

Efforts for Sustainability Management

ESG initiatives in management

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

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

Sustainability Committee

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

The Sustainability Committee is comprised of directors who serve as executive officers, as well as the divisional managers of each business division, with the President and Executive Officer acting as the committee chairman. The committee formulates and promotes strategies for the Group's medium- to long-term ESG issues, including climate change and nature-related issues, manages the progress of the Mid-term Sustainability Targets, including risk and opportunity analysis, and monitors the operation and effectiveness of Our Values and the Code of Conduct, and other guidelines. As of January 2024, the Sustainability Committee meets regularly six times a year instead of four, in order to strengthen efforts to address issues related to quality and occupational safety. All proceedings of the committee are reported to the Board of Directors to integrate business operations with the resolution of social issues.

Risk check for new business plans by the Executive Committee

All new business and project plans that are brought for deliberation to the Board of Directors and the Executive

Committee, which is the advisory body to the President, Sumitomo Forestry conducts risk assessment, including ESG aspects, considering the entire supply chain. If a risk is identified, a report is made regarding the risk's nature and measures to deal with it, which is used to determine implementation. We also encourage similar ESG risk checks for new businesses and projects that can be implemented under the authority of the respective division or affiliated

company that are not subject to deliberation at these meetings. In fiscal 2023, 17 new businesses and projects were discussed. By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management. At the same time, the Sumitomo Forestry Group will proactively continue with sustainability management across the entire Group.

Nine Material Issues

Identifying material issues

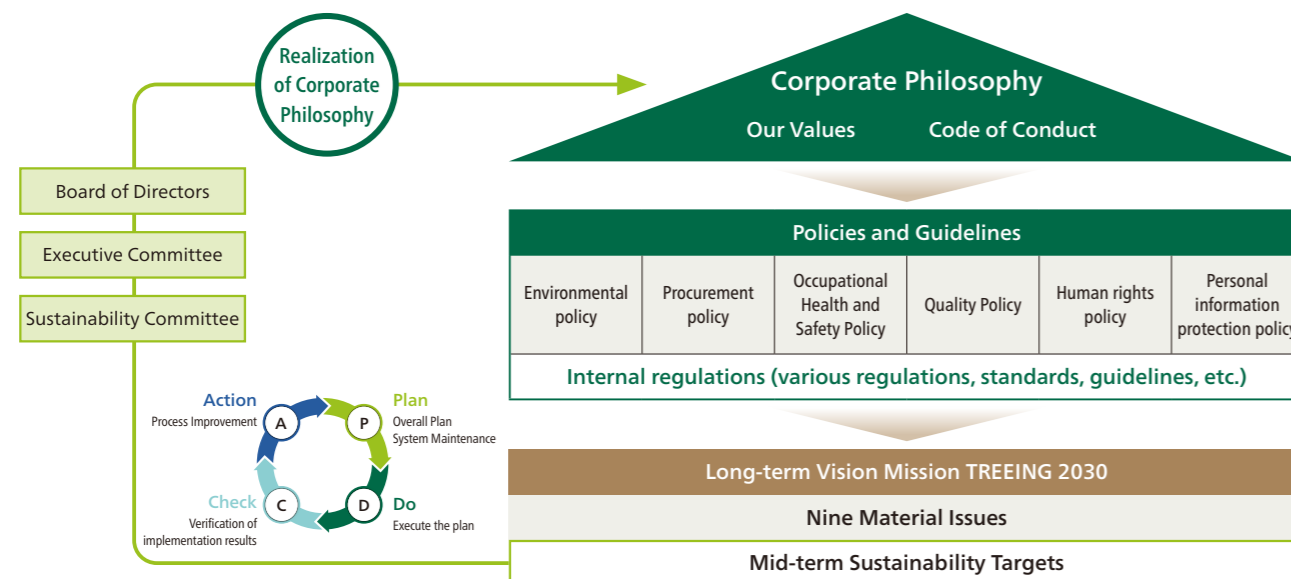
In fiscal 2014, the Sumitomo Forestry Group identified important CSR issues, updating issues set in fiscal 2008. Since then, major changes have occurred around the world, including adoption of the Sustainable Development Goals (SDGs) and the conclusion and entry into force of the Paris Agreement, and in Japan, the Government Pension Investment Fund's (GPIF) signing of the United Nations Principles for Responsible Investment (PRI) has accelerated the trend toward ESG investment. In response to these trends, the Sumitomo Forestry Group developed its Long-term Vision Mission TREEING 2030 in February 2022, which newly identified Nine Material Issues. In addition to analyzing geopolitical changes, technological innovations such as DX, as well as changes in preferences of stakeholders such as employees and customers, we have also used the Sumitomo Forestry Group's strengths, which have grown significantly through M&A and capital and business alliances, to identify areas where the Group can make a unique contribution, not just to sustainability, but also as material issues for the Group's overall business.

Identification Method of Material Issues

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

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

The Sumitomo Forestry Group's Sustainability Management



Nine Material Issues and related SDGs

Value for our planet		Value for people and society			Value for the market economy	
1 To enhance the value of forests and wood through sustainable forest management	13 Climate Action, 15 Life on Land	4 To provide comfortable and secure spaces for society at large	3 Good Health and Well-being, 9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities	7 To create new markets with forests and wood	9 Sustainable Industry and Infrastructure, 11 Sustainable Cities and Communities	
2 To realize carbon neutrality by leveraging forests and wood resources	7 Affordable and Clean Energy, 13 Climate Action	5 To improve the livelihood of the local communities where we operate	3 Good Health and Well-being, 8 Decent Work and Economic Growth, 11 Sustainable Cities and Communities	8 To transform markets through DX and innovation	9 Sustainable Industry and Infrastructure	
3 To realize a circular bioeconomy by leveraging forests and wood resources	11 Sustainable Consumption and Production, 12 Responsible Consumption and Production, 15 Life on Land	6 To create a vibrant environment for all workers	3 Good Health and Well-being, 5 Gender Equality, 8 Decent Work and Economic Growth	9 To establish a robust business structure	16 Peace, Justice and Strong Institutions	

Nine Material Issues and the Mid-term Sustainability Targets

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

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



Nine Material Issues		Initiatives	Indicators for Evaluation (numerical targets)	FY2023 Results	FY2024 Targets	Related SDGs	
 Value for the planet	1 To enhance the value of forests and wood through sustainable forest management Nurturing forests to enhance and harness the value of wood and other forest resources.	Sustainable use of forest resources	Seedlings supplied Forests in Japan Amount of biofuel material used (such as wood chips and pellets)*1	2.09 million seedlings 1,737,749 t	2.53 million seedlings 2,482,964 t	13, 15	
	2 To realize carbon neutrality by leveraging forests and wood resources Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.	Biodiversity conservation	Establishment of evaluation methods for biodiversity conservation	Gathering information	Establishing evaluation methods		
		Promotion of decarbonization	Renewable energy consumption rate [Efforts to achieve RE100]*2 Percentage of orders for ZEH out of new custom-built detached housings	5.4% 79.7%	35.1% 80.0%	7, 13	
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.	4 To provide comfortable and secure spaces for society at large Providing safe, comfortable and secure spaces to society at large.	Utilization of sustainable forest resources	Sales quantity of KIKORIN-PLYWOOD (monthly)	24,590 m ³	35,000 m ³		
		Resource recycling (industrial waste)	Recycling rate at new housing construction sites*3 Recycling rate at housing demolition sites*4	95.1% 99.9%	98.0% 100%	11, 12, 15	
	Resource recycling (supply chain management)	Number of EPD acquisition proposals to suppliers Ratio	109 companies/69.3%	65 companies/71.0%			
 Value for people and society	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.	Utilization of sustainable forest resources	Unused resources (biomass use) handling volume	22,595 m ³	19,202 m ³		
		Customer satisfaction	Ratio of Certified as Long-life Quality Housing*5 Questionnaire at the time of moving in (non-consolidated NPS value*6)	95.9% 53.5 pt	95.0% 53.0 pt	3, 9, 11	
	6 To create a vibrant environment for all workers Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	Response to declining birthrate and aging population	Number of rooms at private nursing homes	1,842 rooms	1,842 rooms		
Communication with local communities		Year-on-year increase in Open Bay Timber employees [Recruitment of local human resources to increase production]	-5 employees	+28 employees	3, 8, 11		
Human rights		Efforts related to grievance mechanisms*7	Operational structure under consideration	Continuous operation			
Work-life balance (workstyle reform)		Male childcare leave acquisition rate	Non-consolidated Consolidated in Japan	70.0% 28.0%	100% 43.0%		
 Value for the market economy	7 To create new markets with forests and wood Creating new markets that enrich the economy through the resourceful use of forests and wood.	Diversity	Female officer ratio	Non-consolidated	13.8%	19.4%	3, 5, 8
		Human resources development	Training cost per employee	Non-consolidated Consolidated in Japan	117,000 yen 42,000 yen	150,000 yen 56,000 yen	
	8 To transform markets through DX and innovation Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	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.	New market development	Development of medium-to large-scale wooden construction business (US / Australia / Europe)	Commercialization	Commercialization	9, 11
Research & development			Number of contracts for joint research partners Ratio of all themes	31 contracts/59.6%	38 contracts/54%		
DX-related		Data linkage with customers Adoption rate Number of facilities that have introduced sensor equipment in elderly care business	867 companies/62% 19	820 companies/59% 19	9		
Governance/compliance	Strengthening information security level of overseas affiliated companies*8	45%	100%				
Climate change	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Examining impact of the entire Group through re-implementation in two divisions including the Timber and Building Materials Division and Housing Division	Examining reflection of measures taken by the Group in the strategy for each business division of the next Medium-term Management Plan		16		

*1 Covers Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, Sumitomo Forestry Wood Products, and Sumitomo Forestry Timber and Building Materials business.
 *2 Percentage of electricity purchased by the Company from renewable energy sources. Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as an entire country.
 *3 Includes new housing construction sites in the Housing business, Sumitomo Forestry Landscaping, as well as Sumitomo Forestry Home Engineering.
 *4 Includes all wastes (concrete, asphalt-concrete, and wood waste) under the Construction Material Recycling Law.

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

Responding to the Environment Issues and Climate Change

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

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

*1 Percentage of electricity purchased by the Company from renewable energy sources. Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as an entire country.
*2 The figures are for Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power, Kawasaki Biomass Electric Power, Tomakomai Biomass Power, Kanda Biomass Energy, and Kashima Solar Power Plant. For equity-method affiliates, electricity supply is calculated according to their equity share.

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



The Sumitomo Forestry Group's environmental management

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

In 2022, Sumitomo Forestry formulated its Long-term Vision Mission TREEING 2030 that integrates a long-term business framework to realize a decarbonized society and the Sumitomo Forestry Group's ideal vision towards 2030

which is also the goal year of the SDGs. We also unveiled Mission TREEING 2030 Phase 1 (2022-2024), a three-year Medium-term Management Plan that will build the groundwork for future growth and our contribution to decarbonization. One of our five basic policies under this plan is the further integration of business operations and ESG. Based on this policy, we have established and operate the Mid-term Sustainability Targets 2024, which incorporate our sustainability strategy and the newly-identified Nine Material Issues. We are enhancing our environmental management based on these goals.

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



Environmental management structure

To ensure that management is practiced in accordance with the Environmental Policy, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility. The General Manager of Sustainability Department under the President acts as the Environmental Management Officer to raise the

effectiveness of environmental activities by drafting a Sustainability Budget as quantitative targets for each fiscal year for environmental activities that each department of the Group is advancing and by regularly checking progress in with the Sustainability Committee. In addition, the Sustainability Committee reports its findings to the Board of Directors, and the Board of Directors is involved in monitoring environmental performance.

Understanding and responding to environmental risks

The Sumitomo Forestry Group is aware of the risk upon its business activities from environmental changes such as climate change or reduced biodiversity and works to gather related information, analyze this information as necessary as a way to evaluate business risks. We also determined specific measures as evaluation metrics in each department for risk with the potential to arise in daily operations and

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

Support for the TCFD and TNFD recommendations

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

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

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

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

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

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

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

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

Responding to the Environment Issues and Climate Change

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

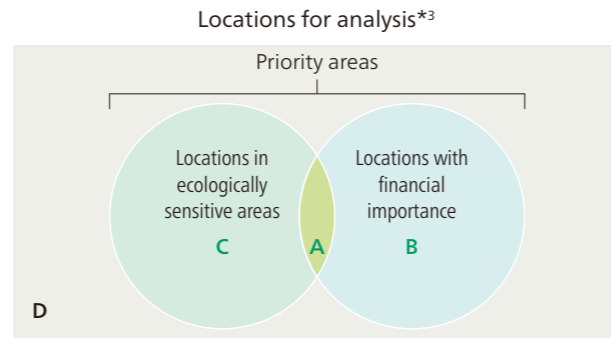
Identification of priority locations under the TNFD (Locate)



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

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

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



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

Diagnosis of priority locations under TNFD (Evaluate)



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

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

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



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

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

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

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

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

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

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

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

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

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

Responding to the Environment Issues and Climate Change

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

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

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

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

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

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

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

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

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

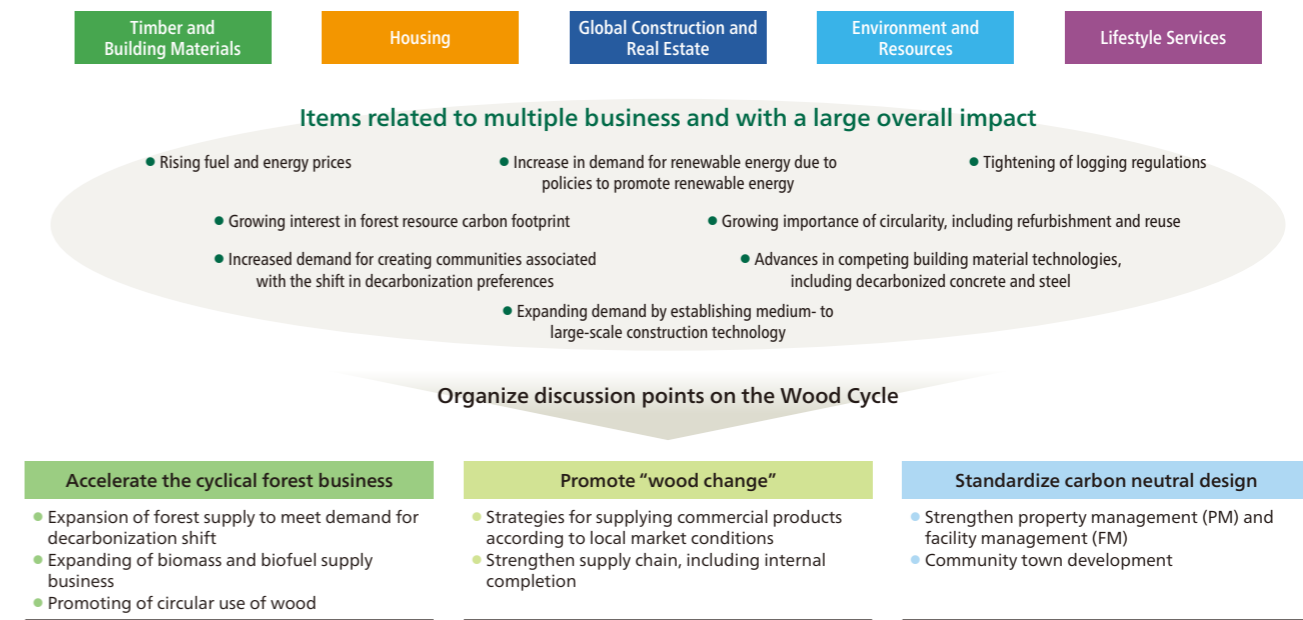


In the TCFD scenario analysis conducted in 2022 for all divisions, risks and opportunities identified by the

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

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

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



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

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

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



Responding to the Environment Issues and Climate Change

Formulation of our SBTs (Science Based Targets)

<p>2°C target (SBT*1 Approved)</p> <ul style="list-style-type: none"> ● Scope 1&2: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030. ● Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030. <p>*1 Abbreviation of Science Based Targets. Established in 2015 by the UN Global Compact, CDP, WRI (World Resources Institute), and WWF (World Wide Fund for Nature) to promote science-based greenhouse gas emission reduction targets to limit the temperature increase from pre-industrial times to less than 2°C.</p>	<p>1.5°C target (Medium-term Management Plan)</p> <ul style="list-style-type: none"> ● Scope 1&2: 54.6% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030. ● Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.
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As the impact of climate change becomes more urgent globally, companies are being asked to reduce their emissions of greenhouse gases. The Sumitomo Forestry Group has established Group-wide greenhouse gases reduction targets (Scope 1, 2, and 3) for the target year of 2030 and the targets were approved as SBT in July 2018. In order to accelerate our decarbonization efforts, we have raised our greenhouse gases reduction targets (Scope 1 and 2) from 21% to 54.6%, which aligns with the 1.5°C target, with a view to achieving net zero emissions by 2050. The

target was set in the Medium-term Management Plan that started in 2022. In order to ensure the implementation of these initiatives, we also formulated a transition plan through 2030 to achieve the 2030 target and realize a carbon-neutral society by 2050. In January 2024, we also submitted a new application to re-establish short- and long-term reduction targets and new Forest, Land and Agriculture (FLAG) targets, in accordance with the latest SBT guidance. This is expected to be certified by the end of this fiscal year.

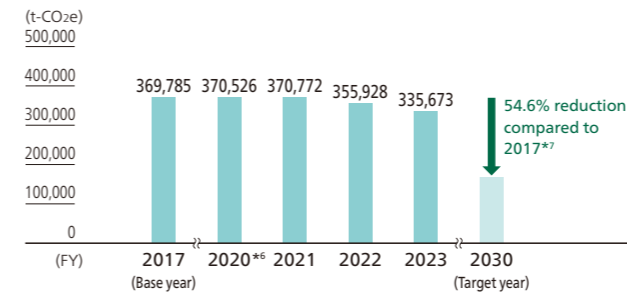
Achievement of 2030 targets (Scope 1 and 2: -54.6% by 2030 compared to 2017) and path to carbon neutrality*2 (summary version)

Items	Measures (greenhouse gases reduction items)	Greenhouse gases emissions reduction rate	Impact on profit*3 (¥ million/year)	Notes
Measures to achieve - 54.6% compared to 2017	Electricity from renewable energy sources (RE100); excluding New Zealand	-26.9%	-95	Impact on profit and losses assumes all purchases were made through renewable energy certificates (prices vary depending on period and required volume). Priorities: 1) Installation of solar power generation equipment, 2) Purchase of RE100-compliant electricity, 3) Purchase of renewable energy certificates
	Reduction of coal co-firing rate at Mombetsu Biomass Power	-10.2%~ -25.8%	+20~181	If reducing coal co-firing rate at Mombetsu Biomass Power to 10%: -10.2% If reducing coal co-firing rate at Mombetsu Biomass Power to 0%: -25.8%
	Introduction of electric vehicles in Company-owned vehicles in Japan (powered by RE100-compatible electricity)	-2.8%	+258	Impact on profit and losses only considers the difference between increase in electricity consumption and decrease in gasoline and gas oil. The increase in prices of vehicles and the cost of installation of charging facilities are excluded.
	Introduction of electric vehicles for sales personnel (in Japan) (powered by RE100-compatible electricity)	-0.3%	+22	Assuming a 30% adoption rate in 2030 to achieve the Japanese government's goal of 100% electric vehicles in new car sales by 2035.
	Subtotal	-40.0%~ -55.6%	+4~+205	With coal co-firing rate at Mombetsu Biomass Power 10%: -40.0% (additional -14.6% required) 0%: -55.6% (target achieved with 1.0% in excess)
Additional measures to achieve the 2030 target or to become carbon neutral	Reduction of coal co-firing rate at Mombetsu Biomass Power	-15.6%~ -0%		Reduction of coal co-firing rate for Mombetsu Biomass Power (10% to 0%): -15.6%
	Electrification of energy other than electricity (RE100 compatible electricity), etc.	-9.2%		100% introduction of electric vehicles for equipment, heavy machinery, vessels, boilers, and backup power sources for manufacturing plants, etc., and for sales personnel's private cars for sales use, etc.
	Biomass power generation/wood fuel (dinitrogen monoxide, methane)	-31.6%		Consideration of creating new credits using BECCS*4, offsetting by forests, etc.
	Manufacturing facilities/biomass boilers, etc. (dinitrogen monoxide, methane)	-1.2%		Same as above
	New Zealand (country) electricity RE100 conversion	-2.4%		Target: to be achieved in 2035
	Performance and business growth			In principle, increase will be absorbed by each division unit, since business conditions nor scale (emission volume) are unknown.
	Emission trading			Consider trading of emission credits based on achievement of SBT lines at division unit level, if necessary.
Subtotal	-60.0%~ -44.4%			
Total	-100%			

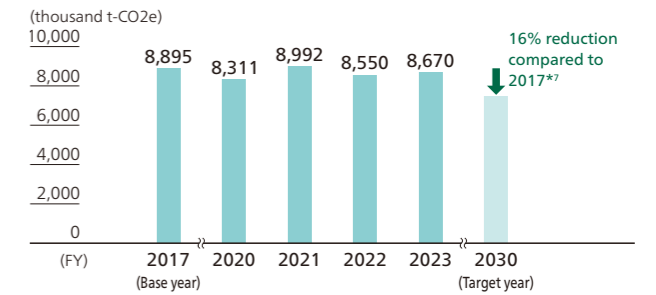
*2 Transition plan formulated by Sumitomo Forestry to achieve the fiscal 2030 target set in the Medium-term Management Plan.
*3 Impact on profit excludes personnel and other indirect costs.
*4 Bioenergy with Carbon Capture and Storage. Technology to capture CO₂ emitted during the use of biomass fuels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

Progress Toward the SBT

Scopes 1 and 2



Scope 3 (Categories 1*5 and 11)



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

Progress toward the RE100

The Sumitomo Forestry Group has positioned "realizing carbon neutrality by leveraging forests and wood resources" as one of its Nine Material Issues, and aims to make 100% of electricity used in its business activities and fuel used in its power generation operations renewable by 2040. In March 2020, we joined RE100*8, an international initiative aiming to convert 100% of electricity used to renewable energy sources, and we are accelerating our efforts to reduce greenhouse gas emissions. In fiscal 2023, renewable energy introduced for electricity used in the Sumitomo Forestry Group's business activities accounted for 19.6% of the Group's total electricity use, 2.1 percentage points higher than in fiscal 2022. This renewable energy includes

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

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

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



Utilizing Sumirin Denki solar power generation for domestic electricity use

Sumitomo Forestry started the Sumirin Denki service in November 2019 for owners of Sumitomo Forestry and Sumitomo Forestry Home Tech's homes. The service offers surplus electricity purchase and power supply agency sales for owners whose solar power generation purchase period expires under the feed-in tariff (FIT) for renewable energy. We advance RE100-compliant initiatives by utilizing the surplus solar power purchased from the owners with Sumirin Denki at our offices and model homes. As of December 2023, the number of contracts was 4,891, an increase of 1,830 from fiscal 2022. In addition, since 2023, we have been supplying electricity from renewable energy purchased from owners to model homes and some sales offices across all of Japan (217 model homes and 7 sales offices covered as of December 2023). In the future, we will accelerate the promotion of Sumirin Denki services to owners and aim to expand the supply of renewable energy.

Initiatives at overseas locations

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

Human Resources Strategy

Material Issues and Related SDGs

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

6 To create a vibrant environment for all workers



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

Human resources development policy

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

Human resources development to achieve the Long-term Vision

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

Special Feature 2 P.30

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



Diversity, Equity & Inclusion

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

and externally in an effort to promote understanding.

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



Management personnel development

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

Overseas human resources development

To nurture human resources who can contribute to managing our expanding business overseas, and to support employees who would like to work abroad with extraordinary business performance, we have created an overseas human resources development program. This program allows employees who were in charge of overseas-related businesses for many years including those posted overseas to provide 1-on-1 guidance to aspiring overseas assignees. Instruction includes learning English or Indonesian, designing original programs tailored to each employee's level and job description, and following up on progress, as well as encouraging bookkeeping and accounting studies. In addition, a new course dealing with international affairs in general has been established since fiscal 2022.

Promoting the Active Involvement of Female Employees

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

LGBTQ initiatives

The Sumitomo Forestry Group regards LGBTQ measures as an important initiative to understand each other and respect individuals as part of DEI, and conducts training and works to develop relevant systems and mechanisms. In January 2022, Sumitomo Forestry first established the Partnership System Regulations, applying the same internal systems and benefits to same-sex partners and de facto partners as those of spouses. In addition, we established an External Grievance Desk to provide individual consultations. We will continue to work to create an environment where everyone can work comfortably and actively.

Promoting the Employment of Persons with Disabilities

The Sumitomo Forestry Group promotes the employment of people with disabilities, giving the highest priority to matching the individuality of each person with a disability with the workplace and business activities. The ratio of disabled employees as of the end of December 2023 was 2.46% (non-consolidated) and 2.25% (domestic

Health management and work-life balance

The Sumitomo Forestry Group believes that maintaining and improving the health of employees not only contributes to the happiness of each and every employee, but also leads to improved productivity and work efficiency. Based on this policy, we established the Sumitomo Forestry Group Declaration on Health Management in 2021. The Workstyle Diversification Department run by the Personnel Department supports the physical and mental health of employees. As numerical targets, in the Mid-term Sustainability Targets, we have set targets for improving employee satisfaction, increasing the rate of taking paid leave, and reducing long working hours, and we are promoting initiatives including at our subsidiaries in Japan.

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



Indicators for women's empowerment (non-consolidated)

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

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

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

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

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

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

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

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

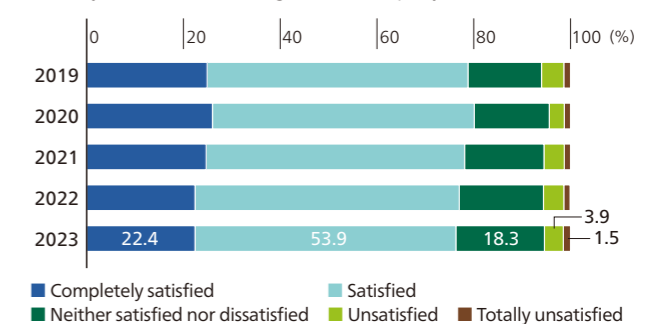
subsidiaries). Furthermore, to improve the retention rates for current employees, the Company provides regular meetings as well as phone interviews and career advice as required to support consultation requests from the employee in question and/or their department.

Male childcare leave acquisition rate

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

Trends in employee satisfaction from the employee awareness survey

Q: Are you satisfied working for the company?



Human Rights

Material Issues and Related SDGs

Results Ratings in the table below
 Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: x

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




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


Basic Policy on human rights

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

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

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

 **The Sumitomo Forestry Group Human Rights Policy**
<https://sfc.jp/english/sustainability/social/human-rights/>



Respect for human rights in overseas forestry business


Indonesian Group companies PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI) concluded an advisory agreement with the International Finance Corporation (IFC), an agency of the World Bank, in 2012.

Since then, they have been engaging in businesses that carefully consider human rights and the environment, as shown below.

- 2012** Sumitomo Forestry signed an advisory agreement with the IFC. Along with the IFC, we conducted surveys of business locations to understand whether land usage plans at business sites were being properly implemented and adequate consideration is made for the livelihoods of local residents while respecting the rights of indigenous people and protecting cultural assets.
- 2013 and 2015** Public hearings were held with invitations sent to local residents, neighboring companies, academics, NGOs, government officials and other stakeholders.
- Since 2018** With help from the IFC, Sumitomo Forestry set up grievance mechanisms at WSL and MTI to collect information and opinions from local residents. In 2022, we began operating these grievance mechanisms with coverage including PT. Kubu Mulia Forestry.


Papua New Guinea

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



New Zealand

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



Implementation of due diligence and managing important risks

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

Internal Sustainability Survey of the Sumitomo Forestry Group

With respect to sustainability initiatives in each Group company, in fiscal 2023, the Sumitomo Forestry Group conducted an annual survey on human rights training and the relevant help desks for 64 primary Group companies in Japan and overseas. As a result, 55 of these companies are conducting human rights training and 53 have set up a help desk while 60 are engaging in measures to mitigate risk to human rights. In addition, there were no reports of human rights violations as defined in the Sumitomo Forestry Group Code of Conduct.

Respect for Human Rights Through Sustainability Procurement in Supply Chain

Under the Sumitomo Forestry Group Procurement Policy, we conduct fair and responsible procurement activities. In particular, we import and procure timber with consideration given to human rights, labor, biodiversity, and local communities through questionnaires of suppliers and on-site interviews. For those suppliers deemed to require risk mitigation measures according to risk classification, we respond by conducting interviews and on-site inspections.

Identifying and Managing Human Rights Risks

To strengthen initiatives in human rights due diligence, each business division maps risks associated with stakeholders in value chain and identifies important human rights risks for each group. We reviewed the mapping in fiscal 2020, considering the impact of spread of new coronavirus infection as a new risk factor.

We identified important risks as follows: The Environment and Resources Division - "Infringing indigenous or community land rights and managing related laws" as well as "Occupational safety and health management in mountain forests (dangerous work, etc.)". The Timber and Building Materials Division - "Infringing indigenous land rights", "Occupational safety and health management at factories (fires, dust explosions, etc.)", and "Child labor at planted forests (including dangerous operations)". The Housing Division and the Global Construction and Real Estate Division - "Labor conditions of migrant workers (forced labor, etc.)".

Regarding the identified risks, we take measures to reduce and correct risks for each business. In fiscal 2021, regarding respect for rights of indigenous peoples and communities, in order to further reduce risks and build better relationships with stakeholders in areas where we do business, we confirmed initiatives and

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

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

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

Grievance mechanism

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

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

Supply Chain Management

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

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



Supply chain management

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

Supply chain management

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

The Sumitomo Forestry Group Procurement Policy (Excerpt)

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

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

Wood procurement management

The Sumitomo Forestry Group established the Wood Procurement Committee, chaired by the officer in charge of sustainability promotion at Sumitomo Forestry and comprising managers from departments in charge of wood procurement. The committee discusses issues related to Group-wide wood procurement, including procurement standards and risk assessments for illegal logging. In fiscal 2023, the Wood Procurement Committee met

four times, as planned, to confirm legality and conduct the Sustainability Procurement Survey for all 141 directly-imported suppliers subject to screening and suppliers with whom overseas Group companies (distribution) do business. Regularly (once a year or once every two years), we confirm the legality and sustainability of both new and ongoing parties we conduct business with.

Initiatives for enabling sustainable wood procurement

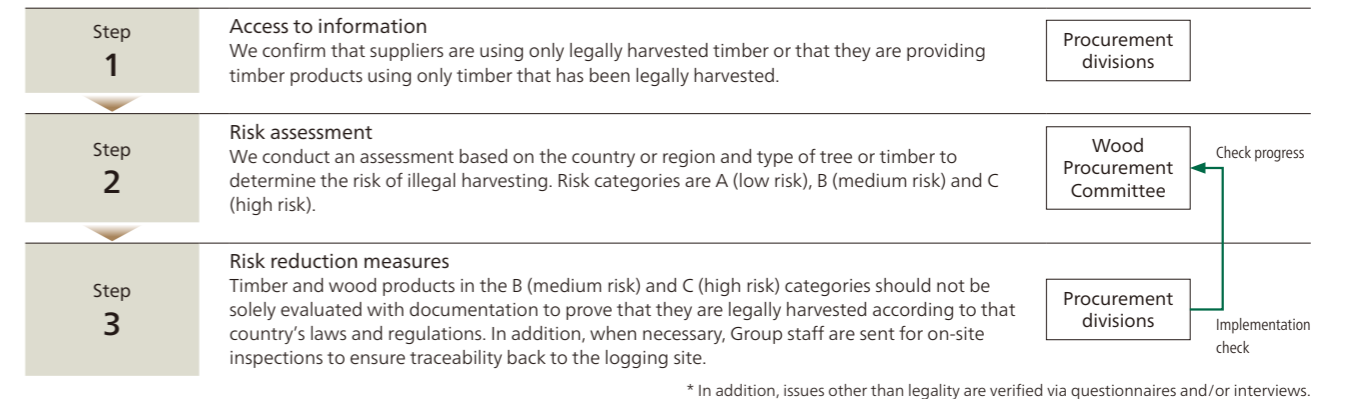
Based on the Sumitomo Forestry Group Procurement Policy, the Group carries out due diligence to ensure the legality of our wood procurement and to ensure that sustainable wood procurement is being put into practice, including considerations for human rights, labor practices,

biodiversity preservation and local communities. Each division that procures wood reports to the Wood Procurement Committee on the progress with this due diligence, and works to promote continual improvement in the supply chain.

Consideration for biodiversity conservation, labor practices and human rights, and local communities

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

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



Strengthening sustainability initiatives for timber and wood products

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

In September 2021, we suspended contracts with suppliers who did not meet our procurement standards and whose sustainability could not be confirmed through repeated dialogues. For example, we have stopped

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

Policy on Sustainable Timber and Wood Products

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

Sustainable Environmental: No contribution to deforestation
Social: No violation of human rights such as occupational safety, forced labor, indigenous rights, etc.

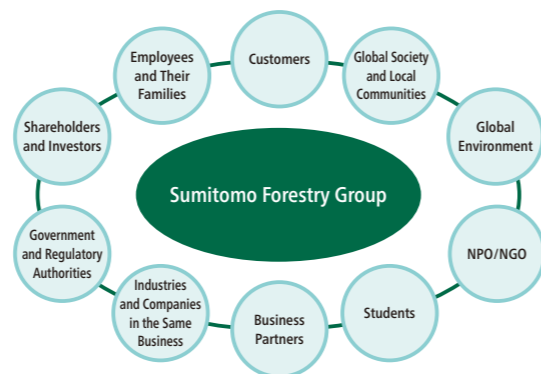
- 1 Certified timber and pre-certified timber: FSC, PEFC, and SGEC (Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)
- 2 Timber from plantation forests
- 3 Natural timber where forestry management and distribution can be assessed as sustainable. (This does not include timber from conversion forests. = timber harvested from natural forests that were converted to farm land such as oil palm plantations)
- 4 Recycled wood

* SGEC-COC (Trademark License No. SGEC/31-32-86), PEFC-COC (Trademark License No. PEFC/31-32-86)
* FSC® (License No. FSC-C113957)

Stakeholder Engagement

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

Stakeholders of the Sumitomo Forestry Group



Dialogue with Employees

Communication between the President and field employees

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



Dialogue with Business Partners

Promotion of Initiatives Toward Responsible Materials Procurement

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

Dialogue with Shareholders and Investors

Briefings

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



Dialogue with Customers

Customer Surveys

At Sumitomo Forestry, in order to provide our customers with even greater satisfaction and service, we conduct questionnaires three times during when residents move into their home and the second and tenth years of moving in, and receive the opinions and impressions of the owners. In fiscal 2023, the satisfaction ratio in these surveys was 96.9% in the survey of new owners, and 94.5% in the survey of second-year owners. Furthermore, Sumitomo Forestry has pioneered the housing industry by adopting the Net Promoter Score (NPS)* for the purpose of enhancing customer satisfaction. We will continue to provide high-quality products and services that impress our customers by further leveraging customer feedback through NPS survey analysis.

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

Stakeholder	Responsibilities	Communication Methods	Relevant Performance
Customers	<ul style="list-style-type: none"> Providing safe, high-quality products and services Disclosing timely and accurate information and providing accountability Understand the requests and needs and improve satisfaction through communication 	<ul style="list-style-type: none"> Sumitomo Forestry Call Center Customer Satisfaction Survey Websites and media, news magazines, etc. Exhibitions and various other events 	<ul style="list-style-type: none"> Number of calls received by the call center FY2023 result: 126,641 Customer satisfaction ratio (surveyed when residents move in) FY2023 result: 96.9%
Employees and Their Families	<ul style="list-style-type: none"> Creating a fair work environment with respect for human rights and no discrimination Providing and developing a workplace that promotes the emotional and physical wellbeing of employees and their families, as well as allowing individuals of various backgrounds and circumstances to maximize their potential Equally and fairly evaluating personnel Establishing educational systems able to drive and improve skills Establishing measures, policies and other regulations to enhance the work-life balance 	<ul style="list-style-type: none"> Conducting regular consultations and performance reviews Conducting employee satisfaction surveys Conducting stress checks Installing a compliance hotline Implementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.) EAP (Employee Assistance Program) service Carrying on a dialogue between the president and employees Holding Family Open Day Carrying out meetings with management made up of both labor and management committee members Publishing internal magazines, creating an internal website 	<ul style="list-style-type: none"> Overtime working hours FY2023 result (Compared to FY2017) (Non-consolidated): 13.2% reduction Education expense per employee FY2023 result (Non-consolidated): 117,000 yen
Shareholders and Investors	<ul style="list-style-type: none"> Disclosing timely and accurate information Pursuing informational transparency and accountability Executing the appropriate premium redemption to shareholders 	<ul style="list-style-type: none"> Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings, on-site briefings, and other relevant meetings Communicating information on websites, integrated reports, shareholder correspondence, briefing materials and in other relevant forms Responding to surveys for assessment and research agencies related to ESG, etc. 	<ul style="list-style-type: none"> Individual meeting for institutional investors (in and outside Japan) FY2023 results: 329 Full-year dividend per share FY2023: 125 yen
Business Partners	<ul style="list-style-type: none"> Building equal and fair relationships with business partners Improving the occupational health and safety environment Complying with all relevant laws 	<ul style="list-style-type: none"> Engaging in purchasing and procurement activities Conducting safety conferences, safety patrols and building contractor meetings Conducting workshops and informational exchange meetings Conducting supplier evaluations (surveys and questionnaires) 	<ul style="list-style-type: none"> Sustainability procurement survey implementation rate of suppliers of imported timber: 100% Evaluation and feedback based on the Supplier Evaluation Standards Implementation rate: 100%
Global Environment	<ul style="list-style-type: none"> Preserving the natural environment and biodiversity Reducing the environmental impact of business activities Developing and providing products and services with minimal environmental impact 	<ul style="list-style-type: none"> Providing an environment for business Supplying and standardizing environmentally-conscious housing Acting as volunteers in building forests such as in reforestation Carrying on a dialogue with NPOs/NGOs Conducting environmental and social contribution activities linked up with NPOs/NGOs 	<ul style="list-style-type: none"> Percentage of orders for ZEH out of new custom-built detached housings FY2023 result: 79.7% Percentage of sustainable timber and wood products handled FY2023 result: 100%
Global Society and Local Communities	<ul style="list-style-type: none"> Contributing to solutions to both global and local challenges in society 	<ul style="list-style-type: none"> Participating in employee volunteer activities Supporting the formation of communities through social contribution activities Preparation of Regional Infrastructure 	<ul style="list-style-type: none"> Expenditure on social contribution activities FY2023: Approx. 76 million yen Cumulative number of visitors to Mt. Fuji Manabi no Mori FY2023: Approx. 1,300

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

