

## Philosophy of Sustainability Management

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

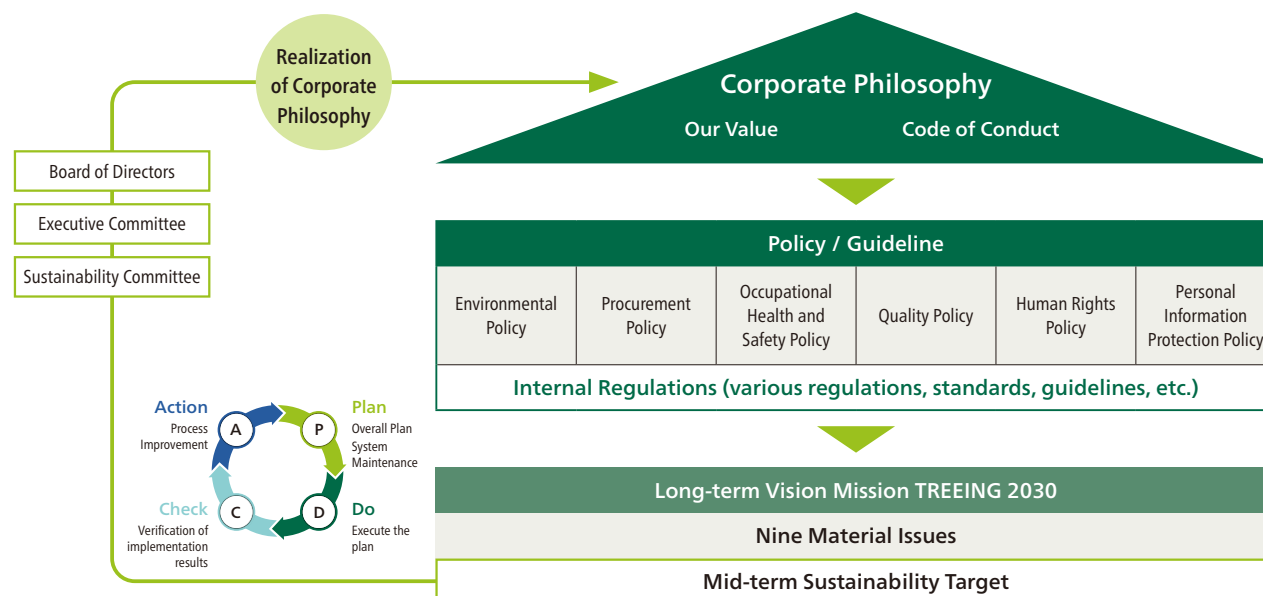
strategies and initiatives to address material issues. In February 2025, we formulated Mission TREEING 2030 Phase 2 (2025-2027) of our Medium-term Management Plan, with the theme of three years of reform and realization aimed at achieving dramatic growth, and we are accelerating our efforts to further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

### Supervisory framework

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

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

### The Sumitomo Forestry Group’s Sustainability Management



### Risk check for new business plans by the Executive Committee

All new business and project plans that are brought for deliberation to the Board of Directors and the Executive Committee, which is the advisory body to the President, Sumitomo Forestry conducts risk assessment, including ESG aspects, considering the entire supply chain. If a risk is identified, a report is made regarding the risk’s nature and measures to deal with it, which is used to determine implementation. We also encourage similar ESG risk checks for new businesses and projects that can be implemented under the authority of the respective division or affiliated company that are not subject to deliberation at these meetings. In fiscal 2024, 14 new businesses and projects were discussed. By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management.

## Philosophy of Sustainability Management

### Nine Material Issues

#### Identifying material issues

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

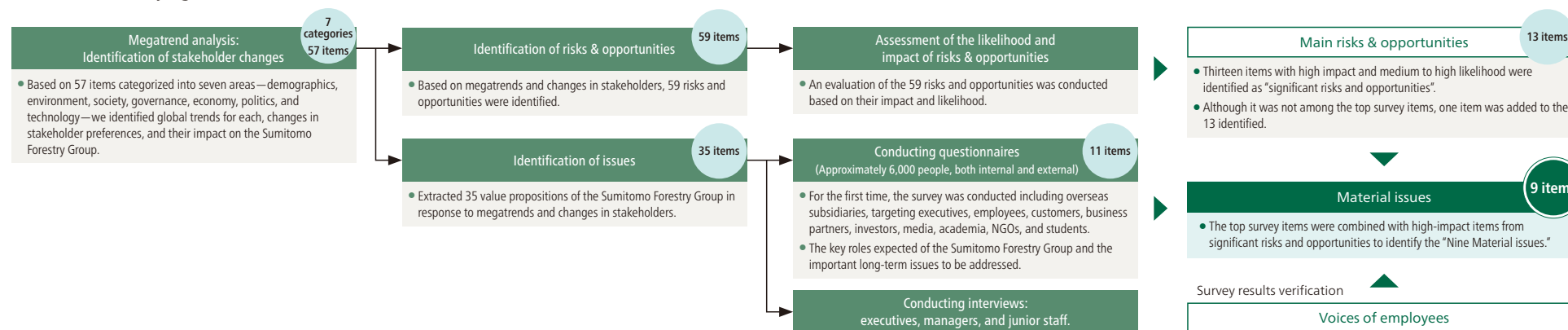
#### Identification method of material issues

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

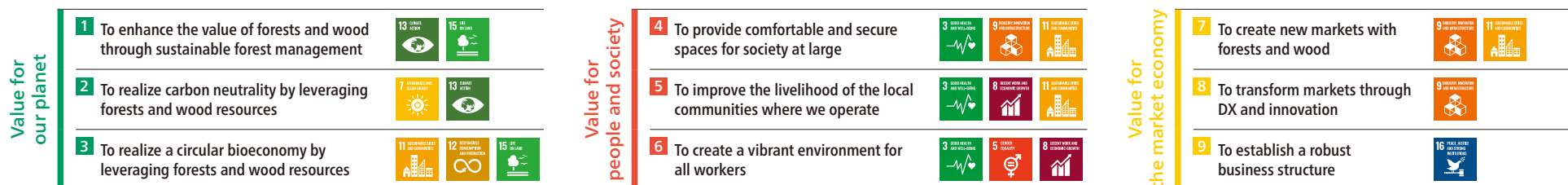
management-level personnel were also conducted.

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

#### Process for identifying material issues



#### Nine Material Issues and related SDGs



## Nine Material Issues and the Mid-term Sustainability Targets



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

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



In response to these accelerating global trends toward ESG investment, the Sumitomo Forestry Group developed its Long-term Vision Mission TREEING 2030 in February 2022, which identified Nine Material Issues. In the Medium-term Management Plan Mission TREEING 2030 Phase 2, we are reviewing the progress and achievement levels, and some of the evaluation indicators are being revised. These indicators will be incorporated into the annual activity policies and initiatives of the management departments to facilitate effective management.



### Value for our planet










Nine Material Issues		Initiatives	Indicators for Evaluation	FY2025 Targets	FY2026 Targets	FY2027 Targets	Related SDGs
<div>1</div> <div>To enhance the value of forests and wood through sustainable forest management</div> <div>Nurturing forests to enhance and harness the value of wood and other forest resources.</div>	Utilization of sustainable forest resources	Domestic and overseas certified forest area (ha)		346,152	420,152	451,152	<div><div>13</div><div>Climate Action</div></div> <div><div>15</div><div>Life on Land</div></div>
		Seedlings supplied Domestic forest (10 thousand)		168	185	207	
		Volume of domestic timber handled (1,000 m³)		2,798	3,205	3,553	
		Reforestation projects (ha)		600	800	1,000	
	Responding to nature-related issues	Implementation and improvement of ecosystem monitoring Monitoring of flora and fauna in HCVF*¹ areas (Domestic Company-owned forests and overseas afforestation areas)		Implementation, reporting, and disclosure	Improvement and enhancement	Setting numerical targets	
Number of harmonic plants sold*² (Units)		1,400,000	1,500,000	1,600,000			
<div>2</div> <div>To realize carbon neutrality by leveraging forests and wood resources</div> <div>Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequesterate carbon, and by providing low-carbon/carbon-free products and services.</div>	Promotion of decarbonization (Scope 1 & 2)	[Scope 1 & 2] Total greenhouse gas emissions		170,484	165,488	162,415	<div><div>7</div><div>Affordable and Clean Energy</div></div> <div><div>13</div><div>Climate Action</div></div>
		Change rate compared to FY2021 (t-CO₂, %)		-30.4%	-32.4%	-33.7%	
	Renewable energy consumption rate [Efforts to achieve RE100] (%)		45.1	55.4	66.3		
	Promotion of decarbonization (Scope 3)	ZEH ratio (%)	Percentage of orders for ZEH type houses out of new custom-built detached housings (Number of units)	83 (6,880)	84 (7,056)	85 (7,140)	
		Number of environmentally certified houses obtained (total in the U.S.) (Houses)		3,800	4,100	4,600	
		Amount of electricity supplied by renewable energy business (MWh)		826,469	843,001	840,072	
		[Scope 3] Category 11	CO₂ emission reduction rate per floor area of sold houses compared to fiscal 2021	Housing Division	-5.4%	-7.5%	
Global Construction and Real Estate Division				-13.0%	-14.0%	-16.0%	
<div>3</div> <div>To realize a circular bioeconomy by leveraging forests and wood resources</div> <div>Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.</div>	Reduction and recycling of industrial waste	Final disposal amount (t) consolidated Percentage change from fiscal 2023		21,213 -7%	21,735 -9%	21,018 -12%	<div><div>11</div><div>Sustainable Cities and Communities</div></div> <div><div>12</div><div>Responsible Consumption and Production</div></div> <div><div>15</div><div>Life on Land</div></div>
	Reduction of water consumption	Water consumption (m³)		2,971,001	2,972,632	2,989,957	
		Unit water consumption (m³)	Water withdrawal per net sales (m³ per ¥1 million)	1.22	1.09	0.98	
	Management of the supply chain	Rate of sustainability procurement surveys conducted (%)		38.0	39.0	40.0	
		Percentage of companies that grasp their greenhouse gas (GHG) emissions (%)					

\*1 Abbreviation for high conservation value forests.

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

## Nine Material Issues and the Mid-term Sustainability Targets





### Value for people and society

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

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

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

### Value for the market economy

Nine Material Issues	Initiatives	Indicators for Evaluation	FY2025 Targets	FY2026 Targets	FY2027 Targets	Related SDGs
<b>7 To create new markets with forests and wood</b> Creating new markets that enrich the economy through the resourceful use of forests and wood.	Creation of new markets	Volume of domestic timber used through the operation of wood industrial complexes (1,000 m <sup>3</sup> )	0	70	102	 
		Cumulative number of EPDs acquired by suppliers (Cases)	55.0	95.0	145.0	
<b>8 To transform markets through DX and innovation</b> Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	DX related	Number of RPA citizen developers (persons)	260	380	500	
		Number of contract IDs through the JUCORE Mitsumori service* <sup>3</sup>	1,070	2,714	3,674	
<b>9 To establish a robust business structure</b> Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	Governance / Compliance / Non-financial information disclosure	Number of BCM training sessions conducted (Times)	2	2	2	
		Disclosure in securities reports based on SSBJ* <sup>4</sup> standards	Identification of scope of applicability	Consideration of data collection and reporting methods	Preparation for disclosure	

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

\*4 Sustainability Standards Board of Japan (SSBJ)

## Responding to the Environment Issues and Climate Change



Visit the Sustainability website below for other indicators.

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



### Material Issues and Related SDGs

#### 1 To enhance the value of forests and wood through sustainable forest management



#### 2 To realize carbon neutrality by leveraging forests and wood resources



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



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

### The Sumitomo Forestry Group's environmental management

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

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

### Environmental management structure

To ensure that management is practiced in accordance with the Corporate Philosophy, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility.

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

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

### Support for the TCFD and TNFD recommendations

Climate change and changes in the natural environment, including loss of biodiversity, are recognized as crises that will seriously affect ecosystems and human society on our planet. The Sumitomo Forestry Group, whose business is centered on forests and trees, has been quick to recognize the risks and opportunities associated with climate change and changes in the natural environment, and has taken the lead in supporting international initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD) in order to properly assess and manage the risks to which its business is exposed. The Sumitomo Forestry Group makes every effort to disclose information in all areas, referring to the disclosure recommendations issued by the TCFD and TNFD.

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

## Responding to the Environment Issues and Climate Change

### Identification of risks and opportunities

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

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

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

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

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

Divisions and main businesses		Major transition risks	Major physical risks	Major opportunities
Timber and Building Materials Business (Distribution and manufacture of wood and building materials)	<b>C</b>	● 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
	<b>C/N</b>	● 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
	<b>N</b>	● 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)	<b>C</b>	● 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.
	<b>C/N</b>	—	● 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
	<b>N</b>	● 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)	<b>C</b>	● 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
	<b>C/N</b>	● 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
	<b>N</b>	● 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)	<b>C</b>	● 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
	<b>C/N</b>	● Increase in costs required to comply with stricter laws and regulations in conjunction with the introduction of policies to promote certification of wood biomass raw materials and PKS	● Decrease in sales due to shutdown of operations in conjunction with forest fires and landslides	● Increase in sales due to the generation of carbon credits in connection with the promotion of forest and peatlands management and forest fund management
	<b>N</b>	● 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.)	<b>C</b>	● Decrease in sales in the gasoline card business in conjunction with the shift from gasoline vehicles to electric vehicles	● Increase in costs for renovation of owned facilities and BCP response due to more severe disasters	● Increase in insurance subscribers, shorter policy periods, increased renewal frequency, and increased sales due to more severe disasters

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



## Responding to the Environment Issues and Climate Change

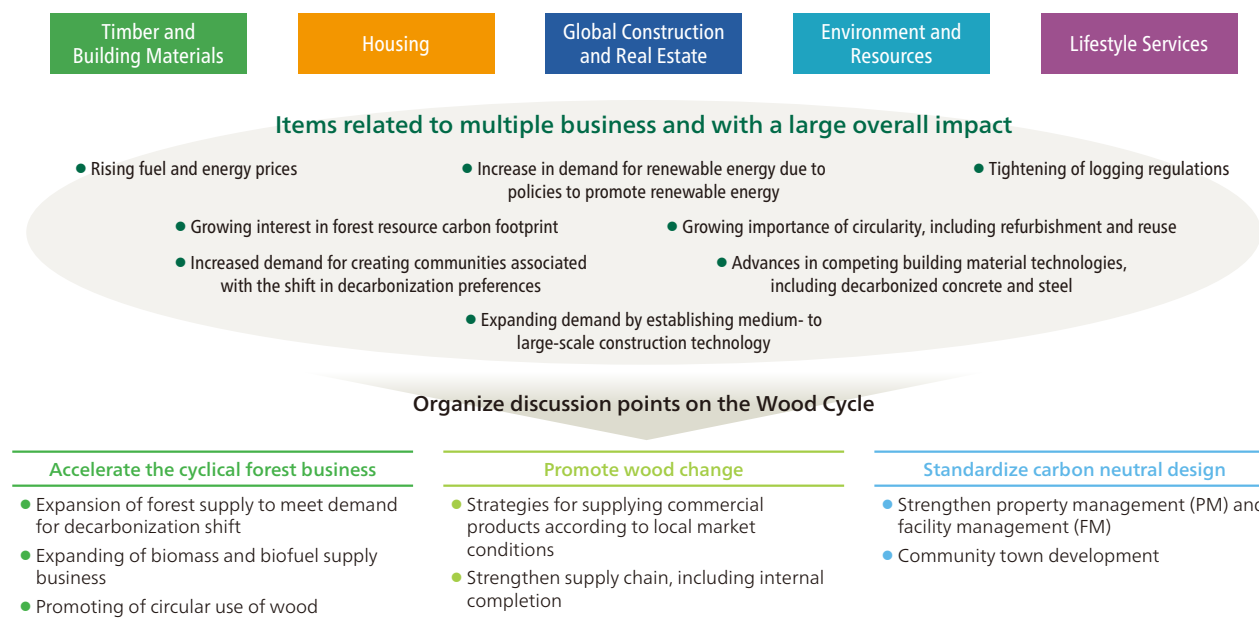
### Risk and impact management

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

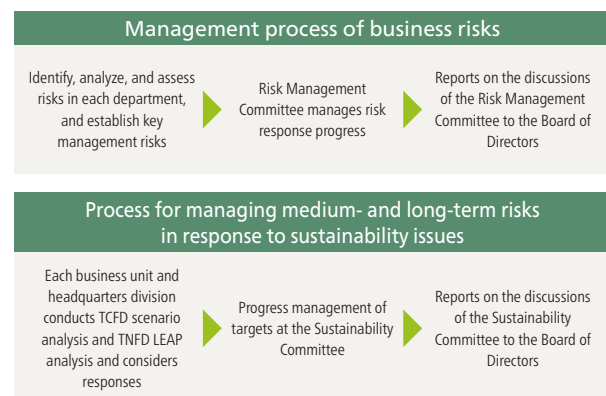
In the TCFD scenario analysis, risks and opportunities identified by the business-by-business analysis that affect multiple businesses were identified. Of these, particularly important ones were set as cross-organizational issues, and all divisions jointly discussed countermeasures to deal with these.

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

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



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



		Risks and opportunities	Countermeasures
Timber and Building Materials Business (Manufacturing)	Risk	Decrease in sales and increase in restoration costs due to shutdown of operations at SRP, ASTI, RPI, and VECO, four locations at high risk of internal flooding as a result of severe flooding caused by heavy rains, etc.	<ul style="list-style-type: none"> <li>● Consider flood risk when selecting operation sites and strengthen disaster prevention measures</li> <li>● Formulate a business continuity plan (BCP) to handle major disasters and establish a rapid restoration system</li> </ul>
Global Construction and Real Estate Business (FITP)	Opportunity	Increase in sales and decrease in costs due to development of new products that reuse waste materials and development of technologies for more efficient use of resources, etc.	<ul style="list-style-type: none"> <li>● Promote the development of products that make effective use of resources in cooperation with the venous industry to differentiate products in the market</li> </ul>
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"> <li>● 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</li> <li>● Develop marketing activities for service packages targeting local governments and companies with large company-owned forests</li> </ul>
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"> <li>● Diversify raw material procurement by developing alternative fuels and new supply sources</li> <li>● Manage fuel cost volatility risk through the use of long-term and forward contracts</li> </ul>

## Responding to the Environment Issues and Climate Change

### Metrics and targets

#### Formulation of our SBTs (Science Based Targets)

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

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

#### Progress toward RE100

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

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

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

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

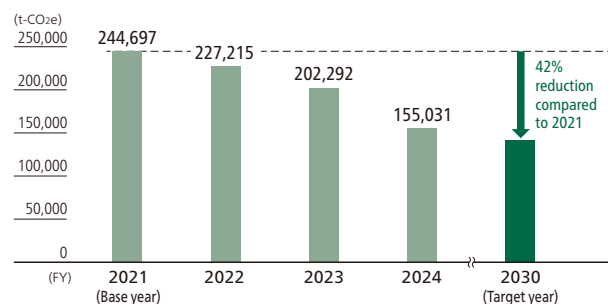


### Formulation of the Nature Positive Statement

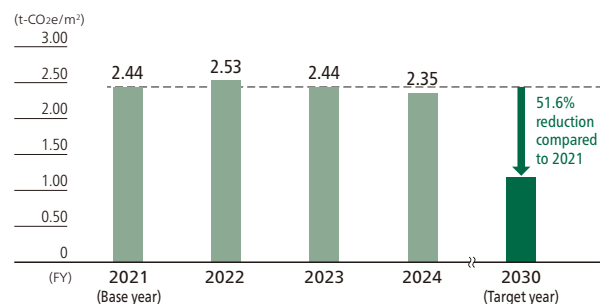
In 2025, the Sumitomo Forestry Group issued its Nature Positive Statement. We do business in Japan and overseas based on the concept of sustainable, recycling-oriented forestry: "Plant trees, nurture forests, use them as resources, and replant to cover the amount used."

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

#### SBT progress: Scope 1 and 2



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



### The Sumitomo Forestry Group's SBTs

#### Net-zero target

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

#### Near-term targets

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

#### FLAG sector targets

- In line with FLAG Guidance<sup>\*2</sup>, signed a commitment required by the SBT Initiative to halt deforestation by December 31, 2025

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

<sup>\*2</sup> Guidance for setting science based greenhouse gas emission reduction targets in the forestry, land, and agricultural sectors.



## Responding to the Environment Issues and Climate Change



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

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



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

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

### Basic policy and initiatives to realize Nature Positive

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

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

### Basic policy and initiatives to realize Nature Positive

Basic policy		Initiatives and commitments
<b>Avoidance</b>	The Sumitomo Forestry Group has formulated the Sumitomo Forestry Group Procurement Policy and Wood Procurement Management Regulations, and procures only sustainable timber and wood products that conform to these policies, avoiding the use of problematic timber and wood products. In our forestry business, we manage forests separately as "working forests" for wood production and "conservation forests" for environmental conservation, avoiding business in areas where biodiversity must be preserved. In company-owned forests in Japan, we have also created the Riparian Forest Management Manual to ensure restricted operations in areas around bodies of water that are rich in biodiversity.	<ul style="list-style-type: none"> <li>Annual Sustainability Procurement Survey in supply chain</li> <li>Wood Procurement Committees are held four times a year</li> <li>Certification acquisition rate of incoming PKS (fiscal 2024 plan: 100%)</li> <li>Securing ratio of conservation forests in company-owned forests (fiscal 2024 plan: more than 30%)</li> <li>Prepared the Sumitomo Forestry Red Data Book and Riparian Forest Management Manual, and implementing appropriate management and conservation</li> <li>Conducting mangrove conservation project in Indonesia (9,738 ha)</li> <li>Initiatives toward net zero greenhouse gas emissions</li> <li>Conservation activities for the National Natural Monument "Tsugazakura (<i>Phyllodoce nipponica</i>) Community of Mt. Dozan", a company-owned forest in Niihama, Ehime Prefecture, and registration as a Natural Symbiosis Site by the Ministry of the Environment</li> </ul>
<b>Mitigation</b>	By promoting the recycling of wood, we aim to reduce resource consumption and increase efficiency, thereby realizing a circular bioeconomy and reducing the burden on nature. In our forestry business, we advance sustainable forest management to ensure that wood resources will be available in perpetuity while preserving public benefits of forests, including biodiversity conservation.	<ul style="list-style-type: none"> <li>Development of Wood Cycle (acceleration of cyclical forest management, promotion of wood change, each business based on standardization of carbon neutral design) Examples: Establishment of forestry funds, NeXT FOREST (an AI model that contributes to CO<sub>2</sub> emissions and forest fire control in tropical peatlands), establishment of timber industrial complexes, wood change (replacement of steel, concrete, fossil fuels, etc. with wood), promotion of One Click LCA and environmental labeling EPD (visualization of CO<sub>2</sub> emissions during construction)</li> <li>Launch of the Forest Value Creation Platform to support the three parties of forest-derived carbon J-credit creators, screening organizations, and credit buyers through GIS in Japan (2024)</li> <li>Establishment of Japan Forest Asset Co., Ltd. as a joint venture with Sumitomo Mitsui Trust Bank, Limited to accelerate replanting of logging sites and to revitalize the domestic forestry business (2024)</li> <li>Final disposal of industrial waste (reduction rate compared to fiscal 2021; 5.4% reduction planned for fiscal 2024)</li> <li>Recycling rate at new housing construction sites (98.0% planned for fiscal 2024 vs. 95.1% in fiscal 2021)</li> <li>Recycling rate of waste at manufacturing plants (99.0% overseas/99.0% domestic planned for fiscal 2024 vs. 98.5%/99.1% in fiscal 2021)</li> <li>Unused resource (biomass use) handling volume (fiscal 2024 plan: 19,202 m<sup>3</sup>)</li> <li>Domestic and overseas forest certified area (242,493 ha planned for fiscal 2024 vs. 221,971 ha in fiscal 2021)</li> <li>Maintaining 100% SGE certified area (company-owned forests in Japan)</li> </ul>
<b>Restoration and regeneration</b>	We are engaged in activities to restore and regenerate biodiversity that has been lost or threatened with loss, in our core business of urban and residential greening and in social contribution activities that utilize management resources cultivated through our business activities.	<ul style="list-style-type: none"> <li>Increase in the number of native tree species sold (500,000 planned for fiscal 2024 vs. 465,000 in fiscal 2021), and promotion of Harmonic Plants® that sets guidelines for the selection of tree species, mainly native species, according to the target sites for afforestation</li> <li>Promote acquisition of ABINC certification for urban greening business, etc.</li> <li>Carried out the Mt. Fuji Manabi no Mori project to restore 30 ha of typhoon-damaged national forest at the foot of Mt. Fuji. Registered as a Natural Symbiosis Site by the Ministry of the Environment in 2024</li> <li>Carried out the Oku-Matsushima Nature Restoration Volunteer Program, a tree-planting activity to restore the tsunami-devastated coastal area at the time of the Great East Japan Earthquake</li> </ul>
<b>Reform</b>	We participate in and communicate our opinions on the activities of domestic and international rulemaking, industry associations, and related organizations regarding nature and biodiversity, and support the activities of NGOs and other organizations.	<ul style="list-style-type: none"> <li>Participated in TNFD Forum</li> <li>Joined the WBCSD Forest Solutions Group and was involved in the process of developing the Nature Positive Roadmap (released in 2022) and the TNFD Forest Sector Guidelines (released in 2023)</li> <li>Endorsed Business for Nature's "Call to Action" and "COP15 Business Statement for Mandatory Assessment and Disclosure"</li> <li>Participated as a pilot company in the development of new guidelines for GHG protocols to calculate GHG removals and emissions from biological and soil-based sources</li> <li>Participated in the 30by30 Alliance led by the Ministry of the Environment</li> <li>Served as vice-chairperson of the Keidanren Nature Conservation Council and joined the Japan Business Initiative for Biodiversity (JBIB)</li> </ul>

## Human Resources Strategy



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



### Material Issues and Related SDGs

#### 6 To create a vibrant environment for all workers



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

## Human resources strategy

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

## Human resources development

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

### Human resources strategy issues and countermeasures

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

## Human Resources Strategy

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

### Training programs and costs

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

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

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

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

### Overseas human resources development

To nurture human resources who can contribute to managing our expanding business overseas, and to support employees with extraordinary business performance who would like to work abroad, we have created an overseas human resources development program. This program allows employees who were in charge of overseas-related businesses for many years, including those posted overseas, to provide 1-on-1 guidance to aspiring overseas assignees. Instruction includes learning English or Indonesian, designing original programs tailored to each employee's level and job description, and following up on progress, as well as encouraging bookkeeping and accounting studies. In addition, since fiscal 2022, we have been implementing a course dealing with international affairs in general. In fiscal 2024, 32 employees participated.

### Management personnel development

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

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

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

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



### Health management and work-life balance

The Sumitomo Forestry Group believes that maintaining and improving the health of employees not only contributes to the happiness of each and every employee, but also leads to improved productivity and work efficiency. Based on this policy, we established the Sumitomo Forestry Group Declaration on Health Management in 2021. The Workstyle Diversification

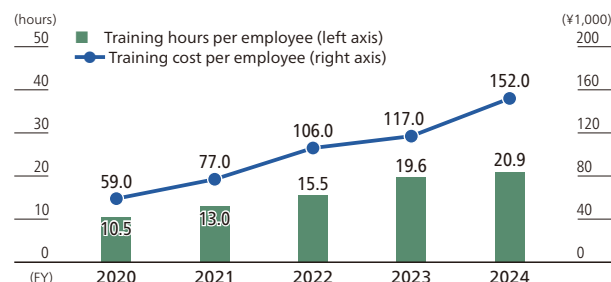
### Male childcare leave acquisition rate

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

### Number of participants in major training programs (FY2024)

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

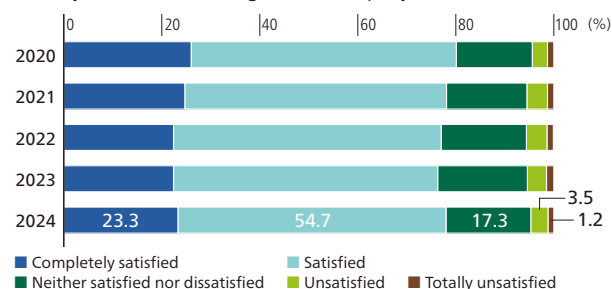
### Training costs & hours (non-consolidated)



## Human Resources Strategy

### Trends in employee satisfaction from the employee awareness survey

Q: Are you satisfied working for the Company?



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

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

### Diversity, equity & inclusion

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

To grow our business sustainably, it is important to create a vibrant workplace environment for all involved. Embracing diversity in terms of race, religion, ethnicity, nationality, gender, etc., and respecting human rights without discrimination, form the foundation of a fair work environment. Furthermore, we will strengthen various measures and accelerate the promotion of DEI so that we can bring out the best in everyone by accepting and harnessing the diverse abilities and values of each employee and creating a sense of unity.

### Indicators for women's empowerment (non-consolidated)

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

<sup>\*1</sup> Includes employees seconded to affiliated companies and does not include officers, secondments to Sumitomo Forestry, and exchange dispatches.

<sup>\*2</sup> 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.

<sup>\*3</sup> Calculated as of the end of each fiscal year.

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

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

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

	FY2023	FY2024
Ratio of female employees in management positions (%) <sup>*4</sup>	3.2	3.7
Gender wage gap (%) <sup>*4,5</sup>	All employees	47.8
	Regular employees	63.2
	Part-time and fixed-term employees	59.6

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

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

### Holding a participatory DEI forum

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



DEI Forum roundtable discussion

## Supply Chain Management



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



### Material Issues and Related SDGs

#### Supply Chain Management

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



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

### Supply chain management

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

### Wood procurement management

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

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

### Enabling sustainable wood procurement

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

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

Each procurement department reports the progress of these initiatives to the Wood Procurement Committee to promote continuous improvement in the supply chain. Sumitomo Forestry is planning and executing measures to shift to alternative wood (selective logging of natural forests and planted forests) and gradually stop handling

wood that does not meet the definition of sustainable timber and wood products, even if its legality can be guaranteed. As a result of this, we suspended contracts with suppliers whose sustainability could not be verified in September 2021, and achieved 100% handling of sustainable wood and wood products on a contract basis. We will continue to maintain this 100% level in the future while ensuring sustainable wood procurement.

### Policy on sustainable timber and wood products

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

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

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

\* SGEC-CoC (Trademark License No. SGEC/31-32-86), PEFC-CoC (Trademark License No. PEFC/31-32-86)

\* FSC® (License No. FSC-C113957)

FY2024 Results

Wood Procurement Committee  
Held 4 meetings

Sustainability Procurement Survey  
Conducted by 222 companies



## Human Rights

### Material Issues and Related SDGs

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

### Respect for human rights

The Sumitomo Forestry Group signed the UN Global Compact in 2008 in respect for international norms such as the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the core labor standards of the International Labour Organization (ILO), and international rules such as the United Nations Guiding Principles on Business and Human Rights, and formulated the Sumitomo Forestry Group Human Rights Policy in July 2019. In April 2023, the Sumitomo Forestry Group Human Rights Policy was revised with third-party input to require business partners to make a commitment to respect human rights, bringing the policy into greater alignment with international guidelines.



The Sumitomo Forestry Group Human Rights Policy

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



### Implementation of due diligence and managing important risks

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

### Main steps in human rights due diligence

Mapped stakeholder risks in the value chain for each division



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



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



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

### Responding to identified risks

The Sumitomo Forestry Group recognizes the importance of a grievance mechanism and thus operates whistleblowing hotlines. Going forward, we will continue to develop internal and external whistleblowing channels to help prevent human rights violations and take necessary corrective measures when human rights violations occur.

### Respecting human rights in overseas forestry business

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

#### Indonesia

##### 2012

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

##### 2013, 2015

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

##### 2018

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

#### Papua New Guinea, Open Bay Timber Ltd.

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

#### New Zealand, Tasman Pine Forests Ltd.

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



## Stakeholder Engagement

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



Stakeholder Engagement

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



### Stakeholders of the Sumitomo Forestry Group



	Responsibilities	Communication methods
● <b>Customers</b>	<ul style="list-style-type: none"> <li>● Providing safe, high-quality products and services</li> <li>● Disclosing timely and accurate information and providing accountability</li> <li>● Understand the requests and needs and improve satisfaction through communication</li> </ul>	<ul style="list-style-type: none"> <li>● Sumitomo Forestry Call Center</li> <li>● Customer Satisfaction Survey</li> <li>● Websites and media, news magazines, etc.</li> <li>● Exhibitions and various other events</li> </ul>
● <b>Employees and Their Families</b>	<ul style="list-style-type: none"> <li>● Creating a fair work environment with respect for human rights and no discrimination</li> <li>● 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</li> <li>● Equally and fairly evaluating personnel</li> <li>● Establishing educational systems able to drive and improve skills</li> <li>● Establishing measures, policies and other regulations to enhance the work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>● Conducting regular consultations and performance reviews</li> <li>● Conducting employee satisfaction surveys</li> <li>● Conducting stress checks</li> <li>● Installing a compliance hotline</li> <li>● Implementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.)</li> <li>● EAP (Employee Assistance Program) service</li> <li>● Holding discussions between the President and employees</li> <li>● Holding Family Open Day</li> <li>● Carrying out meetings with management made up of both labor and management committee members</li> <li>● Publishing internal magazines, creating an internal website</li> </ul>
● <b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>● Disclosing timely and accurate information</li> <li>● Pursuing informational transparency and accountability</li> <li>● Executing the appropriate premium redemption to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>● General Meeting of Shareholders, financial results briefings, business briefings for investors, site briefings, etc. as well as individual one-on-one meetings and meetings with shareholders</li> <li>● Communicating information on websites, integrated reports, shareholder correspondence, various briefing materials and in other relevant forms</li> <li>● Responding to surveys for assessment and research agencies related to sustainability, etc.</li> </ul>
● <b>Business Partners</b>	<ul style="list-style-type: none"> <li>● Building equal and fair relationships with business partners</li> <li>● Improving the occupational health and safety environment</li> <li>● Complying with all relevant laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>● Engaging in purchasing and procurement activities</li> <li>● Conducting safety conferences, safety patrols and building contractor meetings</li> <li>● Conducting workshops and informational exchange meetings</li> <li>● Conducting supplier evaluations (surveys and questionnaires)</li> </ul>
● <b>Global Environment</b>	<ul style="list-style-type: none"> <li>● Preserving the natural environment and biodiversity</li> <li>● Reducing the environmental impact of business activities</li> <li>● Developing and providing products and services with minimal environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>● Providing an environment for business</li> <li>● Supplying and standardizing environmentally-conscious housing</li> <li>● Acting as volunteers in building forests such as in reforestation</li> <li>● Carrying on a dialogue with NPOs/NGOs</li> <li>● Conducting environmental and social contribution activities linked up with NPOs/NGOs</li> </ul>
● <b>Global Society and Local Communities</b>	<ul style="list-style-type: none"> <li>● Contributing to solutions to both global and local challenges in society</li> </ul>	<ul style="list-style-type: none"> <li>● Participating in employee volunteer activities</li> <li>● Supporting the formation of communities through social contribution activities</li> <li>● Preparation of Regional Infrastructure</li> </ul>

## Stakeholder Engagement

### Actual dialogue with stakeholders



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

#### Dialogue with Employees

#### Communication between the President and field employees

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



Field dialogue program conducted by President Mitsuyoshi himself

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#### Dialogue with Customers

#### Customer Surveys

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

Value Creation Story [P.9](#)

#### Dialogue with Shareholders and Investors

#### Briefings

The Sumitomo Forestry Group discloses a wide range of information promptly and transparently to ensure the market can appropriately assess its corporate value and build trust. In addition to quarterly financial results briefings, we hold individual investor briefings, on-site briefings, and one-on-one meetings. Not only are attendees provided an understanding of management policies and business plans, but opinions and requests from investors, who are vital stakeholders, are fed back to management in a timely manner and linked to measures for sustainable growth.

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

#### Dialogue with Business Partners

#### Sustainability Procurement Survey

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



Sustainability Procurement Survey Briefing

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