

Corporate Governance



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

Approach to corporate governance

In order to carry out its material issue “To establish a robust business structure,” the Sumitomo Forestry Group seeks to ensure management transparency, sound and legal business practices as well as rapid decision-making and business execution based on its Corporate Philosophy. This philosophy is founded in Sumitomo’s Business Spirit, which places prime importance on fairness and integrity for the good of society. By further enhancing and strengthening its corporate governance through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to the expectations of various stakeholders around the Group.

The Company has adopted the structure of a company

with an Audit & Supervisory Board and has a Board of Directors comprising 10 directors, including 4 outside directors, and an Audit & Supervisory Board comprising 5 Audit & Supervisory Board members, including 3 outside Audit & Supervisory Board members. Under this organizational structure, we have introduced an executive officer system to separate decision making and management oversight functions from operational execution functions, thereby establishing a more agile and appropriate management structure.



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

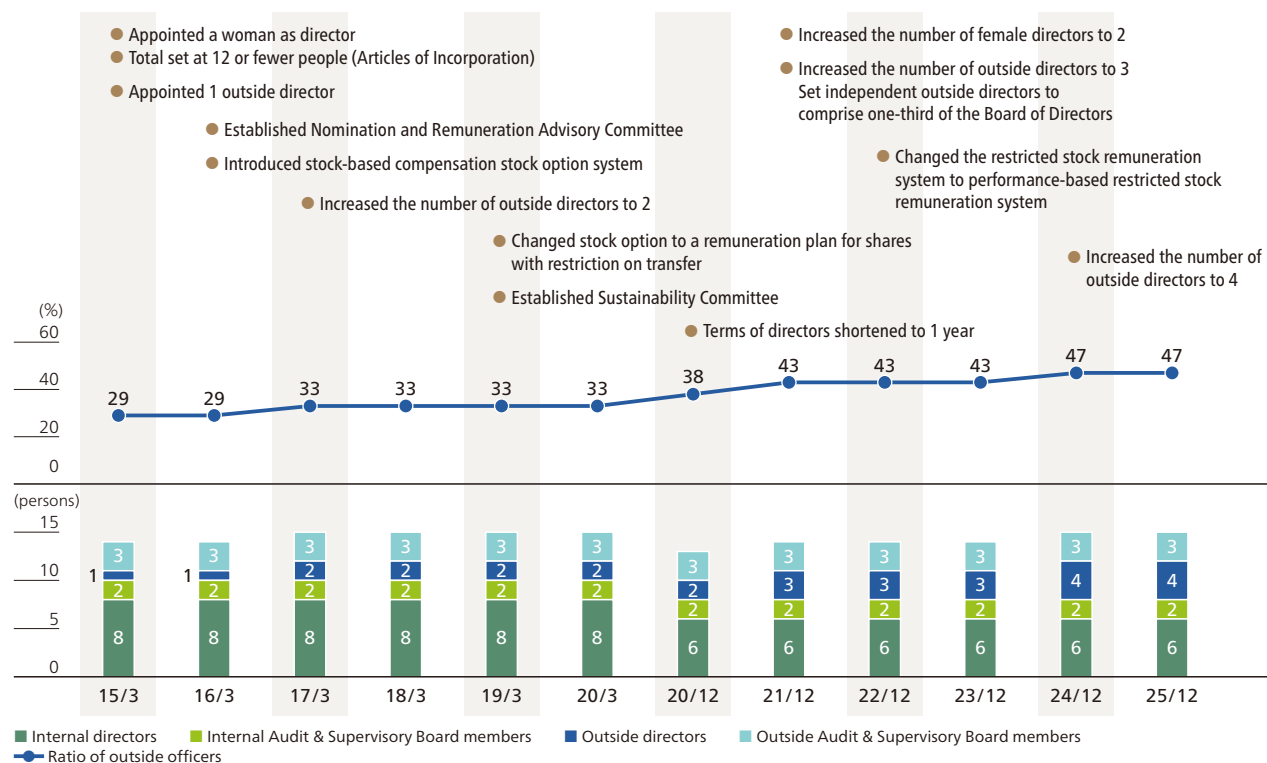


Outline of the corporate governance system

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

Corporate Governance

Initiatives for corporate governance



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

Board of Directors and Executive Committee

The Board of Directors is comprised of 10 directors (eight male and two female), including four outside directors (two male and two female). It usually meets once a month, making decisions on important issues, checking up on performance and other matters, and carrying out its supervisory functions based on reports from each director. Prior to Board of Directors meetings, the Executive Committee, an advisory body to the President, generally holds meetings twice a month to ensure that important issues have been sufficiently discussed in advance. Executive Committee meetings are attended by those directors who also serve as executive officers, as well as full-time Audit & Supervisory Board members. Directors and Audit & Supervisory Board members strive to maintain a Board of Directors meeting attendance rate of at least 75%.

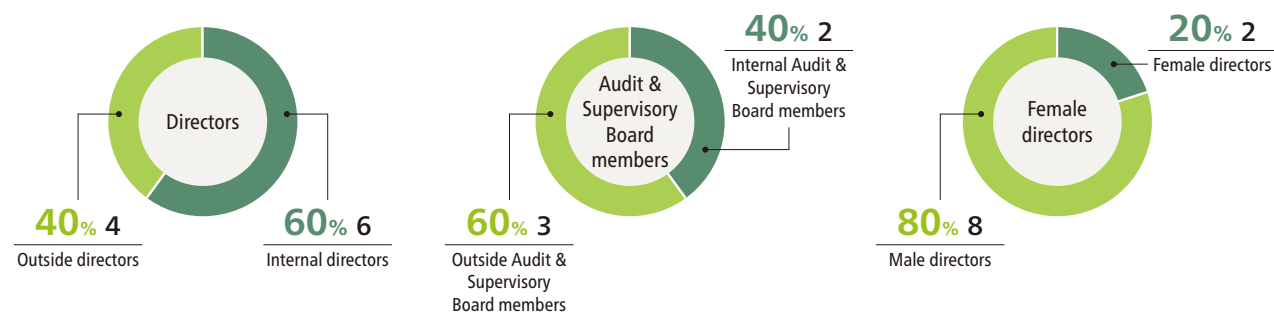
FY2024 Results	
Board of Directors	Executive Committee
15 times held	26 times held

Statutory audit system

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

Staff in charge of assisting in the audit operations of Audit & Supervisory Board members, and auditing inspectors, who double as senior managers of major departments, are assigned with a particular focus on enhancing the function of audits from a practical perspective. Under this system, the Audit & Supervisory

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



Corporate Governance

Board members attend important meetings such as Board of Directors and Executive Committee meetings, where they can obtain accurate information regarding the managerial decision-making process. To enhance the effectiveness of audits, the Audit & Supervisory Board members strive to cooperate with the financial auditing company as well as the Internal Audit Department. They also receive reports regularly from the divisions responsible for risk management and compliance, accounting, and labor, and monitor and verify internal control functions.

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

This system ensures that the Audit & Supervisory Board members can provide adequate monitoring functions of the directors' execution of operations from the perspective of shareholders.

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

Nomination and Remuneration Advisory Committee

The Board of Directors establishes a Nomination and Remuneration Advisory Committee as an advisory body from which it seeks opinions to ensure fairness and transparency in matters including the selection of candidates for the Board of Directors and auditing posts, the selection of executive officers, the dismissal of Board members, Audit & Supervisory Board members or executive officers, evaluations of the chief executive officer and other executive officers, and remuneration for Board members and executive officers. The Nomination and Remuneration Advisory Committee will consist of the Chairman, the President, and all outside executives (4 outside directors and 3 outside Audit & Supervisory Board members) where the majority must be outside executives, and the chairperson must be an outside director.

Evaluation on the effectiveness of the Board of Directors

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

Analysis/evaluation process



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

Analysis and evaluation of the effectiveness of the Board of Directors

1. Method of evaluation

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

2. Results of evaluation

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

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

Corporate Governance

Executive remuneration system

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

Basic policy

- The remuneration plan should be highly linked not only to short-term performance but also to medium- to long-term performance and improvement of corporate value;
- The plan should be linked to the value to be newly created and provided in the course of promoting the ESG integrated management;
- The plan should be designed to be linked to the shareholder value of the Company;
- The remuneration level should be such that the Company can secure and maintain the human resources necessary to achieve its Long-term Vision; and
- The plan should ensure transparency and objectivity in the remuneration determination process.

Remuneration for directors and executive officers

Remuneration for directors is composed of three types: (i) fixed remuneration commensurate with the director's responsibilities and roles, (ii) annual performance-based bonus as a short-term incentive, and (iii) performance-based restricted stock remuneration as a medium- to long-term incentive. Thus, the remuneration plan is designed to encourage management efforts from a short-term, and medium- to long-term perspective and to appropriately reward the results of such efforts.

The Company will determine the amount of fixed remuneration for each director position in accordance with their responsibilities and roles and pay fixed remuneration as monthly remuneration.

The amount of annual performance-based bonus will be judged comprehensively and determined by multiplying the standard bonus amount stipulated for each position with a payout ratio that fluctuates in proportion to the base profit for each business year (the amount obtained by deducting actuarial differences regarding employees'

retirement benefit obligation and net income attributable to non-controlling interests from consolidated recurring income for the relevant fiscal year).

Performance-based restricted stock remuneration is structured to reflect the Company's performance during each period (three years) of the Medium-term Management Plan in the level of vesting in order to promote management emphasizing medium- to long-term improvement of shareholder value. The standard stock remuneration amount prescribed for each position consists of two elements: a portion linked to the achievement rate of the greenhouse gas emission reduction target based on the SBTs (Science Based Targets), and a portion linked to the growth rate of the Company's market capitalization relative to TOPIX, each during the relevant period. In order to strengthen our focus on sustainability, as of fiscal 2025, we have revised the ratio of performance-linked stock remuneration, which accounts for 15% of total remuneration, so that the ratio of standard stock remuneration for each director will be linked at a rate of

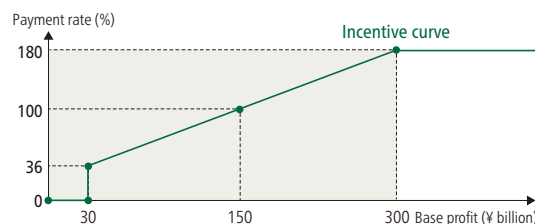
Remuneration composition ratio of directors (illustration using base profit of 150 billion yen)



Formula for calculating annual performance-based bonus

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

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

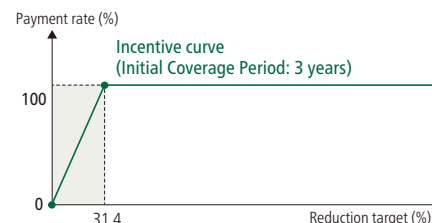


Formula for calculating performance-based restricted stock remuneration

(1) Amount equivalent to two-thirds of the standard stock remuneration amount by position x payout ratio (percentage of achievement of Medium-term Management Plan SBT greenhouse gas emission reduction targets)*2

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

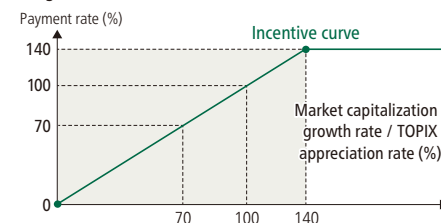
(1) Remuneration linked to the sustainability index achievement rate



(2) Amount equivalent to one-third of the standard stock remuneration amount by position x payout ratio (growth rate of Company's market capitalization during the period of the Medium-term Management Plan/TOPIX growth rate during the same period)*3

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

(2) Remuneration linked to market capitalization growth rate



Corporate Governance

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

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

Remuneration for Audit & Supervisory Board members

Compensation for Audit & Supervisory Board members consists only of monthly compensation as basic

compensation. In order to ensure objectivity and appropriateness of executive remuneration, we utilize the results of third-party surveys of domestic companies to set appropriate remuneration levels.

Strategically-held shares

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

To verify the rationality and necessity of these shareholdings, the Board of Directors compares the returns of each strategically-held share to the hurdle rates set by the Company and also verifies the status of transactions with the shares' issuing companies. As a result of the verification, we are reducing the number of shares that we have determined to be neither rational nor necessary to hold. Over the three years from the fiscal year ended December 2022 to the fiscal year ended December 2024, seven issues have been completely sold, with the ratio of strategically-held shares to net assets continuously declining since the fiscal year ended December 2021.

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

Category	Total remuneration (¥ million)	Total amount by type of remuneration (¥ million)			Number of eligible officers
		Monthly remuneration	Performance-linked remuneration (bonuses)	Non-monetary remuneration (Performance-based restricted stock remuneration)	
Directors* ⁴	530	271	168	92	7
Audit & Supervisory Board members* ⁴	53	53	—	—	3
Outside directors	52	52	—	—	4
Outside Audit & Supervisory Board members	35	35	—	—	4

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

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

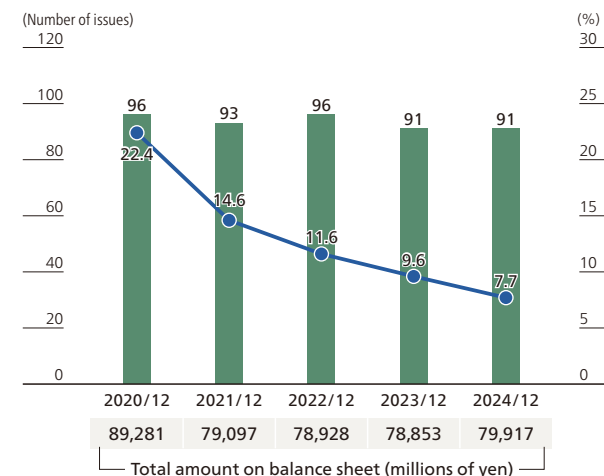
*⁶ Base profit has been chosen as the performance indicator serving as the basis for the calculation of bonuses, which are performance-linked remuneration. Base profit for the fiscal year under review was 157.3 billion yen.

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

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

Name	Total amount of consolidated remuneration (¥ million)	Officer classification	Company classification	Total amount by type of consolidated remuneration (¥ million)		
				Monthly remuneration	Bonuses	Performance-based restricted stock remuneration
Akira Ichikawa	127	Director	Sumitomo Forestry Co., Ltd.	65	40	22
Toshiro Mitsuyoshi	127	Director	Sumitomo Forestry Co., Ltd.	65	40	22

Holdings of Strategically-held Shares*⁸



■ Number of issues (left axis)
● Ratio of strategically-held shares to net assets (right axis)

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

Corporate Governance

If a business partner or counterparty of the company where we hold Strategically-held shares suffers a long-term slump in business performance or seriously violates laws or causes scandal, the Company will judge how to exercise its voting rights pertaining to the Strategically-held shares by gathering information through dialogue with such counterparties.

Ensuring management transparency

Basic policy on disclosure

To increase transparency in management, we actively disclose not only the information required to be disclosed by various laws and regulations, but also other items deemed useful to shareholders and investors, actively and in a swift and fair manner.

Initiatives to encourage execution of voting rights

The Company strives for the early disclosure of its convocation notice every year in order to foster greater understanding among shareholders. Voting rights can be exercised via electromagnetic means (e.g., via the Internet) or via the electronic voting platform for institutional investors operated by ICJ, Inc.

Disclosure of a wide range of information

At the General Meeting of Shareholders, we endeavor to provide reports and explanations that are easy to understand. Additionally, we display accounting-related information such as summaries of accounts, fact books and financial results overviews on our website, together with a wealth of IR information in Japanese and English such as information about monthly orders in the housing business. We also display detailed information about sustainability

initiatives on the website in both English and Japanese.

Since the fiscal year ended March 2017, the Sumitomo Forestry Group has published the Integrated Report with the objective of improving the disclosure of financial information and ESG-related non-financial information about its initiatives to increase value created over the medium- to long-term. Apart from the Integrated Report, Sumitomo Forestry proactively offers information by publishing Japanese and English translations of its Notices of Convocation of the Ordinary General Meeting of Shareholders, among other documents, in print as well as on its website.

Visit our website for information about future IR activities and events organized.



IR calendar

<https://sfc.jp/english/ir/calendar.html>



Tax governance

Basic approach

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

working to link its business strategy, including taxation, with its sustainability strategy.

Tax governance system

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

Corporate Governance Code compliance status

The Company complies with all Principles of the Corporate Governance Code issued by Tokyo Stock Exchange, Inc., and includes this information in its Corporate Governance Report.

Please see our website to view the Corporate Governance Report.



Corporate Governance Report

https://sfc.jp/english/sustainability/governance/pdf/Corporate_Governance_Report_2025.pdf



Corporate Governance

Succession plan

The Group considers the selection and dismissal of the Chief Executive Officer and succession planning as one of the most important management issues, and the Nomination and Remuneration Advisory Committee held on August 30, 2024, exchanged views on the succession plan for the management team.

Officer training

The Company has established a training system for directors, Audit & Supervisory Board members, and executive officers to enable them to properly fulfill their roles and responsibilities, and provides them with ongoing information and training opportunities upon and after their appointment. The Board of Directors also confirms, in a timely manner, that such information and training opportunities are being provided appropriately.

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

Skills matrix

	Title	Corporate management	Resources/ Environment	Construction/ Real estate development	Global	Finance/ Accounting	Human resources development/ D&I	Legal affairs/ Risk management	IT/DX	Industrial policy
Directors	Akira Ichikawa	Representative Director, Chairman of the Board	●		●	●	●	●	●	●
	Toshiro Mitsuyoshi	Representative Director, President and Executive Officer	●	●	●					
	Tatsumi Kawata	Representative Director, Executive Vice President	●	●	●	●	●	●	●	
	Atsushi Kawamura	Director, Senior Managing Executive Officer	●	●	●					
	Ikuro Takahashi	Director, Managing Executive Officer	●		●					
	Nobuyuki Otani	Director, Managing Executive Officer	●	●	●	●				
	Mitsue Kurihara	Outside Director	●	●	●	●				●
	Yuko Toyoda	Outside Director			●			●		
	Toshio Iwamoto	Outside Director	●		●		●		●	
	Kenji Sukeno	Outside Director	●			●	●	●		
Audit & Supervisory Board Members	Toshio Kakumoto	Audit & Supervisory Board Member			●			●		
	Kazunari Hada	Audit & Supervisory Board Member		●			●			
	Yoshimasa Tetsu	Outside Audit & Supervisory Board Member				●				
	Makoto Matsuo	Outside Audit & Supervisory Board Member			●			●		
	Takashi Kawachi	Outside Audit & Supervisory Board Member		●			●			●

Reason for skill selection

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

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

Risk Management and Compliance

Material Issues and Related SDGs

9 To establish a robust business structure



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

* Sustainability Standards Board of Japan

Risk management system

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

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

FY2024 Results

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



Visit our website for further details about risk management.

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



Compliance

To address compliance risks across the Group, the Compliance Subcommittee has been established under the Risk Management Committee, chaired by the general manager of the General Administration Department and comprised of the persons responsible for risk management, including those from the responsible departments at each Group company. This subcommittee shares information on revisions to various laws and regulations, including those governing the construction industry, as well as government agency trends, to address compliance risks. This committee met twice in fiscal 2024 to continue its improvement efforts. These activities are reported to the Board of Directors once a quarter, and a system is in place to reflect

them in business execution. In addition, monthly reports are made to Audit & Supervisory Board members and internal audit divisions, and particularly important Groupwide initiatives and risk information are shared with the Audit & Supervisory Board members of each subsidiary through the meetings of Audit & Supervisory Board members held for the Group.

Whistleblowing mechanism (Compliance Hotline)

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



Visit our website for further details about compliance.

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

