term Vision and Medium-Term Management Plan

Our Long-Term Vision for 2030 and Phase 1 of our Medium-Term Management Plan

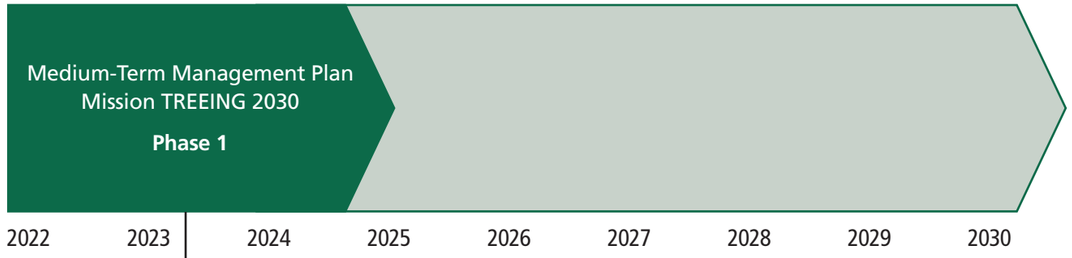
In February 2022, Sumitomo Forestry Group announced Mission TREEING 2030, our long-term vision outlining our direction, our business policies and what type of company we want to be in 2030, the final year of our SDGs. Our Group aims to contribute to the global environment and people's lifestyles through business activities that provide a variety of values. With the emergence of urgent, global-scale societal issues, such as climate change and energy problems, companies must manage their operations with a longer-term perspective. In this environment, we recognize the need to pursue further growth and value creation for the overall Group.

The three years of Mission TREEING 2030 Phase 1 (2022~2024) are being positioned as the period to build a foundation that will secure future growth and enable us to contribute to decarbonization. To achieve this, we are actively expanding our Overseas Housing and Real Estate Business, recovering the profitability of our domestic operations and further investing in our Environment and Resources Business, the core of our decarbonization efforts.

Long-Term Vision

Mission TREEING 2030

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



Three years building a foundation for future growth and decarbonization

- Further expanding our Overseas Housing and Real Estate Business, which has become a pillar of earnings, and recovering the profitability of our domestic operations
- Investing in our Environment and Resources Business, the core of our decarbonization efforts, and strengthening our foothold to realize our 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 Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.

Value for our planet × Value for people and society × Value for the market economy

Nine material issues and related SDGs

Value for our planet	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.
	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 sequestrate carbon, and by providing low-carbon/carbon-free products and services.
	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.
Value for people and society	To provide comfortable and secure spaces for society at large	Providing safe, comfortable and secure spaces to society at large.
	To improve the livelihood of the local communities where we operate	Creating jobs through our businesses and contributing to the development of local communities.
	To create a vibrant environment for all workers	Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.
Value for the market economy	To create new markets with forests and wood	Creating new markets that enrich the economy through the resourceful use of forests and wood.
	To transform markets through DX and innovation	Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.
	To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.

Business policy

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

In addition to reducing operational carbon in all areas domestically and abroad, we will pursue the CO_2 reduction effect of wood resources and contribute to the decarbonization of society through our businesses.

By highlighting the CO_2 sequestration capabilities of forests and HWP, we will revitalize the Japanese forestry industry and expand our medium- to large-scale wooden architecture business to dramatically elevate the value of timber resources and realize a circular bioeconomy primarily for domestic timber.

2 Advancing globalization

With our US, Australian and Asian operations as our core platform, we will expand the business areas and scale of our overseas group operations.

3 Striving for transformation and the creation of new value

With business transformation and innovation, such as the promotion of digitalization, we will rebuild the revenue base of our domestic operations.

4 Transforming our business foundation for growth

In addition to improving our ability to continually retain, nurture and engage human resources who can respond to globalization and the diversification of our businesses, we will reinforce our risk management system.

Financial performance target

2030 recurring income target

250.0 billion yen

To realize a decarbonized society, Sumitomo Forestry Group newly formulated Mission TREEING 2030, our long-term vision that sets out what type of company we want to be by 2030, the same year as our SDGs target year. We also drew up Mission TREEING 2030 Phase 1 (2022 ~ 2024), our Medium-Term Management Plan. Under Mission TREEING 2030, we defined three areas the Group can provide value – for our planet, for people and society, and for the market economy. We also specified nine material issues. In addition, we set out four business policies: 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; and 4) Transforming our business foundation for growth. To achieve this long-term vision, we will pursue business activities throughout the Group that increase "value for our planet," "value for people and society" and "value for the market economy" simultaneously without compromising any of them.

In terms of financial performance, we are aiming for growth that will enable us to reach 250.0 billion yen in recurring income by the December 2030 term (137.8 billion yen as of the December 2021 term).

Forests, a key element to realizing a decarbonized society

With the adoption of the Paris Agreement at the 21st United Nations Climate Change Conference held in Paris, France in 2015, the world began the move to realize a decarbonized society. In October 2020, Japan declared that it would strive to be carbon neutral by 2050. To realize carbon neutrality by 2050, we must not only reduce greenhouse gas emissions. We must also offset the greenhouse gases we emit through other types of reduction and absorption efforts.

An important key to doing so is increasing the CO_2 absorption volume of forests. Trees absorb CO_2 from the atmosphere in the growth process of photosynthesis and store that CO_2 as carbon. In other words, forests play an important role in carbon absorption and storage.

Since 1990, the world's forests have been declining at a faster rate than they are increasing. Because deforestation is directly related to lower forest CO_2 absorption volume, we must increase forest area to achieve carbon neutrality. This is why forest protection is gaining increasing focus.

On the other hand, forests in Japan are aging, which presents a different problem. Younger trees absorb more CO_2 than older trees. About 40 percent of Japan's forests are man-made forests that were planted after World War 2, and about half of those forests are more than 50 years old. To increase CO_2 absorption in Japan, mature trees must be harvested, effectively utilized and then replanted with seedlings to promote the rejuvenation of forests.

POINT 1

To increase CO_2 absorption amounts, we must stop deforestation and rejuvenate working forests.

World issue
Reduced CO_2 absorption due to deforestation

Primarily,
Conserve and increase conservation forests
Manage and expand forests

Conservation forests =

Forests with an emphasis on public benefits, such as biodiversity conservation, mountain disaster prevention, health culture and other

Japan issue
Reduced CO_2 absorption due to aging forests

Primarily,
Rejuvenate working forests
Harvest and replant forests

Working forests =

Forests that are harvested and reforested to secure stable production of building materials, furniture and other

Some of the world's forests are working forests, and some of Japan's forests are conservation forests. Forest management must be conducted optimally with appropriate zoning.

Long-term carbon storage using wood

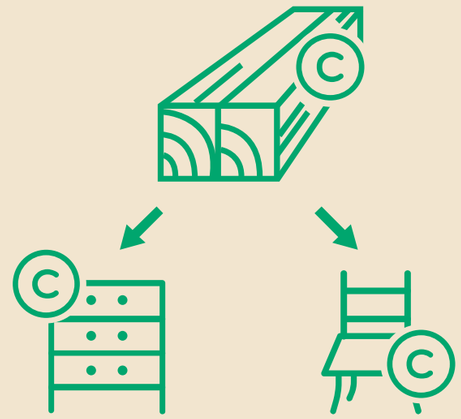
To realize a decarbonized society, we must increase CO_2 absorption amounts by stopping deforestation around the world and promoting the rejuvenation of working forests in Japan. In addition, we must effectively utilize harvested trees to store carbon over the long term. The carbon that trees absorb in the growth process continues to be stored in the wood buildings, wood furniture and other products that the harvested trees are made into. By producing high-quality wood products, we can retain for long periods of time the large amounts of carbon the trees absorbed when they were growing.

But the benefits of using wood do not stop here. For example, when we compare the CO_2 emitted when building with steel or concrete frames versus when building with wood, markedly less energy is consumed when using wood when we trace back to the production of raw materials. In other words, using wood to construct building structures will significantly reduce CO_2 emissions.

Forests produce not only wood. They also absorb and store CO_2, protect biodiversity, recharge water sources, conserve soil, prevent landslides and provide many other public benefits. With the rediscovery of the value of forests, people in Japan are beginning to better understand the importance of healthy forest management and effective wood production and utilization. We believe that promoting the use of wood in all aspects of society and increasing carbon storage amounts will help lead to a decarbonized society.

POINT 2

Utilize wood for long-term carbon storage



Carbon Storage

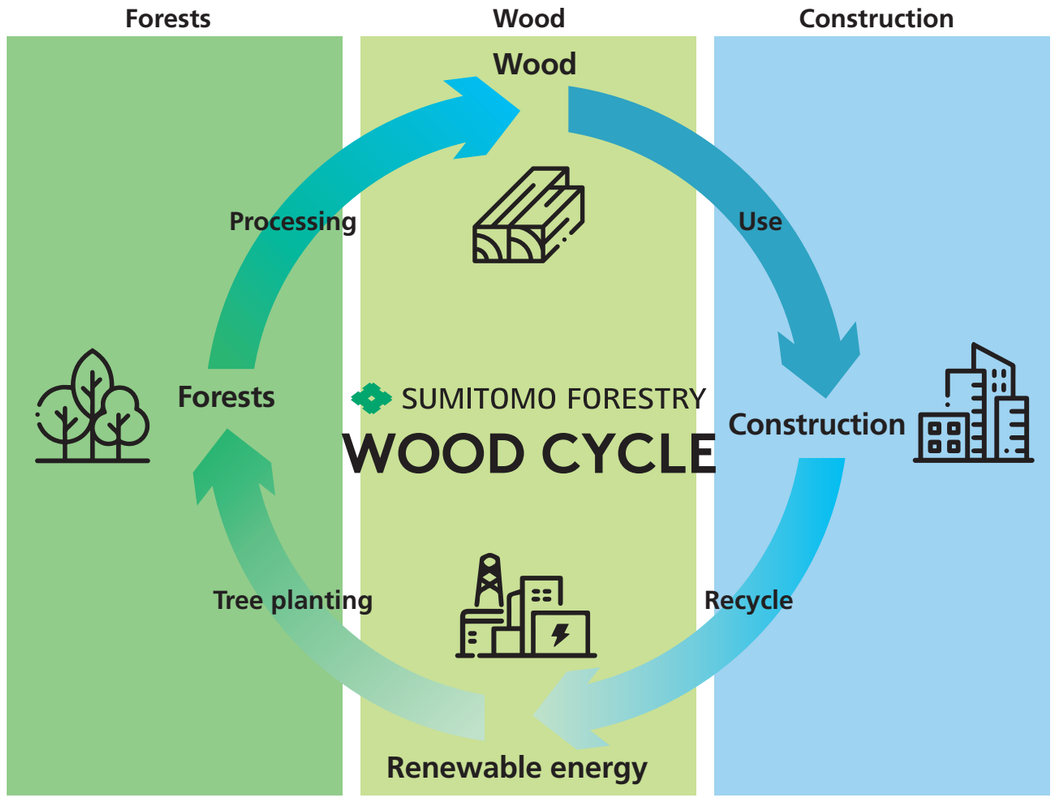
Carbon storage refers to the ability of trees to absorb CO_2 and store it internally as carbon. By utilizing harvested wood to produce wood buildings, furniture and other wood products, carbon is stored for long periods of time without being released into the atmosphere.

Wooden buildings with their low CO_2 emissions and bioenergy also suppress fossil-fuel derived CO_2 emissions.

The three pillars of our Wood Solution – forests, wood, construction

Our Group is involved in businesses centered on wood, a renewable, natural resource. One of the main characteristics of our operations is that we are involved in all aspects of the wood cycle value chain, from upstream to downstream. By rejuvenating forests through sustainable forest management that effectively harvests and replants trees while protecting biodiversity, we are maintaining and increasing the ability of forests both in Japan and abroad to absorb and store CO_2. We process trees into timber that can be used for a variety of applications and distribute it widely throughout society. Through the active use of wood in housing and medium- to large-scale non-residential buildings, we are working to promote long-term carbon storage. In addition, we are utilizing construction waste and leftover timber as fuel for biomass power generation. Our Group is developing all these operations to help realize a decarbonized society.

Our growth strategy has three pillars: in the area of forests, we will accelerate the cyclical forest business; in the area of timber, we will promote wood change; and in the area of construction, we will standardize carbon neutral design. This is our unique Wood Solution. With numerical goals for each of these pillars, we will actively pursue initiatives that will enable us to achieve these goals so that we can contribute to not only our own growth, but to a sustainable and prosperous society, as well.



Sumitomo Forestry's Wood Solution

	Forests	Wood	Construction
Summary	**Accelerate the cyclical forest business** We will promote zoning forest management to expand conservation forests, which absorb CO_2, and accelerate harvesting/replanting of working forests, which encourage carbon storage. With carbon offsets, we want to contribute to the decarbonization of other companies and society and realize a sustainable business.	**Promote wood change** We will enhance the competitiveness of domestic timber while pursuing the value of wood in carbon storage. We want to promote the use of wood throughout society to contribute to decarbonization.	**Standardize carbon neutral design** We will promote carbon neutral buildings by popularizing LCCM houses both in Japan and abroad, and by establishing and standardizing carbon neutral design methods to contribute to decarbonization of other companies and entities.
Concept	We will create a global forestry fund to expand forest area worldwide, with an emphasis on Asia. Through carbon offsets, we will contribute to other companies and society.	We will make Japanese forestry and wood product manufacturing more efficient with timber industrial complexes and promote the transition to wood-derived alternatives that increase carbon storage amounts.	We will popularize ZEH, ZEB and LCCM housing and net-zero carbon buildings and establish carbon neutral design (One Click LCA*1 x EPD*2) to contribute to the decarbonization of other companies and entities.
Beneficiaries	New customers who are seeking the value of CO_2 absorption	Supply chain partners	Building owners (general consumers, companies)
Contributions	CO_2 absorption	CO_2 reduction (Scope 3, Category 1)	CO_2 reduction (Scope 3, Category 11)
2024 investments*3	**2024** **Forestry fund related investments(~2024)** **12.0 billion yen**	**2024** **Timber industrial complexes investments(~2024)** **20.0 billion yen**	**2024** **Overseas non-residential wooden building investments(~2024)** **30.0 billion yen**
2030 targets	**2030** **Owned/managed forest area** **500,000 ha**	**2030** **Timber industrial complexes domestic timber usage** **1.0 million m³ /year**	**2030** **Number of housing units supplied yearly** **50,000 units**

*1 A software that visualizes CO_2 emissions during construction. Our Company signed an exclusive agency agreement for Japan.
*2 An environmental labeling system based on quantitative environmental data evaluated and certified by a third party.
*3 Total investment from FY22/12 to FY24/12

Wood Solution ① Forests

Accelerate the cyclical forest business

Forests are categorized as either conservation forests, which should be protected for biodiversity, landslide prevention and other public benefits, or working forests, which should be effectively harvested and replanted in a cycle. Our Group conducts forest management both in Japan and overseas by appropriately zoning conservation forests and working forests and promoting sustainable cyclical forest management for working forests.

In addition, through the establishment of a global forestry fund, we will protect and expand the world's forest and peatland areas in Asia, Oceania and North America, create a carbon credit allocation system, and contribute to the decarbonization of society. We are also collaborating with IHI on the NeXT FOREST Project to develop innovative forest management technologies that will help resolve global environmental problems.

2030 targets

Forestry fund assets under management

100.0 billion yen

Owned/managed forest land area target

277,000 ha ➡ 500,000 ha

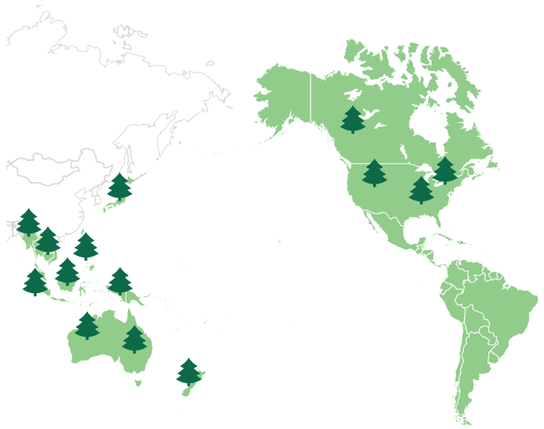
Investment plan

2024 forestry fund related investments (~2024)

12.0 billion yen

Expanding owned/managed forest area

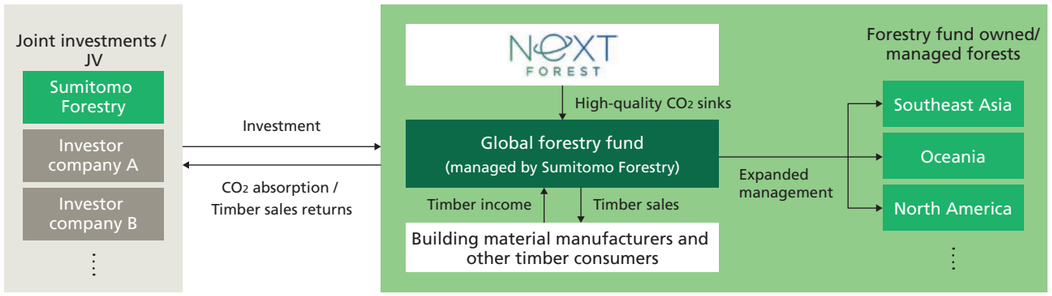
Our Group has approximately 48,000 ha of Company-owned forests in Japan, equivalent to about 1/800th of Japan's total land area. In addition, we own or manage a total of 229,000 ha of forest area in Indonesia, New Zealand, Papua New Guinea and other countries overseas. We conduct sustainable forest management under strict surveillance so that we can utilize forests resources in perpetuity while maintaining their public benefit. Through the global forestry fund, we plan to increase the area of forest land that Sumitomo Forestry Group owns or manages to about 500,000 ha by 2030.



Establishing a global forestry fund

Our Group is planning to establish a global forestry fund. We will expand our sustainable forestry operations through owning or managing forests in Asia, Oceania and North America. In addition, we will create a carbon credit allocation system to contribute to the decarbonization of industries where drastic reductions of CO_2 emissions are difficult. Our goal for this forestry fund is to have 100.0 billion yen in assets under management.

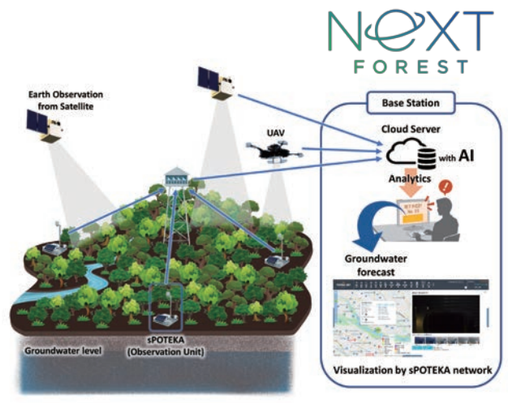
* At the time of preparation of this material, no specific decisions, including details and timing etc., have been made other than those described above.



Promoting the NeXT FOREST Project

In June 2021, we concluded a business alliance agreement with IHI Corporation and began working on the NeXT FOREST Project. We will bring our experience in managing the world's only successful example of a peatland management technology we built in Indonesia with IHI's expertise in satellite observation technologies to provide consulting services to countries, regional government organizations and companies that are fighting to stop deforestation and peatland destruction. In addition, we hope our work will help create higher quality carbon credits by appropriately assessing not just the value of forests and soil in terms of carbon absorption, but also the value of natural resources, such as biodiversity and water cycle conservation and regional contributions.

Management system diagram



Wood Solution ② Wood

Promote wood change

In the area of wood, we are promoting wood change – in other words, the use of wood and wood-derived materials for construction and other purposes as well as the use of wood as an alternative to other materials.

Wood is light, strong, resistant to deterioration and has thermal insulative properties. Even after it is made into different products and shapes, it continues to retain the CO_2 it absorbed. Compared to steel or concrete, wood produces significantly lower CO_2 emissions during manufacturing. As the number one timber and building materials company in Japan, we will pursue the many values that wood has to offer by establishing timber industrial complexes and leading the wood change movement. These initiatives will help stimulate the Japanese forestry and wood manufacturing industries to become more efficient and competitive. At the same time, by increasing the volume of harvested wood products (HWP) we handle and manufacture, we will increase carbon storage for the whole of society.

2030 target

Timber industrial complexes
Domestic timber usage volume

1 million m^3/year

Investment plan

2024 timber industrial complexes investment amount(~2024)

20.0 billion yen

Wood change overview

Sumitomo Forestry is the No. 1 domestic timber and building materials company in terms of transaction amount

Increasing the volume of harvested wood products (HWP) we handle and manufacture to promote carbon storage in society

HWP:
Harvested Wood Products

Wood products processed from harvested wood. Because trees absorb CO_2 and store it as carbon, promoting the use of wood products advances the decarbonization of society.

Japanese timber has low price competitiveness due to a shortage of forestry workers and lack of infrastructure.

Japan relies on imports for most of its wood products and with the wood shock, experienced shortages and price increases.

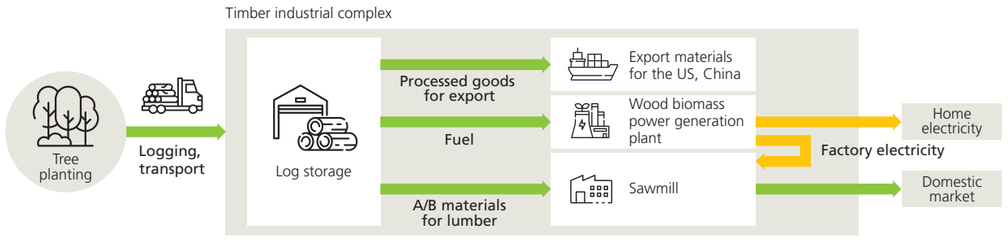
We want to establish timber industrial complexes, which are built on the premise of cascade utilization of Japanese timber, to raise productivity of wood manufacturing, secure a stable supply of wood products and ultimately, increase price competitiveness.

Establishing timber industrial complexes

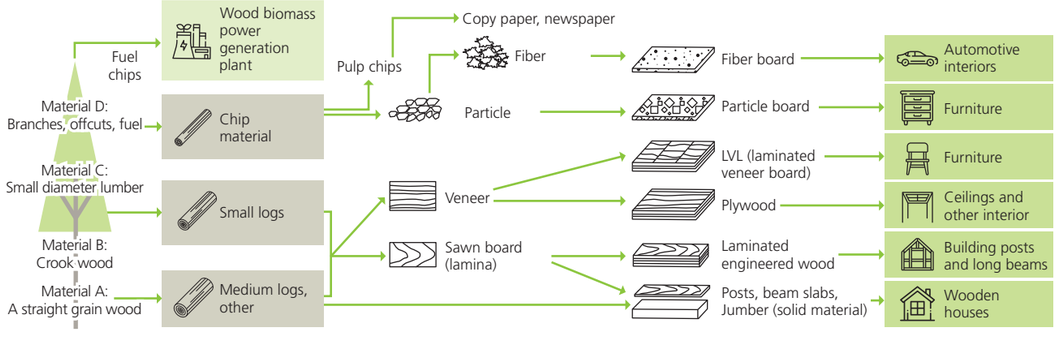
Timber industrial complexes are facilities where all functions necessary for the timber industry are consolidated in one location, from log storage, manufacturing and processing to biomass power generation for the supply of electricity and heat, and port facilities for shipping and foreign export. Timber industrial complexes help to revitalize the forestry industry, increase competitiveness of domestic timber, stabilize timber prices and supply, and raise Japan's wood self-sufficiency ratio. This promotes wood change, which in turn, contributes to the decarbonization of society.

As a first step, we concluded a letter of agreement with Shibushi, Kagoshima Prefecture, and are now beginning feasibility studies to construct a wood processing factory and biomass power generation plant that use domestic timber. After formulating concrete operational plans and selecting equipment, we are aiming to begin operations in 2025.

Timber industrial complex overview



Cascading flow



Ripple effect of timber industrial complexes

An increase in the carbon storage period that contributes to decarbonization

An increase in the added value of wood and the creation of employment opportunities for forestry workers

A stable supply of domestic timber and the enhancement of price competitiveness

Wood Solution ③ Construction
Standardize carbon neutral design

In the area of construction, we are promoting the standardization of carbon neutral design. Of the world's CO_2 emissions (approximately 31.5 billion tons annually), 37% is attributed to the construction sector. Hence, decarbonization in the construction sector is an important societal issue. We will first try to tackle this by popularizing ZEH (net-zero energy houses), ZEB (net-zero energy buildings) and similar types of buildings to reduce the CO_2 emitted during occupancy, which is about 70% of the construction sector's CO_2 emissions.

With the economic development of emerging countries, the world's building area is expected to double by 2060, which will make decarbonization during construction increasingly important. To respond to this, our Group is developing and popularizing LCCM (life cycle carbon minus) homes that realize negative CO_2 emissions during the house's life cycle. We want to promote decarbonization during construction as well as occupancy and operation.

2030 target

Annual housing units supplied

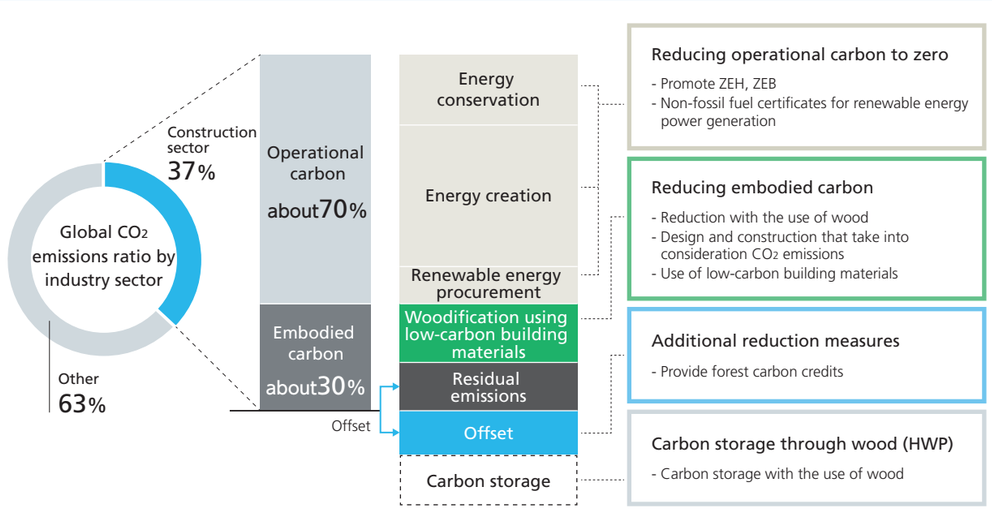
27,000 units ➡ 50,000 units

Investment plan

2024 overseas non-residential wooden building investments (~2024)

30.0 billion yen

Reducing two types of CO_2 emissions – operational carbon*1 and embodied carbon*2



Source: Global Alliance for Buildings and Construction (2021)

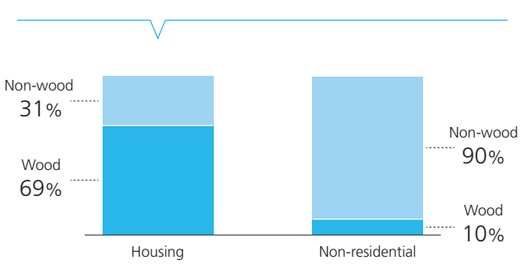
*1 Reducing CO_2 emitted during occupancy
*2 Reducing CO_2 emitted during construction

Domestic housing market targets

Wood structures account for 69% of the domestic housing market and 10% of the non-residential market (on a floor area basis). We want to increase this ratio for both residential and non-residential buildings to contribute to reducing CO_2 emissions.

Expand share with an annual goal to sell 10,000 units of custom-built and for sale housing. Also, actively increase the supply of non-residential buildings, such as roadside stores, public facilities and nursing homes.

- Further promote ZEH and popularize LCCM houses for decarbonization of operational carbon and embodied carbon



- Further promote ZEB for decarbonization of operational carbon
- Increase share of wooden buildings by using One Click LCA to visualize CO_2 emissions
- Woodification of non-residential buildings = Reduces embodied carbon

Overseas housing market targets

Expand market share in the United States and Australia, the world's largest wooden housing markets.
Promote wood buildings to transform cities into forests.

In the housing market, aim to supply 40,000 units annually, approximately 23,000 units up from current figures. In the non-residential market, accelerate the development of medium- to large-scale wooden commercial, office and other types of buildings.

Region	United States	Australia	Other
2021	11,230 units	3,169 units	2,534 units
2030	**23,000 units**	**5,500 units**	**11,500 units**

2030
Housing units supplied overseas
40,000 units

Wood Solution ③ Construction

Standardize carbon neutral design

Selling LCCM houses

LCCM houses are homes that result in negative CO_2 emissions during the entire house's life cycle, from construction to occupancy and demolition. Our Company further reduces CO_2 emissions by utilizing biomass fuel for the timber drying process. In addition to superior thermal insulative properties and environmentally conscious equipment and appliances, LCCM houses feature a passive design that controls light and heat and flexible room layouts that contribute to a decarbonized society both during the construction and occupancy stages.

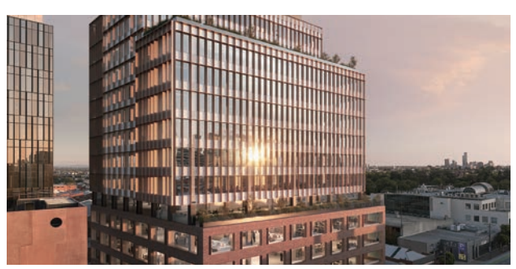
Exterior view of an LCCM house

LCCM house overview

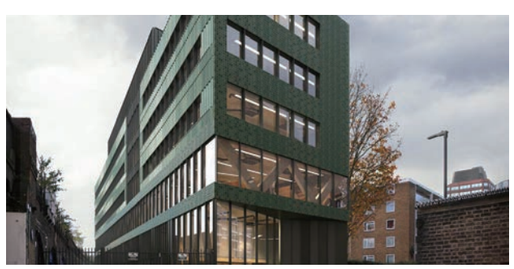
1. Long-term carbon storage using the original BF (big frame) construction method
2. Strong skeletal structure using the BF construction method, which enables flexible changes according to life stage
3. Passive design that controls light and heat
4. Environmentally conscious equipment that is both energy-saving and economical
5. Domestic material specifications using domestic Japanese cypress and larch
6. Timber drying with biomass fuel

Expanding ZEB supply overseas

Our Group is working to increase the supply of ZEB, which utilizes energy conservation and energy creating technologies to realize net-zero energy consumption. We are also expanding the use of wood in skeletal structures. At the end of 2021 in Melbourne, Australia, we began construction of a 15-floor office building where the 6th floor and higher will be made from wood. This building will use 4,000m³ of timber, which will result in 3,000 tons (on a CO_2 base) of carbon storage. In London, we are also involved in the construction of a net-zero carbon 6-floor wooden office building, which is scheduled for completion in 2024.



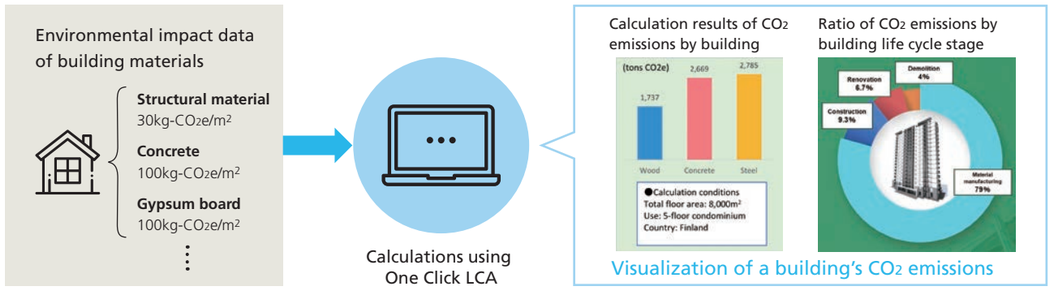
15-floor wooden office building in Melbourne



6-floor wooden office building in London

Visualizing CO_2 emissions with One Click LCA

In January 2022, our Company became the exclusive Japan agent of One Click LCA (life cycle assessment), a software that enables the visualization of a building's CO_2 emissions. This software is utilized in 130 countries around the world and complies with ISO, European Standard and more than 50 other global environmental certification schemes, standards and requirements. With One Click LCA, we will work with the Japanese housing and real estate industry to build a foundation for calculating decarbonization during construction.



Popularizing the EPD environmental certification labeling system

EDP (Environmental Product Declaration), an environmental certification labeling system for materials, is gaining popularity in Europe and other countries as one means to visualize CO_2 emissions during construction. As a leading company in the timber and building materials industry, our Company is creating a system to support companies seeking EPD certification. With One Click LCA and our consulting services to reduce CO_2 emissions of buildings, we are promoting the popularization of environmentally conscious buildings that achieve net-zero CO_2 emissions.

Contributing to the realization of a decarbonized society through the "wood cycle" of our business activities

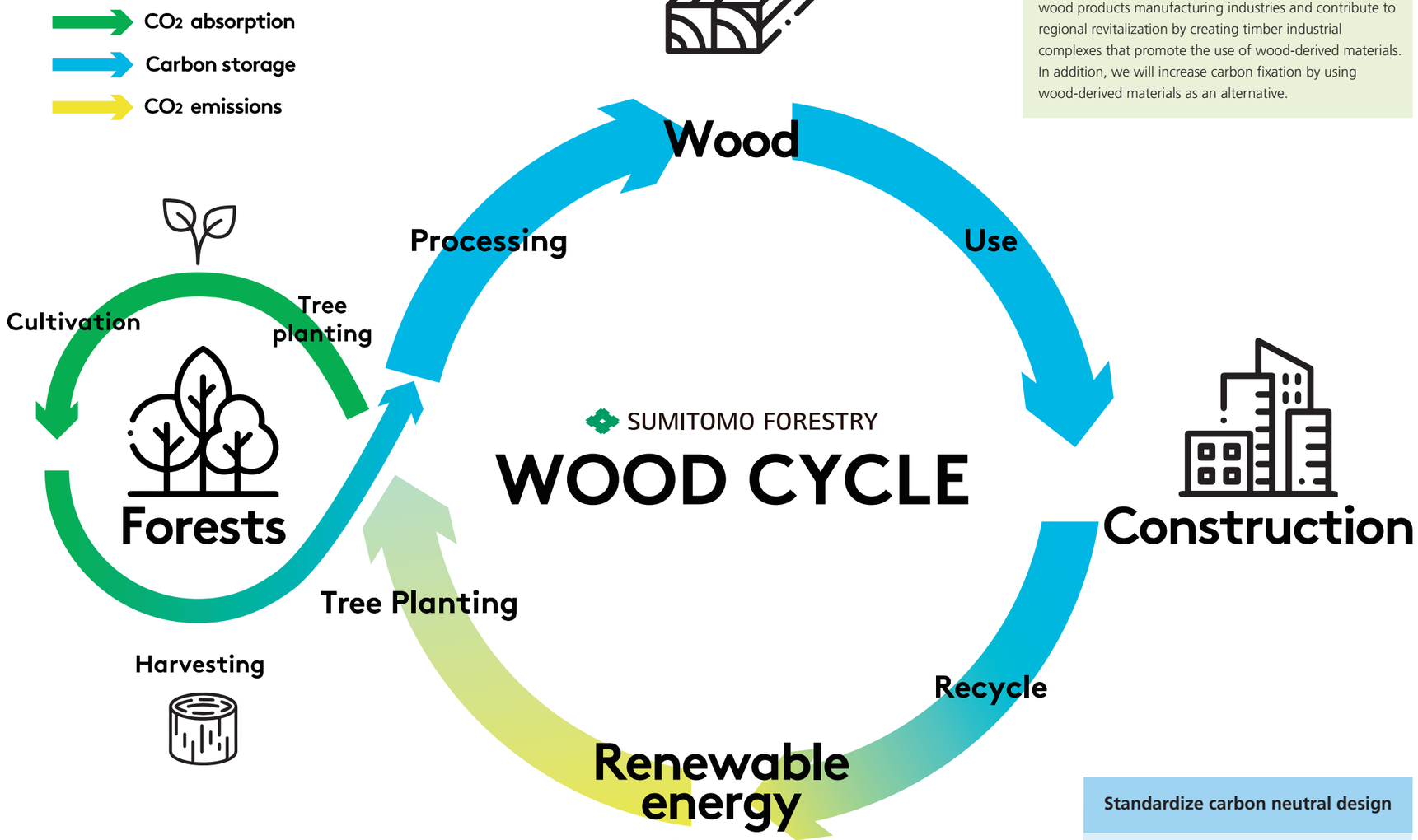
Wood is a sustainable material that can be planted, nurtured, cut down, utilized and then replanted. In addition, not only do forests produce wood, but they also have numerous functions that provide public benefit, such as absorbing and storing CO_2 (which causes global warming), protecting biodiversity, recharging water sources, conserving soil and preventing landslides.

Sumitomo Forestry Group contributes to maintaining the public benefit of forests through our forest management operations and is involved in a wide range of global businesses, such as wood processing, distribution, wooden construction and biomass power generation. By utilizing renewable natural forest resources that store absorbed CO_2 through the wood cycle, we will contribute to the shift to wood and decarbonization for not only our own company, but also for the whole of society.

The carbon cycle of forests and wood that supports a circular society

Trees absorb CO_2 and release oxygen as part of the growth process. In addition, harvested wood products and wood constructions continue to store large amounts of carbon. Compared to materials that emit large volumes of CO_2 during their raw material procurement to manufacturing stages, using wood as an alternative helps to reduce emissions.

In addition, long-term use of wood products and housing leads to long-term carbon fixation. Even as waste, wood used as fuel for biomass power generation releases only the CO_2 that was absorbed during the growth process, making biomass power generation carbon neutral.



Promote wood change

We will enhance the efficiency of the Japanese forestry and wood products manufacturing industries and contribute to regional revitalization by creating timber industrial complexes that promote the use of wood-derived materials. In addition, we will increase carbon fixation by using wood-derived materials as an alternative.

Accelerate the cyclical forest business

We will increase CO_2 absorption volume to contribute to carbon offsetting for other companies and society by establishing a forestry fund and expanding the forest area we own and manage around the world, primarily in Asia.

Development of carbon-neutral biomass power generation plants that use construction waste and unused forest resources as an energy resource.

Standardize carbon neutral design

We will contribute to the decarbonization of other companies and organizations with the popularization of ZEH (net-zero-energy houses), ZEB (net-zero-energy buildings), LCCM (life cycle carbon minus) houses and net-zero-carbon buildings, and the establishment of decarbonized design (One Click LCA*1 x EPD*2).

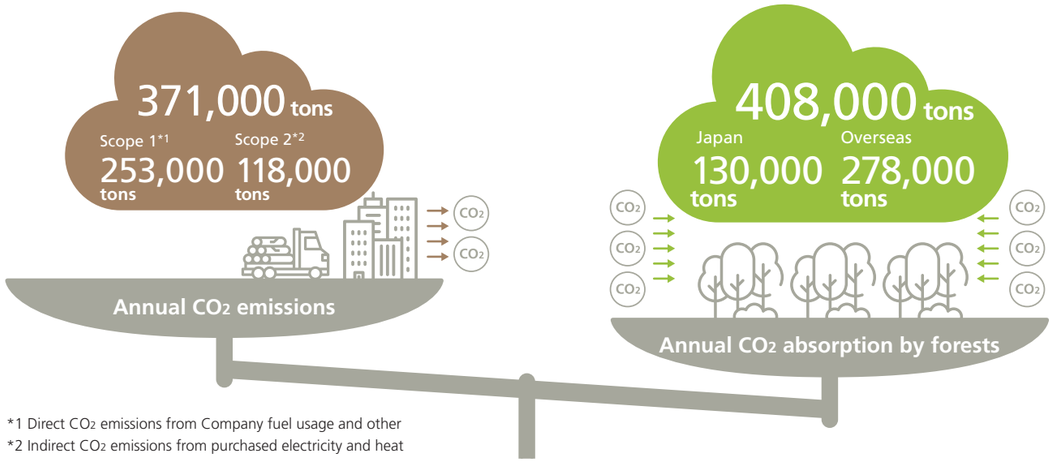
*1 A software that visualizes the volume of CO_2 emissions during construction
*2 An environmental labeling system based on the evaluation and certification of quantitative environmental data by a third-party organization

Data on Sumitomo Forestry Group's contributions to a decarbonized society

Sumitomo Forestry Group's CO_2 emissions and absorption volumes *Data collection period, January ~ December 2021

Our Company's CO_2 emissions (annual)

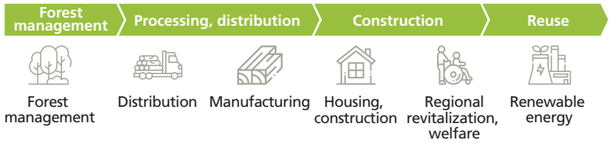
Thanks to the CO_2 absorption volume of the forests we own and manage, the Company is carbon negative (Scope 1, Scope 2)



*1 Direct CO_2 emissions from Company fuel usage and other
*2 Indirect CO_2 emissions from purchased electricity and heat

CO_2 emissions in the value chain

For Scope 3, we aim to reduce CO_2 by actively proposing products and services that lead to decarbonization for our customers and business partners.



Annual CO_2 emissions, Scope 3
9,835 thousand tons ..... Use of sold products (66.4%)
6,534 thousand tons

*Most Scope 3 emissions are CO_2 emissions from Category 11 (use of sold products) and Category 1 (purchased goods and services).

Sumitomo Forestry Group potential carbon stock (as of December 2021)

Carbon stock of owned and managed forests and currently standing wooden buildings and other HWP

Carbon stock of forests
66,001 thousand tons*1

Japan **13,606 thousand tons**
Overseas **52,395 thousand tons**

HWP*2 existing carbon stock
24,622 thousand tons

Japan
Cumulative houses **7,291 thousand tons*3**

Overseas
Cumulative houses **1,854 thousand tons*4**
Cumulative wood products **15,477 thousand tons*4**

*1 Method to calculate carbon stock of forests
Cumulative amount x Bulk density x Biomass magnification factor x (1+ratio of underground area as a ratio of above ground area) x Carbon content (utilizing the specific number of each tree species)
WEB **Sustainable forest management**
https://sfc.net/english/sustainability/environment/forest/

*2 HWP (Harvested Wood Products)
*3 Carbon stock of Japanese housing HWP was calculated with the cooperation of Tokyo University of Agriculture and Technology based on the number of housing unit starts, the number of owners, and wood usage per floor area to determine carbon stock and amounts of change from housing.
*4 HWP carbon stock from overseas housing and manufacturing facilities was calculated with the cooperation of Tokyo University of Agriculture and Technology using figures for Japanese housing as reference.

Forests

Area of owned forests in Japan
Approximately 48,000 ha

Area of owned/managed forests overseas
Approximately 229,000 ha

Ratio of Company-owned forest area harvested annually
Approximately 1%

Domestic and overseas reforestation rate **100%**

Number of trees planted annually
Japan **340,000 trees**
Overseas **8.63 million trees**

Number of seedlings produced annually
Japan Container seedlings
Approximately 1.9 million capacity (6 locations nationwide)
Overseas Seedling production
Approximately 9.96 million

Ratio of domestic forests that are sustainably managed with consideration to biodiversity
100%

Forest certification acquisition rate
Japan **100%** Overseas **91.3%**
*Forest certification acquisition rate for the operating area (planted area)

Wood

Sustainability procurement survey implementation rate for imported wood product suppliers
100%
*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.

Recycling rate of manufacturing site waste
Japan **99.1%** Overseas **98.5%**

Volume of wood and wood products handled
8,383,000 m³

Power supply from wood biomass power generation (converted to number of households)
334,000 households
*Total power supply from the five wood biomass power generation facilities in Japan. 211,000 households when converted to ownership ratio.

Construction

ZEH order ratio of new, custom-built detached houses in Japan
67.4%
*Order-based value that includes ZEH, Nearly ZEH, ZEH Oriented

Ratio of new, custom-built detached houses in Japan that have acquired long-life quality housing certification
94.9%
*A certification system established by the Ministry of Land, Infrastructure, Transport and Tourism to popularize houses that contribute to the realization of a stock-type society

Recycling rate of waste from housing demolition sites
94.6%

Cumulative number of houses transferred
Japan **Approximately 340,000 units**
Overseas **Approximately 80,000 units**

*Data collection period, January ~ December 2021

Mission TREEING 2030 Phase 1

(Fiscal Year Ending December 2022～Fiscal Year Ending December 2024)

Three years to build a foundation for future growth and for contributing to decarbonization

In 2022, the Sumitomo Forestry Group launched a new medium-term management plan, "Mission TREEING 2030 Phase 1" as the first step towards achieving its long-term vision of "Mission TREEING 2030." Under this medium-term management plan, we are positioning the next three years as a period for building a foundation for future growth and for contributing to decarbonization, and we have established the following five themes as the basic policy for the plan:

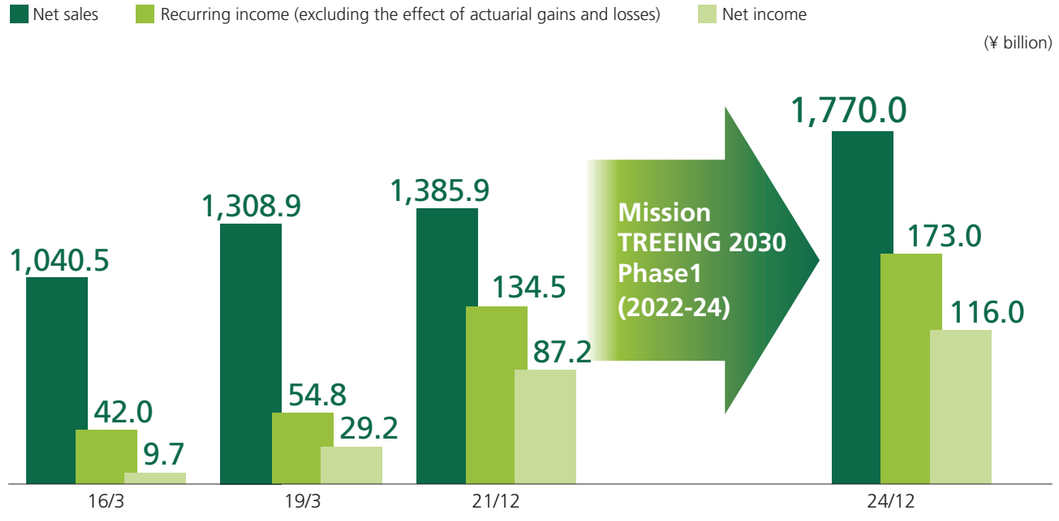
1) Efforts to address decarbonization challenges using wood resources,
2) Promotion of a more resilient earnings base,
3) Acceleration of global expansion,
4) Strengthen management base for sustainable growth,
5) Further integration of business operations and ESG.

As our performance targets by the fiscal year ending December 2024, the final year of the medium-term management plan, we are aiming for 1,770 billion yen in net sales, 173 billion yen in recurring income (excluding actuarial difference regarding employees' retirement benefit obligation), 116 billion yen in net income attributable to shareholders of parent, and at least 15% in ROE. While continuing to devote ourselves to non-financial initiatives connected to ESG (Environment, Society, Governance) such as harmony with the environment, improving customer satisfaction, respecting human rights and diversity, and strengthening risk management, compliance and governance, the Sumitomo Forestry Group will work to further enhance corporate value as we contribute to the realization of a sustainable society.

Basic policy

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

Performance targets



Segment targets

(¥ billion)

	Net sales			Recurring income		
	2021/12	2024/12	Percent of change	2021/12	2024/12	Percent of change
Timber and Building Materials	216.9	**264.0**	+21.7%	10.0	**11.5**	+15.2%
Housing and Construction	510.9	**547.0**	+7.1%	19.6	**32.0**	+62.9%
Overseas Housing and Real Estate	644.6	**954.0**	+48.0%	104.3	**129.0**	+23.6%
Environment and Resources	22.3	**26.5**	+18.8%	3.9	**4.0**	+1.8%
Others	23.9	**29.0**	+21.1%	3.0	**5.0**	+66.0%
Adjustments	(32.7)	**(50.5)**	-	(3.1)	**(8.5)**	-
Total	1,385.9	**1,770.0**	+27.7%	137.8	**173.0**	+25.6%
(Reference) Excluding the effect of actuarial gains and losses				134.5	**173.0**	+28.6%