

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

The Sumitomo Forestry Group has been engaged in sustainable management based on its Corporate Philosophy, “The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo’s Business Spirit, which places prime importance on fairness and integrity for the good of society.”

Corporate Philosophy

Long-term Vision

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Mission TREEING 2030

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

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

Business policy for achieving Mission TREEING 2030

- 1 Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy
- 2 Advancing globalization
- 3 Striving for transformation and the creation of new value
- 4 Transforming our business foundation for growth

Material management issues

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Medium-term Management Plan

Mission TREEING 2030 Phase 1

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

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Mission TREEING 2030 Phase 2

(Fiscal year ended December 2025 to fiscal year ending December 2027)

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

Basic Policies

Efforts to Address Decarbonization Challenge

Enhancement of Earning Power

Deepening of Global Expansion

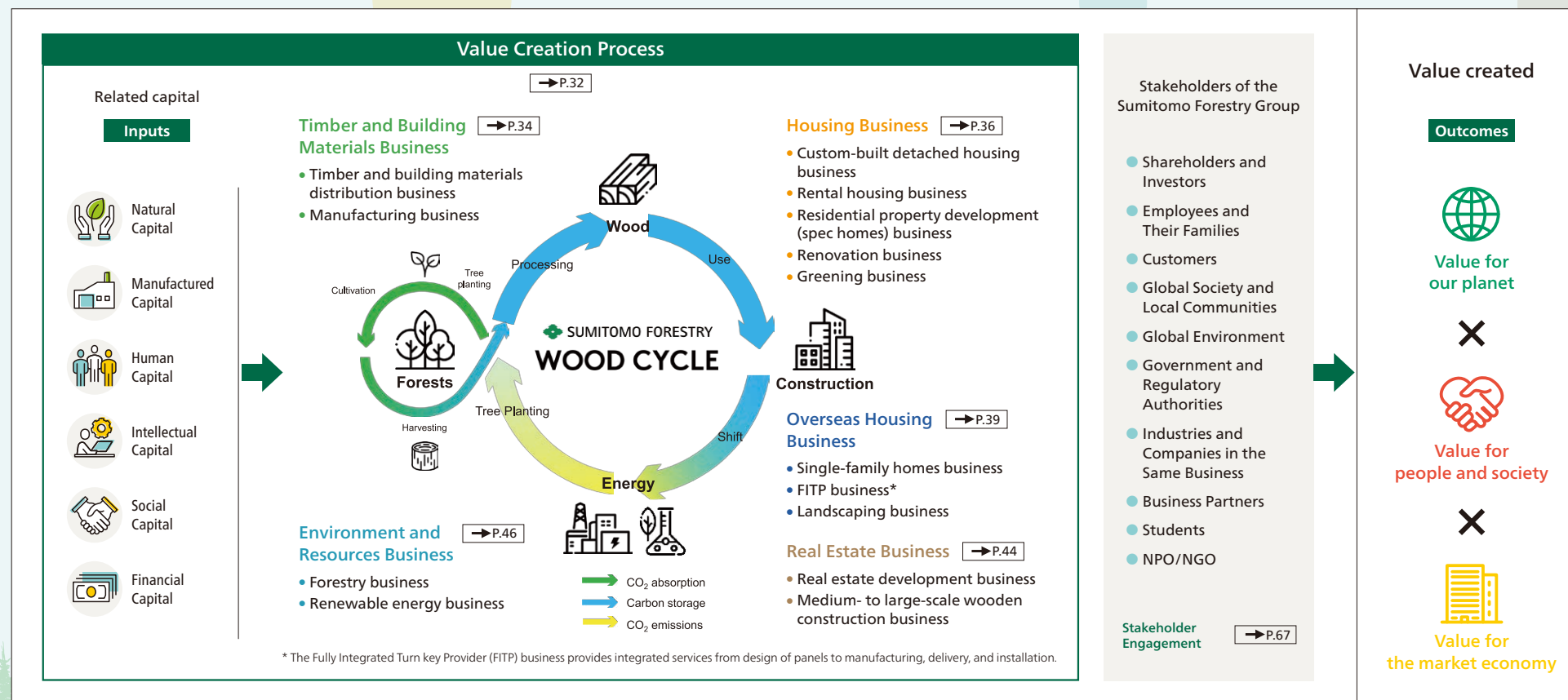
Strengthening Management Base

Further Integration of
Business Operations and ESG

Mission TREEING 2030 Phase 3

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

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





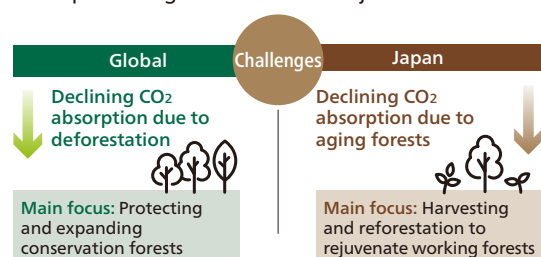
Turning Forest Value into Social Value

The adoption of the Paris Agreement at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, held in Paris in 2015, served as a catalyst for global efforts toward realizing a decarbonized society. Japan has also declared its commitment to achieving carbon neutrality by 2050, setting a national target of net-zero greenhouse gas emissions. However, carbon neutrality cannot be achieved solely through emission reduction efforts and the transition to renewable energy. Emissions that remain unavoidable despite various initiatives must be offset through other reduction and absorption activities. This is where forests are expected to play a significant and meaningful role. Through photosynthesis, trees absorb CO₂ from the atmosphere during their growth process and store carbon within the wood. Achieving carbon neutrality therefore requires not only reducing emissions, but also increasing CO₂ absorption by forests and carbon storage through wood.

Preventing forest loss and rejuvenating working forests to increase CO₂ absorption

Since 1990, global forest loss has consistently exceeded forest expansion. Because the reduction of forest area directly leads to a reduction of the amount of CO₂ absorbed by forests, forest conservation has become an increasingly important issue in achieving carbon neutrality.

Meanwhile, forests in Japan are facing the challenge of “aging.” To increase the area of young forests, which absorb greater amounts of CO₂, it is essential to harvest and effectively utilize mature trees while promoting reforestation to rejuvenate forests.



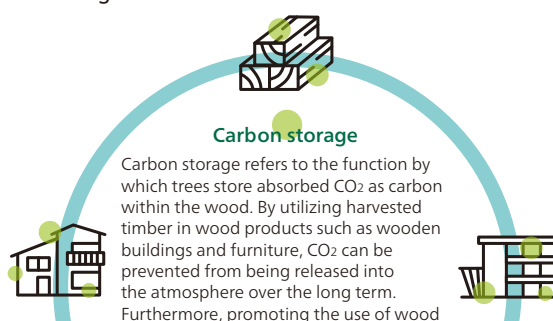
Conservation forest: Forests where functions advancing public interest such as ecosystem conservation, prevention of mountain disasters, and health and culture are prioritized.

Working forests: Sustainably managed forests where trees are harvested and replanted for the production of timber used in building materials, furniture, and other wood products.

Long-term carbon storage through the use of wood

Carbon absorbed by trees during their growth process continues to be stored even after the trees are turned into wood products. By promoting wooden construction and producing wooden furniture and other wood products, the carbon absorbed by trees can be stored in urban areas over the long term.

In addition, compared with steel- or concrete-structure buildings, wooden construction requires significantly less energy during the manufacturing process, offering the advantage of substantially reducing CO₂ emissions.



Contributing to nature positivity by maximizing the value of forests

Nature positivity is an approach aimed at halting biodiversity loss and restoring nature to a positive trajectory.

In addition to absorbing CO₂ and storing carbon, forests provide a wide range of functions, including biodiversity conservation, water resource protection, soil conservation, and prevention of landslides and other natural disasters. As such, forests play a vital role in supporting the realization of nature positivity.

Through businesses spanning forests, wood, construction, and energy, the Sumitomo Forestry Group promotes reductions in CO₂ emissions and long-term carbon storage through the use of wood, while also contributing to nature positivity.





The “Wood Cycle” Value Chain

To realize a decarbonized society and nature positivity, society is increasingly expected to maximize the value of forests and wood resources. At the core of the Sumitomo Forestry Group’s efforts to meet these social demands is the Wood Cycle, our unique value chain.

What is the Wood Cycle?

The Sumitomo Forestry Group’s businesses are built around a unique value chain centered on wood, spanning forest management, manufacturing and distribution of timber and building materials, wooden construction, and biomass power generation. We define this value chain as the Wood Cycle.

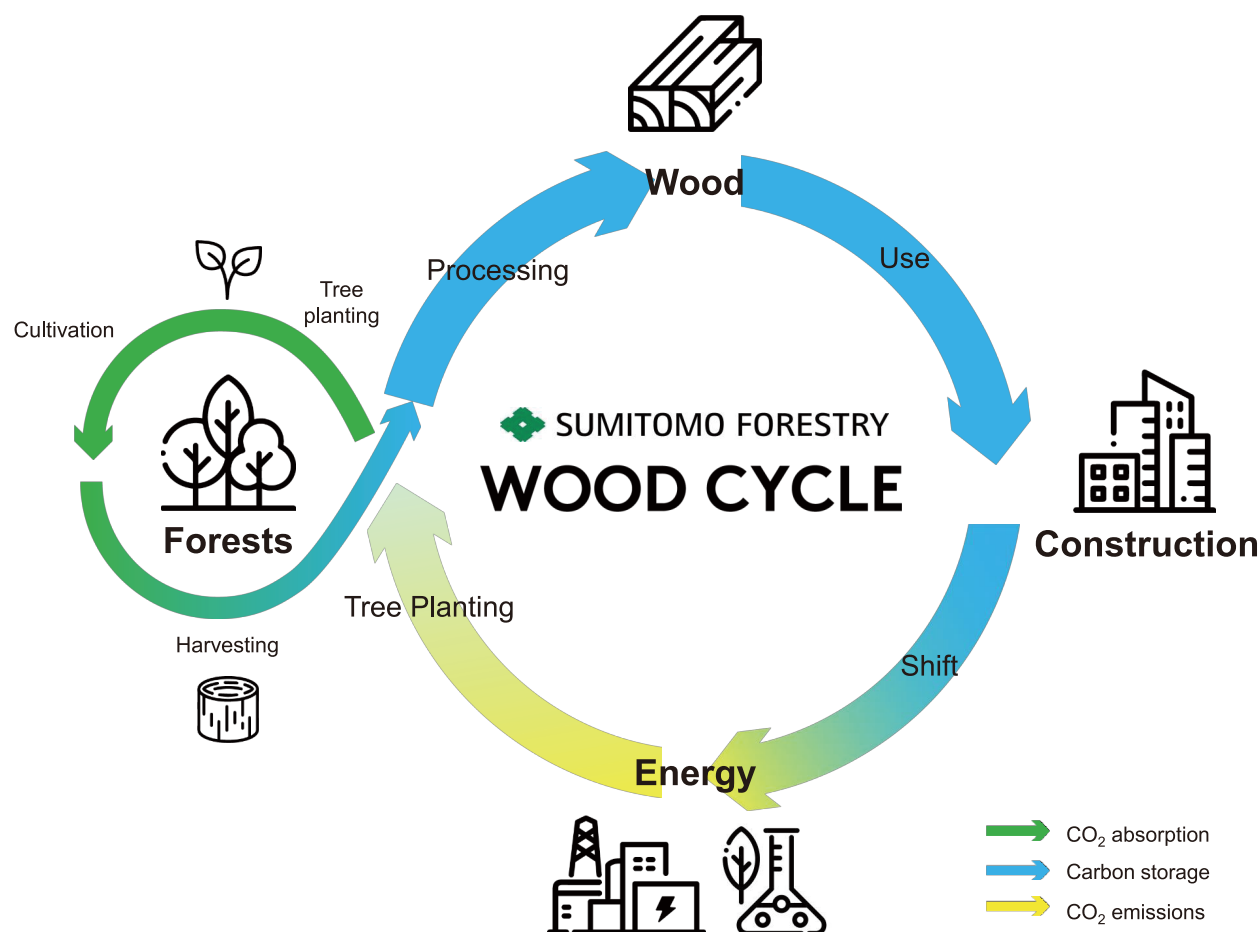
By strengthening each business activity and promoting the Wood Cycle, we advance decarbonization across the fields of forests, timber, construction, and energy. Through these efforts, we promote not only CO₂ absorption and carbon storage within our own operations, but also throughout society as a whole, thereby contributing to the realization of a decarbonized society.

Overview of Long-term Vision → P.17

Creating value from forests

Sustainable forest management and responsible timber procurement are the starting point supporting the Wood Cycle and the source of both value and trust. Through continuous efforts such as ownership of company-managed forests, rigorous procurement management, operation of proprietary standards, acquisition of certifications, and initiatives addressing human rights and environmental issues, we have steadily built trust with society. Based on this trust, we achieve sustainable growth across our businesses.

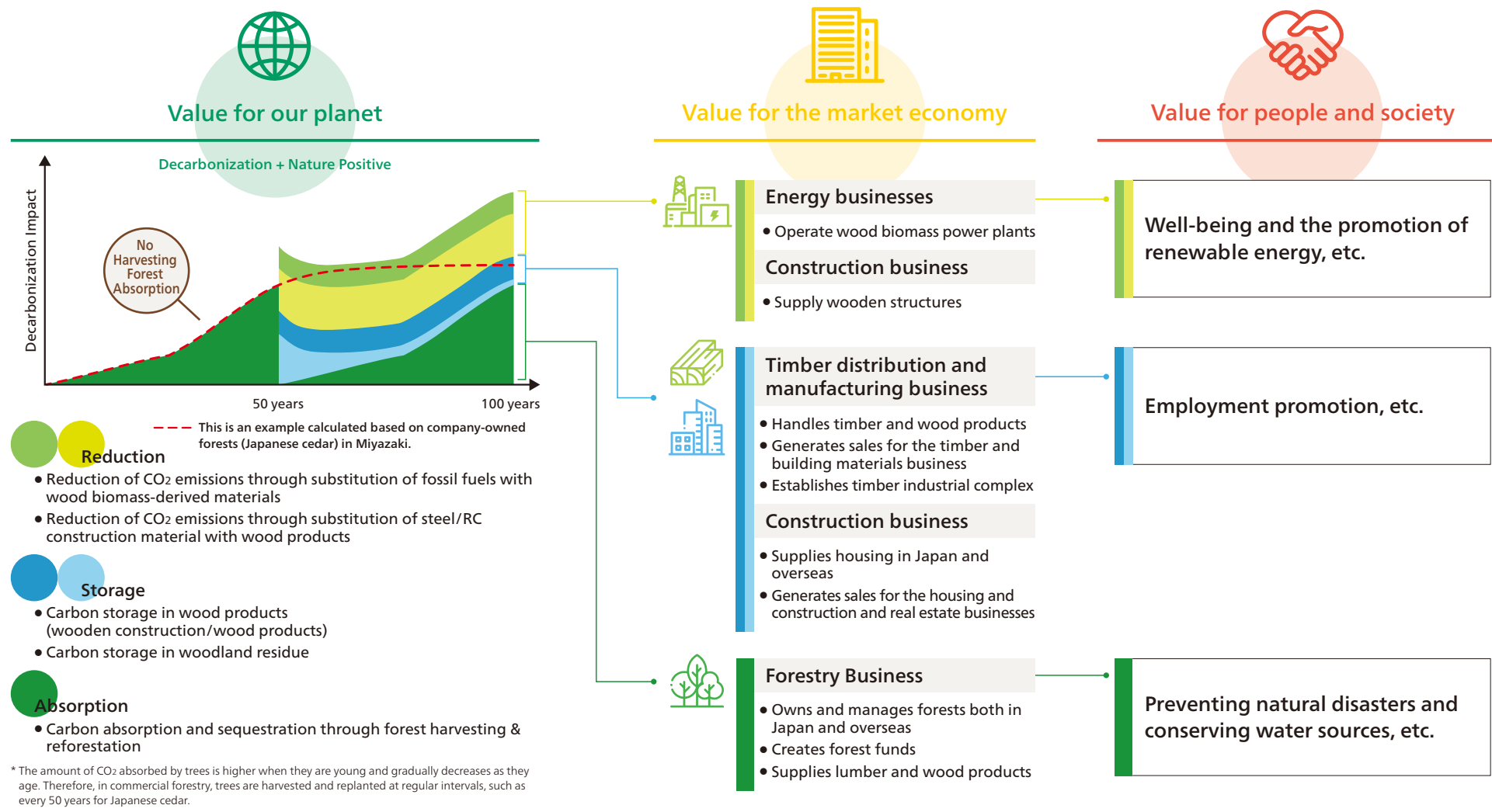
By continuing to circulate the Wood Cycle, the Group promotes business activities that simultaneously enhance value for our planet, value for the market economy, and value for people and society, without compromising any of these forms of value.





Three Values Created by the “Wood Cycle”

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



Sumitomo Forestry Group's Contributions to a Decarbonized Society

The Sumitomo Forestry Group is working toward the decarbonization of society as a whole by reducing greenhouse gas emissions from its business activities, increasing the CO₂ absorption volume of forests, promoting carbon storage through increased use of wood products, and achieving long-term carbon storage through wooden construction.

The Sumitomo Forestry Group's potential carbon storage

(as of December 31, 2025)

Carbon storage of owned and managed forests and currently standing wooden buildings and HWP (Harvested Wood Products)

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

*1 Collection period: January to December 2025

Accelerate the cyclical forest business  Forests	Area of owned forests in Japan Approximately 48,000 ha Area of owned/managed forests overseas Approximately 231,000 ha Forest area under Eastwood Climate Smart Forestry Fund I management Approximately 94,000 ha Forest area under Japan Forest Asset management 751 ha	Number of trees planted annually Japan 0.254 million trees Overseas 7.627 million trees Number of seedlings produced annually Container seedlings in Japan Approximately 1.90 million capacity Seedling production overseas Approximately 7.666 million	Ratio of domestic forests that are sustainably managed with consideration to biodiversity 100% Forest certification acquisition rate*2 Japan 100% Overseas 82.6% *2 Forest certification acquisition rate for the operating area (planted area) Harvest area of the Company-owned forests (Japan) 1% or less Reforestation rate (Japan and Overseas) 100%	Carbon sequestration in forests Carbon sequestration of forests 65,334 thousand tons*3 Japan 14,187 thousand tons Overseas 51,147 thousand tons *3 Method to calculate carbon sequestration of forests: Cumulative amount x Bulk density x Biomass magnification factor x (1+ratio of underground area as a ratio of above ground area) x Carbon content (utilizing the specific number of each tree species)
Promote wood change  Wood Energy	Sustainability procurement survey implementation rate for imported wood product suppliers*4 100% *4 Ratio of suppliers who completed the sustainability procurement survey among all suppliers who were subject to timber procurement due diligence by the Company's Timber Procurement Committee.	Volume of wood and wood products handled 9,134,000 m³ Recycling rate of manufacturing site waste Japan 99.5% Overseas 98.5%	Power supply from wood biomass power generation (converted to number of households)*5 569,000 households *5 Total power supply from the six wood biomass power generation facilities in Japan. 262,000 households when converted to ownership ratio.	Carbon storage through wood products at manufacturing plants Cumulative wood products overseas 16,130 thousand tons*6 *6 HWP carbon storage from overseas housing and manufacturing facilities was calculated with the cooperation of Tokyo University of Agriculture and Technology using figures for Japanese housing as reference.
Standardize carbon neutral design  Construction	ZEH order ratio of new, custom-built detached houses in Japan*7 81.3% *7 Value that includes ZEH, Nearly ZEH, ZEH Oriented in heavy snowfall areas.	Ratio of new, custom-built detached houses in Japan that have acquired long-life quality housing certification*8 97.4% *8 Limited to private residences and those with at least the applicable floor area.	Recycling rate of waste from housing demolition sites 96.7% Cumulative number of houses sold Japan Approximately 370,000 units Overseas Approximately 140,000 units	Carbon storage through housing Cumulative houses in Japan 8,027 thousand tons*9 Cumulative houses overseas 3,184 thousand tons*6 *9 Carbon storage of Japanese housing HWP was calculated with the cooperation of Tokyo University of Agriculture and Technology based on the number of housing unit starts, the number of owners, and wood usage per floor area to determine carbon storage and amounts of change from housing.