

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, and is moving forward on its journey toward creating new value. In our Long-term Vision, we have identified Nine Material Issues based on three types of value: value for our planet, value for people and society, and value for the market economy. Furthermore, 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 three years of reform and implementation as a theme, aiming to achieve dramatic growth, and we are accelerating our efforts to further enhance corporate value.

Supervisory framework

We have set numerical 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 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. To

realize its management philosophy, 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 sustainability section of the Medium-term Management Plan, including risk and opportunity analysis, and works to strengthen monitoring of the effectiveness. As of January 2024, the Sustainability Committee has increased the number of its regular meetings to six times a year in order to strengthen efforts to address issues related to quality and occupational safety, and also holds extraordinary meetings as necessary. All proceedings of the Sustainability Committee are reported and submitted to the Board of Directors to integrate business operations with the resolution of societal issues.

Risk check for new business plans by the Executive Committee

All new business and project plans that are brought for deliberation to the Board of Directors and the Executive Committee, which is the advisory body to the President, undergo a risk assessment, including on 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 then used to determine implementation. We also incorporate 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 2025, 9 new businesses and projects were discussed. By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management.

The Sumitomo Forestry Group’s Sustainability 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.

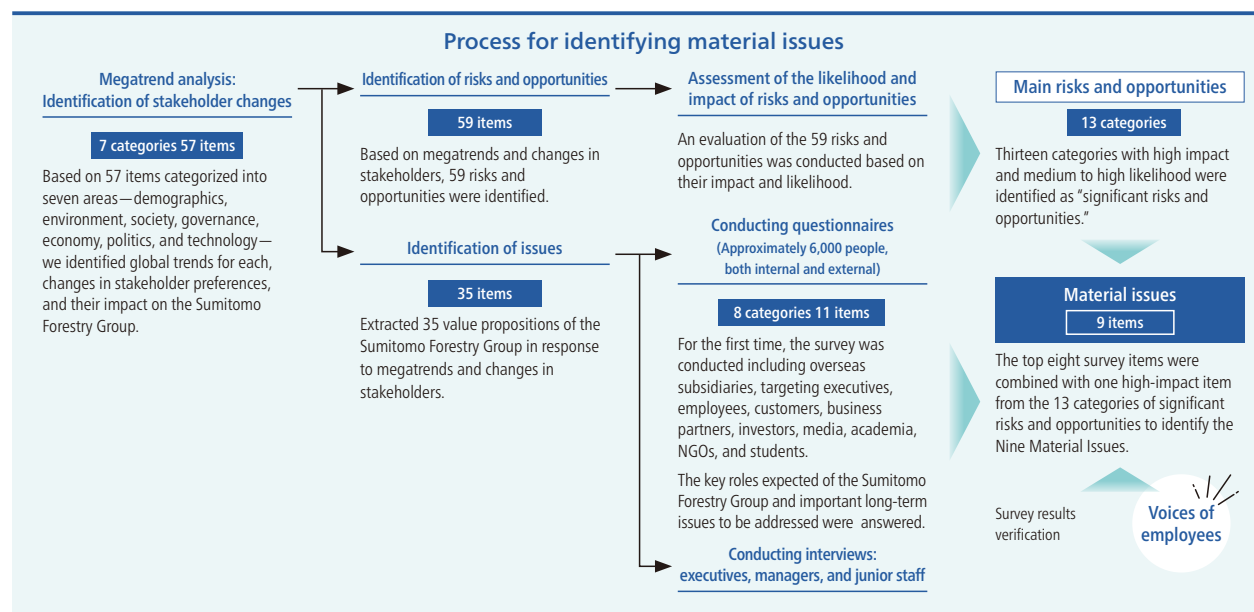
Identification method of material issues

To identify material issues, we first extracted matters that would impact the Sumitomo Forestry Group based on the external changes (megatrends) previously described, and set 35 issues classified into the five categories of "Environmental issues (climate change)," "Environmental issues (resources and biodiversity)," "Social issues," "Governance," and "Economic issues." Next, based on the issues identified, 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. Individual interviews with officers, management-level personnel, and junior staff were also conducted.

We narrowed down the material issues for the Sumitomo Forestry Group based on the results of these questionnaires and interviews. Furthermore, through repeated discussions by management at the Sustainability Committee, we performed materiality assessments in

consideration of risks and opportunities. 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."



Nine Material Issues and related SDGs

Value for our planet	1 To enhance the value of forests and wood through sustainable forest management	13 Climate Action	15 Life on Land
	2 To realize carbon neutrality by leveraging forests and wood resources	7 Affordable and Clean Energy	13 Climate Action
	3 To realize a circular bioeconomy by leveraging forests and wood resources	11 Sustainable Cities and Communities	12 Responsible Consumption and Production

Value for people and society	4 To provide comfortable and secure spaces for society at large	3 Good Health and Well-being	9 Industry, Innovation and Infrastructure	11 Sustainable Cities and Communities
	5 To improve the livelihood of the local communities where we operate	3 Good Health and Well-being	8 Decent Work and Economic Growth	11 Sustainable Cities and Communities
	6 To create a vibrant environment for all workers	3 Good Health and Well-being	5 Gender Equality	8 Decent Work and Economic Growth

Value for the market economy	7 To create new markets with forests and wood	9 Industry, Innovation and Infrastructure	11 Sustainable Cities and Communities
	8 To transform markets through DX and innovation	9 Industry, Innovation and Infrastructure	16 Peace, Justice and Strong Institutions
	9 To establish a robust business structure	16 Peace, Justice and Strong Institutions	

Nine Material Issues and the Mid-term Sustainability Targets

For details on the review process and FY2025 results, please refer to the Sustainability Report 2026.
<https://sfc.jp/english/sustainability/management/materiality1.html>

In response to these accelerating global trends toward ESG investment, the Sumitomo Forestry Group identified its Nine Material Issues in conjunction with the formulation of its Long-term Vision Mission TREEING 2030, announced in February 2022. In the Medium-term Management Plan Mission TREEING 2030 Phase 2, we are reviewing progress and achievement levels after revising some of the evaluation indicators. We incorporate these indicators into the annual activity policies and initiatives of the management departments and manage them accordingly.



Value for our planet

Nine Material Issues	Initiatives	Indicators for evaluation	FY2025 targets	FY2025 results	FY2026 targets	FY2027 targets	Related SDGs
1 To enhance the value of forests and wood through sustainable forest management Nurturing forests to enhance and harness the value of wood and other forest resources.	Utilization of sustainable forest resources	Domestic and overseas certified forest area (ha)	346,152	317,891	420,152	451,152	 
		Seedlings supplied Domestic forest (10 thousand)	168	142.4	185	207	
		Volume of domestic timber handled (1,000 m³)	2,798	2,395	3,205	3,553	
		Reforestation projects (ha)	600	496	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	Implementation, reporting, and disclosure plan	Improvement and enhancement	Setting numerical targets	
2 To realize carbon neutrality by leveraging forests and wood resources Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.	Promotion of decarbonization (Scope 1 and 2)	[Scope 1 and 2] Total greenhouse gas emissions (t-CO₂)	185,157	145,779	176,525	167,892	 
		Change rate compared to FY2021 (%)	-24.4	-40.4	-27.9	-31.4	
	Promotion of decarbonization (Scope 3)	Renewable energy consumption rate [efforts to achieve RE100] (%)	45.1	52.7	55.4	66.3	
		ZEH ratio (%)	83 (6,880)	81.3 (7,091)	84 (7,056)	85 (7,140)	
		Number of environmentally certified houses obtained (total in the U.S.) (houses)	3,800	3,585	4,100	4,600	
		Amount of electricity supplied by renewable energy business (MWh)	826,469	820,384	843,001	840,072	
		[Scope 3] Category 11	CO₂ emission reduction rate per floor area of sold houses compared to FY2021	Housing Division	-5.4	-5.2	-7.5
				Global Construction and Real Estate Division	-13.0	-17.2	-14.0
3 To realize a circular bioeconomy by leveraging forests and wood resources Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.	Reduction and recycling of industrial waste	Final disposal amount (t) consolidated Change from FY2023 (%)	21,213 -7	17,344 -17.6	21,735 -9	21,018 -12	  
	Reduction of water consumption	Water consumption (m³)	2,971,001	2,895,105	2,972,632	2,989,957	
		Unit water consumption (m³)	1.22	1.31	1.09	0.98	
	Management of the supply chain	Rate of sustainability procurement surveys conducted (%)	38.0	66.7	39.0	40.0	
		Timber and Building Materials Division	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	FY2025 results	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	56.6	57.0	58.0	 	
		Response to declining birthrate and aging population	Number of rooms available at nursing care facilities (rooms)		1,882	1,882	1,882	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	16	22	22	 	
		Human rights	Building effective remedial grievance mechanisms		Revalidation	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	81.0	82.0	  	
				Consolidated in Japan	64.6	67.2	66.3	68.5		
		Diversity	Ratio of female employees to all employees (%)	Non-consolidated	25.1	25.2	26.0	26.8		
				Consolidated in Japan	36.0	33.9	37.0	37.1		
		Human resources development	Training cost per employee (¥1,000)	Non-consolidated	140.0	173.4	150.0	160.0		
				Consolidated in Japan	59.0	42.5	59.0	59.0		
		Occupational health and safety	Number of serious occupational injuries* ² (four or more days of lost worktime) (incidents)	0	70	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	FY2025 results	FY2026 Targets	FY2027 Targets	Related SDGs
7 To create new markets with forests and wood 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 ³)	0	—	70	102	
		Cumulative number of EPDs acquired by suppliers (cases)	55	26	95	145	
8 To transform markets through DX and innovation Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	DX related	Number of RPA citizen developers (persons)	260	296	380	500	
		Number of contract IDs through the JUCORE Mitsumori service* ³	1,070	205	2,714	3,674	
9 To establish a robust business structure Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	Governance / Compliance / Non-financial information disclosure	Number of BCM training sessions conducted (times)	2	4	2	2	
		Disclosure in securities reports based on SSBJ* ⁴ standards	Identification of scope of applicability	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		Indicators for evaluation (numerical targets)	Managing department	FY2025 targets	FY2025 results	FY2025 evaluation	FY2026 targets	FY2027 targets
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 		Seedlings supplied Domestic forests (million)	Environment and Resources Division	1.68	1.424	×	1.85	2.07
		Renewable energy consumption rate [Efforts to achieve RE100] (%)	All Sumitomo Forestry Group Companies	45.1	52.7	●	55.4	66.3
		Amount of electricity supplied by renewable energy business (MWh)	Environment and Resources Division	826,469	820,384	×	843,001	840,072
		Recycling rate at domestic manufacturing plants (%)	Timber and Building Materials Division	99.6	99.5	▲	99.6	99.6
		Water consumption (m ³)	All Sumitomo Forestry Group Companies	2,971,001	2,895,105	●	2,972,632	2,989,957

* Achievement evaluation Target achieved: ● Target not achieved but improved from the previous fiscal year: ▲ Target not achieved and worsened from the previous fiscal year: ×

The Sumitomo Forestry Group's environmental management

The Sumitomo Forestry Group has established the Environmental Policy and promotes businesses that contribute to the realization of a sustainable society while balancing the environment and the economy, covering the life cycle of products and all processes of business activities across all businesses. In the Medium-term Management Plan Mission TREEING 2030 Phase 2, the Group sets out further integrating business and ESG as one of its five basic policies. The Group has also formulated the Mid-term Sustainability Targets Phase 2 (2025–2027), and is enhancing its environmental management based on these goals.

Environmental management structure

To practice management in line with its management philosophy, the Sumitomo Forestry Group has established an environmental management structure in which the Representative Director and President of Sumitomo

Forestry serves as the person responsible for environmental management. To enhance the effectiveness of environmental activities, the Group has acquired ISO 14001 certification. The General Manager of the Sustainability Department serves as the chief environmental management officer, confirming the progress of environmental targets formulated by each division of the Sumitomo Forestry Group and reporting to the Sustainability Committee, which includes Directors who concurrently serve as Executive Officers. Through this process, the Group steadily implements the PDCA cycle.

The Sustainability Committee meets six times a year and is responsible for supervision, including planning and promoting initiatives to address medium- to long-term ESG issues, including climate change. Matters discussed by the Committee are reported to the Board of Directors by the Director in charge of sustainability promotion, and the Board of Directors is also involved in monitoring environmental performance.

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. 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, referring to the disclosure recommendations issued by the TCFD and TNFD.

Issues identified using the TCFD and TNFD frameworks are reflected in the targets of each business division and in the Corporate Division under the 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 table on the right.

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.

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

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 Division (distribution and manufacture of wood and building materials)	C	• Increase in costs due to introduction of carbon tax and stricter environmental regulations	• Decrease in wood value and sales due to increased preference for more robust buildings as a result of more severe disasters	• Increase in demand for renovations to environmentally conscious housing due to stricter environmental regulations; increase in sales of wood building materials
	C/N	• Increase in costs required to comply with stricter laws and regulations related to illegal and unsustainable forest harvesting	• Decrease in sales and increase in restoration costs due to severe flood damage from heavy rains and other factors or due to shutdown of operations	• Increase in sales due to development of biorefinery technologies and new products
	N	• Increase in costs of addressing growing litigation and stricter laws and regulations due to the impact of waste, water use, soil contamination, and land alteration on protected areas, etc.	• Decrease in sales due to less water available as a result of reduced water availability in surrounding areas	• Reduction in water procurement costs through further water conservation in manufacturing processes and reduced and more efficient water use
Housing Division (custom-built houses, spec homes, greening in Japan)	C	• Decrease in sales of wooden buildings due to long-term and relative decline in the value of wood as a result of progress in decarbonizing technologies for steel, concrete, and other construction materials	• Decrease in sales of wooden detached houses due to increased preference for more robust buildings as a result of more severe disasters	• Increase in sales of environmentally conscious multi-family housing, etc. due to customer preferences, policy changes, etc.
	C/N	—	• Increase in cost of premium payments to insurance companies due to increased disaster risk	• Increase in sales due to sales at premium prices in conjunction with enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites
	N	• Increase in costs required to comply with stricter laws and regulations associated with adverse impacts on surrounding communities and ecosystems due to waste, water use, and soil contamination	—	• Decrease in costs (e.g., greenkeeping) through green space management with reduced ecological impact (e.g., reduced use of pesticides and fertilizers, less intense pruning)
Overseas Housing Division and Real Estate Division (overseas single-family homes business, building materials manufacturing, and real estate development in Japan and abroad)	C	• Increase in costs due to introduction of carbon tax and stricter environmental regulations	• Increase in material procurement costs due to severe disasters causing building damage, extended construction times, and supply chain disruptions	• Expansion in market for medium- to large-scale wooden constructions due to ESG demand from investors and financial institutions
	C/N	• Increase in costs due to soaring wood procurement prices in response to increased demand for wood products to promote decarbonization, etc.	• Increase in cost of insurance premiums for properties under construction due to increased natural disaster risk	• Increase in sales due to acquisition of new customers who value the natural environment in conjunction with enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites
	N	• Increase in pollution control costs due to delay in introduction of technologies to reduce environmental impact	—	• Reduction in costs through promotion of efficient construction methods (use of panels and trusses) during construction
Environment and Resources Division (forest management, biomass power generation)	C	• Increase in costs due to introduction of energy-saving heavy equipment in conjunction with the introduction of carbon tax and stricter environmental regulations	• Increase in forest fires due to higher average temperatures, increased costs of wood procurement and replanting	• Increase in demand for renewable energy and increased sales of biomass-derived energy businesses due to strengthened decarbonization policies
	C/N	• Increase in costs required to comply with stricter laws and regulations in conjunction with the introduction of policies to promote certification of wood biomass raw materials and PKS	• Decrease in sales due to shutdown of operations in conjunction with forest fires and landslides	• Increase in sales due to the generation of carbon credits in connection with the promotion of forest and peatlands management and forest fund management
	N	• Decrease in sales due to unplanned shutdowns following criticism from local communities and NGOs for wood production violating the rights of indigenous and local residents	—	• Increase in sales due to promoting credit markets through participation in rulemaking for biodiversity credits
Lifestyle Service Division* (nursing home management, insurance business, etc.)	C	• Decrease in sales in the gasoline card business in conjunction with the shift from gasoline vehicles to electric vehicles	• Increase in costs for renovation of owned facilities and BCP response due to more severe disasters	• Increase in insurance subscribers, shorter policy periods, increased renewal frequency, and increased sales due to more severe disasters

* Only TCFD scenario analysis was conducted for the Lifestyle Services Business

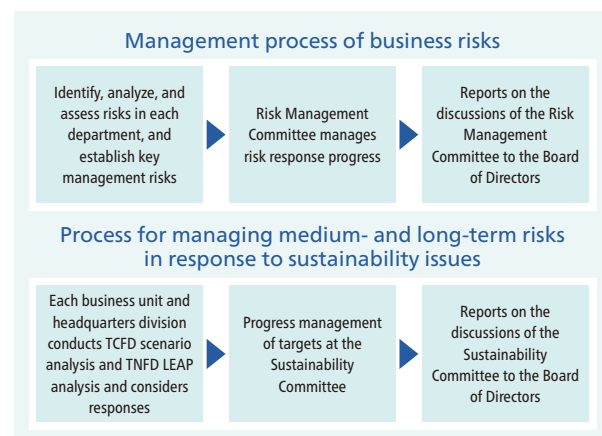
Responding to the Environment Issues and Climate Change

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.

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. Starting in 2025, as one of its initiatives toward achieving carbon neutrality by 2050, the Group began considering the formulation of a transition plan.

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. Furthermore, in accordance with TNFD guidance, the Group will also continue considering the formulation of a nature transition plan.



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.
Overseas Housing 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.
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
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
		- Consider flood risk when selecting operation sites and strengthen disaster prevention measures - Formulate a business continuity plan (BCP) to handle major disasters and establish a rapid restoration system - Promote the development of products that make effective use of resources in cooperation with the venous industry to differentiate products in the market - Develop service packages to support the accurate understanding of forest health and resource quantity by utilizing the latest remote sensing, drone survey, and satellite technologies, and propose to improve the efficiency and accuracy of forest management - Develop marketing activities for service packages targeting local governments and companies with large company-owned forests - Diversify raw material procurement by developing alternative fuels and new supply sources - Manage fuel cost volatility risk through the use of long-term and forward contracts

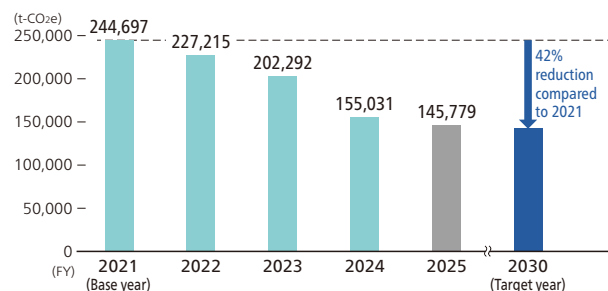
Responding to the Environment Issues and Climate Change

Metrics and targets

Formulation of our Science Based Targets (SBT)

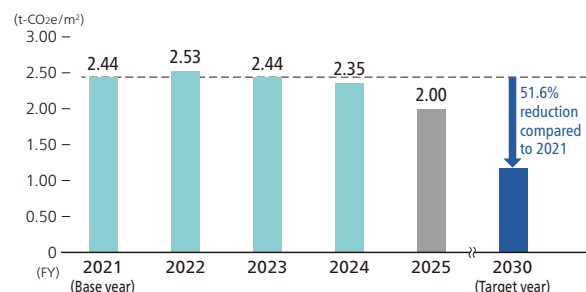
The Sumitomo Forestry Group has established long-term targets related to climate change and is promoting initiatives while incorporating them into its Mission TREEING 2030 Phase 1 and Phase 2 Medium-term Management Plans and annual plans. In 2017, the Group

SBT progress: Scope 1 and 2



declared its intention to formulate Science Based Targets (SBT) and formulated new Group-wide greenhouse gas emissions reduction targets, which were approved as SBT in July 2018. In November 2024, we received certification for new targets and Forest, Land and Agriculture (FLAG) sector^{*2} targets, which were developed based on an assumption of reaching net-zero emissions by 2050.

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



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 2025, renewable energy introduced for electricity used in the Sumitomo Forestry Group's business activities accounted for 43.6% of the Group's total electricity use, 3.8 percentage points higher than in fiscal 2024. In the Mid-term Sustainability Targets Phase 2 (2025–2027), the Group has set a target of introducing 66.3%^{*3} of renewable energy in the electricity used in its business activities by fiscal 2027.

^{*3} Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as an entire country (52.7% achieved as of fiscal 2025).

The Sumitomo Forestry Group's SBT

Net-zero targets

- 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^{*1} 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,^{*2} signed a commitment required by the SBT Initiative to halt deforestation by December 31, 2025

^{*1} 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.

^{*2} 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

Nature Positive Statement

In 2025, the Sumitomo Forestry announced 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 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.

Nature Positive Statement (excerpt)

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.

Based on the concept of sustainable forestry, the Sumitomo Forestry Group systematically carries out afforestation, forest cultivation, and harvesting, and works to produce timber sustainably. In addition to appropriate harvesting and forest operation management, the Group maintains the health of forests through thinning, underbrush clearing, and other activities. However, many of these initiatives involve process management to confirm whether activities are being properly implemented, rather than confirming the resulting “status” of forests.

In fiscal 2025, the Group therefore launched a pilot project to quantify the results of related initiatives in each business division. To quantitatively understand its contribution to Nature Positive and use this as reference material for considering the formulation of specific action targets, the Group has begun rolling out and is promoting surveys of

Main monitoring survey projects and collaboration partners, including experts

Business	Survey target	Target site	Expert collaboration partners
Forests	(Biodiversity) Plant and mammal monitoring	Indonesia, West Kalimantan	Biome Inc.
	(Biodiversity) Monitoring of wildlife habitat conditions	Hyuga Company-owned Forest, Japan	Regional Environmental Planning Inc.
	(Biodiversity) Plant and animal monitoring	Monbetsu Company-owned Forest, Japan	The University of Tokyo
	(Water resources) Water volume and water quality monitoring	Monbetsu Company-owned Forest, Japan	The University of Tokyo
	(Carbon) Tree species identification of broadleaf trees and wide-area carbon assessment	Monbetsu Company-owned Forest, Japan	The University of Tokyo
Manufacturing/ construction	Effectiveness of community support in procurement areas	East Java, Indonesia	The University of Tokyo
	Reduction of timber usage in the truss and panel manufacturing business	United States	Company survey
	Assessment and reduction of environmental impact in timber manufacturing and construction	Japan	Waseda University
Urban greening	Biodiversity monitoring of greenery in detached houses in Japan	Japan	Biome Inc.
	Ecosystem monitoring in land development business in the United States	United States	Nature metrics
All businesses	Survey and reduction of water usage across all businesses	All business sites	Company survey

forest biodiversity, water recharge volume, and other matters.

The Group plans to incorporate these results into its “Nature Positive targets” under the sustainability targets to be set in the next Medium-term Management Plan.

Engagement in international frameworks to realize Nature Positive

The Sumitomo Forestry Group is proactively engaging not only in implementation through its businesses, but also in the formation of international rules and the advancement of evaluation methods, toward the realization of a decarbonized society and Nature Positive.

Since fiscal 2025 the Sumitomo Forestry Group has been

taking on the challenge of visualizing the value of ecosystem services provided by forests as a member of the ISFC. Through the visualization project, we will work on the measurement and evaluation of seven important ecosystem services targeting a total of 23 million hectares of forests managed by 18 international forestry companies in 38 countries. In fiscal 2025, the Group also participated in the Forestry Agency’s consideration of biodiversity evaluation methods and became an international member of FSC.

 For more information on the Nature Positive Statement, please visit the Sustainability website below.
<https://sfc.jp/english/sustainability/environment/biodiversity/>

Human Resources Strategy

For other indicators, please refer to the sustainability portion of our website linked below.
<https://sfc.jp/english/sustainability/management/materiality6.html>

Material issues and related SDGs		Indicators for evaluation (numerical targets)		Managing department	FY2025 targets	FY2025 results	FY2025 evaluation	FY2026 targets	FY2027 targets
6 To create a vibrant environment for all workers   	Paid leave usage ratio (%)	Non-consolidated		Personnel Department	69.5	72.1	●	70.0	70.0
		Subsidiaries in Japan			70.9	70.9	●	72.6	77.1
	Male childcare leave acquisition rate (%)	Non-consolidated		Personnel Department	100.0	71.4	×	100.0	100.0
		Subsidiaries in Japan			55.7	49.0	▲	61.7	68.2
	Female officer ratio (%)	Non-consolidated		Personnel Department	16.3	12.9	×	18.8	21.4
		Subsidiaries in Japan			59.0	42.5	×	59.0	59.0
	Training costs per employee (¥ thousand)	Non-consolidated		Personnel Department	140.0	173.4	●	150.0	160.0
		Subsidiaries in Japan			59.0	42.5	×	59.0	59.0

* Achievement evaluation Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

The Sumitomo Forestry Group has established the following three pillars as its human resources strategy and sets forth “nurturing employees who learn by themselves, think about the essence of things, and take action on their own” and “creating a workplace culture in which employees can work open mindedly and be energetic” as the Group’s basic policy for human resource development. 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 strategy issues and countermeasures

Pillars of our human resources strategies	Issues	Countermeasures
Securing and developing human resources who will transform and create businesses	- Acquisition of specialized and globally minded human resources to respond to business diversification - Development of management personnel who can bring out the diverse potential and motivation of employees and co-create strategies - Development of employees with the ability to improve operations, transform businesses, and create businesses	- Introduction of a system for the recruitment of specialized human resources - Securing globally minded human resources by strengthening the recruitment of international students - Human resources development through skill maps and one-on-one meetings - Implementation of management skills training for all managers to draw out the abilities of each and every employee - 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 - Systematic assignments for the purpose of selecting and developing next-generation managers
A system to maximize employee performance and a free and open corporate culture	- 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 - 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	- New graduate and mid-career recruitment by job category and work area - 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) - Implementation of talent management based on the evaluation of individual employees’ skills and behaviors - Establishment of an integrated core human resources system for the Group in Japan - Reskilling according to the human resource needs of each Group company and the skills possessed by employees - Spreading of understanding and fuller awareness of diversity, equity, and inclusion - Implementation of corporate culture reform projects tailored to the characteristics of the organization - Implementation of psychological safety training for management
Promotion of health management	Improvement of productivity and revitalization of the organization by maintaining and improving employee health	- Guidance on improvement for high-risk employees and departments using the results of health checkups and stress checks - Creation of opportunities to maintain and improve health - Education to improve health literacy - Regular provision of information by public health nurses and clinical psychologists, and strengthening cooperation with health personnel at each site

Human Resources Strategy

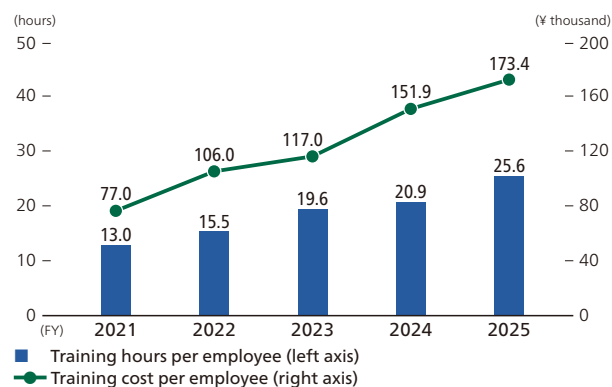
Human resources development

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 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 over 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 that allow employees to learn from a wide range of practical, job-relevant programs. Additionally, we have a system in place to subsidize part of the costs for external

Training costs & hours (non-consolidated)



training courses that are not designated by the Company.

At Sumitomo Forestry (non-consolidated), training expenses per employee amounted to 173,400 yen (up 21,500 yen from fiscal 2024), and training hours per employee totaled 25.6 hours (up 4.7 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.

Global human resources development

As the Group expands its global business development, it is working to secure and develop global human resources who will support the management foundation in each region. Since January 2025, the Corporate Division has been working to develop planning-oriented human resources who can play active roles globally by supporting not only the improvement of language skills but also the acquisition of professional qualifications in areas such as finance, accounting, and legal affairs. In addition, the Group will develop human resources capable of handling multiple operations through human resources rotations within the Corporate Division, while dispatching expatriates with specialized expertise to each region, thereby strengthening global governance.

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. Since fiscal 2022, the Group has also implemented a program covering international affairs in general. In fiscal 2025, 22 employees participated in the program.

Introduction of a DX human resources development system

Under the policy of promoting DX with the participation of all employees, the Group positions all employees as

“human resources with digital literacy.” To support employee learning, the Group offers courses to prepare for the IT Passport Examination and the Grade 3 Test of Statistics, with the aim of helping employees acquire basic knowledge of IT and security and deepen their understanding of the importance of utilizing real data.

In addition, to develop “advanced digital human resources” who will serve as leaders in promoting DX at business divisions, the Group has established a training system in two specialized fields: “DX planning and promotion human resources” and “data utilization human resources.” The program began operating in 2025. Over the full year, approximately 80 employees participated in the training, and around 60% of them received certification in “DX human resources basics.” The Group will continue to offer this training from 2026 onward and further promote DX at Sumitomo Forestry.

Management personnel development

We conduct selective training for employees who are at least 35 years old. In fiscal 2025, 55 employees took part in 11 programs, focusing on management leadership development training and transformational training for middle management.

In addition, to enhance the capabilities of managers, the Group provides management skills training designed to bring out the abilities of each employee, as well as psychological safety training aimed at creating open workplaces where employees can engage in free and open discussions. These programs are provided to all managers, and in fiscal 2025, 360 and 795 employees participated in the respective programs.

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

Human Resources Strategy

Health management and work-life balance

The Sumitomo Forestry Group believes that maintaining and improving employee health not only contributes to the happiness of each employee, but also leads to higher productivity and greater operational efficiency. Based on this approach, the Group established the Sumitomo Forestry Group Declaration on Health Management in 2021. In the Mid-term Sustainability Targets, the Group sets targets such as improving employee satisfaction, the rate of childcare leave taken by male employees, and the rate of paid leave taken, as well as reducing long working hours, and is promoting initiatives that also include domestic subsidiaries.

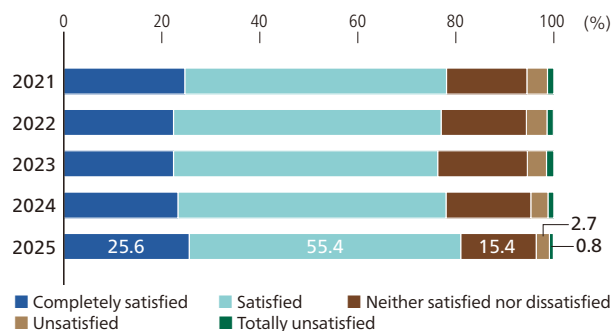
The Group had set a target of 100% for the rate of childcare leave taken by male employees in fiscal 2025, but the actual rate was 71.4%. Through early guidance and the sharing of internal case studies, the average number of childcare leave days taken has increased, and the system is

Male childcare leave acquisition rate

		FY2021	FY2022	FY2023	FY2024	FY2025
Non-consolidated	Acquisition rate (%)	50.4	49.0	70.0	78.1	71.4
Subsidiaries in Japan	Acquisition rate (%)	28.0	32.8	28.0	48.7	49.0

Trends in employee satisfaction from the employee awareness survey (non-consolidated)

Q: Are you satisfied working for the Company?



becoming more widely embedded within the Group. In addition, to support employees in balancing family care and work, the Group will establish a new Family Care Leave System in 2026 and continue to develop an environment that supports diverse work styles.

Diversity, equity and inclusion

In April 2024, we issued the Sumitomo Forestry Group Declaration on DEI, which defines and clarifies the terms diversity, equity and inclusion. With regard to diversity under the DEI Declaration, the Group manages targets based on four indicators as measures for promoting the

Indicators for women's empowerment (non-consolidated)

	FY2021	FY2022	FY2023	FY2024	FY2025
Ratio of female employees (%) ^{*1}	22.6	23.1	23.8	24.4	25.2
Ratio of newly graduated female recruits (%) ^{*2}	26.9	33.1	34.1	32.8	36.6
Ratio of female employees in management positions (%)	2.2	2.4	3.2	3.7	4.2
Average years of service of female employees ^{*3}	11 years 8 months	12 years	12 years	12 years	11 years 9 months

^{*1} Includes employees seconded to affiliated companies and does not include officers, secondments to Sumitomo Forestry, and exchange dispatches.

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

^{*3} Calculated as of the end of each fiscal year.

advancement of women.

In fiscal 2025, the Group achieved its target for the ratio of female managers, but did not achieve its targets for the other three indicators. To achieve these targets, the Group conducted awareness-raising activities aimed at encouraging employees to consider their careers over the long term, including training for each level, such as candidates for manager positions, newly appointed managers, and candidates for female leadership positions. The Group will continue to further strengthen awareness-raising activities as part of its DEI initiatives.

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

	FY2023	FY2024	FY2025
Ratio of female employees in management positions (%) ^{*4}	3.2	3.7	4.2
Gender wage gap (%) ^{*4,5}	All employees	47.8	49.4
	Regular employees	63.2	65.9
	Part-time and fixed-term employees	59.6	60.4

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

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

Promoting the growth and career development of female human resources through cross-industry exchanges

In November 2025, as part of information exchange among nine housing manufacturers,^{*6} a meeting was held for women in sales and design positions, with approximately 170 participants in total from the participating companies. Across company boundaries, participants shared examples of balancing work and childcare, management, and motivation enhancement, and engaged in candid exchanges of views on careers and working styles through group discussions. Participants commented that "the values and experiences of people at other companies were helpful" and "my concerns about my career were eased, and I felt that I wanted to work at my own pace," indicating that sharing diverse role models helped increase motivation.

^{*6} The nine companies are Asahi Kasei Homes, Sekisui Chemical, Sekisui House, Daiwa House Industry, Mitsui Home, Toyota Housing, Panasonic Homes, Misawa Homes, and Sumitomo Forestry. The Company has participated since 2008.



Discussion in progress

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

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



Indicators for evaluation (numerical targets)		Managing department	FY2025 targets	FY2025 results	FY2025 evaluation	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	Companies where greenhouse gas emissions are tracked (%)	Timber and Building Materials Division	38.0	66.7	●	39.0	40.0
	Companies with greenhouse gas emission reduction plans (%)		27.0	52.2	●	28.0	30.0

* Achievement evaluation Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

Supply chain management

The Sumitomo Forestry Group recognizes its responsibility to address human rights and environmental issues in the supply chain of its businesses, and contributes to the realization of a sustainable society throughout the entire supply chain by promoting the wider use of certified timber in the market. Since establishing the Wood Procurement Standards in 2005, the Group has developed its initiatives for responsible procurement while gradually expanding their scope. Today, in addition to timber, the Group conducts procurement activities that take into consideration the economy, society, and the environment for all procured items, including metals and building materials, based on the Sumitomo Forestry Group Procurement Policy.

Structure for promoting wood procurement management

The Sumitomo Forestry Group established the Wood Procurement Committee, which is chaired by the head of Sumitomo Forestry's Corporate Division and comprises managers from the departments in charge of wood procurement. The Wood Procurement Committee confirms legality and sustainability and conducts the Sustainability Procurement Survey for direct-import suppliers subject to screening and suppliers with whom overseas Group companies engage. Inspections are conducted either once a year or once every two years, depending on the risk level of each country.

FY2025 results	
Wood Procurement Committee Held 4 meetings	Sustainability Procurement Survey Conducted by 290 companies

Procurement of sustainable timber and wood products

The Sumitomo Forestry Group conducts timber procurement due diligence at each procurement department to ensure the legality and sustainability of timber. In addition to confirming that suppliers can provide wood products made from legally harvested timber, the Group also checks suppliers' traceability and supplier management. Even if legality can be ensured, for timber and wood products that do not meet the definition of "sustainable timber and wood products," the Group plans and implements measures to shift to alternative materials, such as selectively logged natural timber and plantation timber, and to gradually stop handling such products.

Based on the timber procurement due diligence manual, each procurement staff member confirms 52 items of information, including supplier information, raw material tree species, supply region, supply volume, supplier survey results, and records of visits, and verifies legality and sustainability. In addition, the Group conducts risk assessments based on countries, regions, tree species, and other factors, in accordance with the criteria for assessing illegal logging risks related to timber procurement established by the Wood Procurement Committee. The Group also confirms whether there are any violations of the

rights of workers or local residents in supply regions and the status of biodiversity conservation, thereby identifying environmental and social risks in the supply chain.

In fiscal 2025, the Group conducted reviews of 53 companies in risk category A,* 46 companies in risk category B,* and 191 companies in risk category C.*

* Risk categories: A (low risk), B (medium risk), and C (high risk).
 Category A covers important suppliers regardless of contract volume or period.
 For categories B and C, in addition to confirming documents certifying that timber was harvested in compliance with the laws and regulations of the logging country, the Group also confirms traceability to the logging site.

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** Not contributing to deforestation
 - **Social** Not violating human rights such as occupational safety, forced labor, indigenous rights, etc.

1 Certified timber and materials sourced from certified forests: 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 Wood from planted forests

3 Wood from natural forests where forest management and distribution can be assessed as sustainable.

(This does not include wood from conversion forests. = wood 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)

Human Rights

Material issues and related SDGs

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



Indicators for evaluation (numerical targets)	Managing department	FY2025 targets	FY2025 results	FY2025 evaluation	FY2026 targets	FY2027 targets
Building grievance mechanisms	Sustainability Department	Revalidation	Revalidation	●	Establishment	Implementation

* Achievement evaluation Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

Respect for human rights

The Sumitomo Forestry Group positions respect for human rights as an important foundation of its business activities, based on international norms such as the International Bill of Human Rights and the United Nations Guiding Principles on Business and Human Rights. Through the establishment and ongoing review of its human rights policy, the Group clearly states its prohibition of discrimination and non-tolerance of forced labor and child labor, and ensures respect for the human rights of all people, including women, children, and indigenous peoples. The Group also asks its business partners to commit to respecting human rights, and works to identify and reduce human rights risks throughout the supply chain through human rights due diligence. When necessary, the Group also supports business partners in their initiatives to respect human rights.

 **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 identifies negative impacts on human rights in its business activities through human rights due diligence and works to prevent and mitigate such impacts. Since 2017, the Group has advanced these initiatives while incorporating the knowledge of external experts, and in 2019 conducted risk mapping for each business division. In 2025, the Group reviewed its risk mapping based on the most recent business environment, identified important

human rights issues, and organized their relationship with each business. As a result, the Group identified the following human rights issues as significant 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

Responses to identified risks

For the identified risks, each business takes measures to reduce and remedy risks. In planning new businesses and projects, the Group also conducts risk checks with the entire supply chain in view. These checks also cover social items, including consideration for the human rights of workers and other stakeholders.

Operation and improvement of grievance mechanisms

Sumitomo Forestry recognizes the importance of grievance mechanisms (complaint handling mechanisms). Accordingly, our Customer Service Department serves as a point of contact that handles requests for consultations from customers and neighbors of our housing construction sites. We also have a compliance hotline, an external consultation service through the Employee Assistance Program (EAP) and a harassment hotline for business partners and employees. Moreover, we accept inquiries, including complaints, at our website in Japanese, English, and Chinese. Inquiries sent to our website are forwarded by

the contact point of the Corporate Communications Department to the relevant specialized department at the head office or to the responsible department for the appropriate treatment of the inquiry according to its details.

In April 2026, we became a regular member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), a general incorporated association that provides a grievance platform in accordance with the United Nations Guiding Principles on Business and Human Rights, as a regular member company. Through the platform operated by JaCER, an independent third party, the Company also accepts grievances and reports concerning human rights violations from all stakeholders.

 **JaCER website:** <https://jacer-bhr.org/en/index.html>

Respecting human rights in overseas forestry business

In the Sumitomo Forestry Group's overseas forestry business, we have implemented the following initiatives relative to stakeholder engagement and grievance mechanisms.

Indonesia

A grievance mechanism has been established with consideration for the rights of indigenous peoples and local communities.

Opinions from local communities are collected in writing or in person, and responses are provided after approval by management.

Papua New Guinea

Suggestion boxes have been installed so that anyone in the local community, whether internal or external to the company, can submit opinions.

New Zealand

When important exchanges take place with stakeholders, including neighboring residents and contractors, the details are recorded in the stakeholder register. By communicating after understanding the background of past interactions, the Company uses this as a way to help build smooth relationships.

Stakeholder Engagement



Stakeholder engagement

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

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 process to further value creation.

Stakeholders of the Sumitomo Forestry Group															
	<table> <tr> <th>Responsibilities</th><th>Communication methods</th></tr> <tr> <td> Customers - Providing safe, high-quality products and services - Disclosing timely and accurate information and providing accountability - Understand the requests and needs and improve satisfaction through communication </td><td> - Sumitomo Forestry Call Center - Customer Satisfaction Survey - Websites and media, news magazines, etc. - Exhibitions and various other events </td></tr> <tr> <td> Employees and their families - Creating a fair work environment with respect for human rights and no discrimination - Providing and developing a workplace that promotes the emotional and physical wellbeing of employees and their families, as well as allowing individuals of various backgrounds and circumstances to maximize their potential - Equally and fairly evaluating personnel - Establishing educational systems able to drive and improve skills - Establishing measures, policies and other regulations to enhance the work-life balance </td><td> - Conducting regular consultations and performance reviews - Conducting employee satisfaction surveys - Conducting stress checks - Installing a compliance hotline - Implementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.) - Employee Assistance Program (EAP) service - Holding discussions between the President and employees - Holding Family Open Day - Carrying out meetings with management made up of both labor and management committee members - Publishing internal magazines, creating an internal website </td></tr> <tr> <td> Shareholders and investors - Disclosing timely and accurate information - Pursuing informational transparency and accountability - Executing the appropriate premium redemption to shareholders </td><td> - 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 - Communicating information on websites, integrated reports, shareholder correspondence, various briefing materials and in other relevant forms - Responding to surveys for assessment and research agencies related to sustainability, etc. </td></tr> <tr> <td> Business partners - Building equal and fair relationships with business partners - Improving the occupational health and safety environment - Complying with all relevant laws and regulations </td><td> - Engaging in purchasing and procurement activities - Conducting safety conferences, safety patrols and building contractor meetings - Conducting workshops and informational exchange meetings - Conducting supplier evaluations (surveys and questionnaires) </td></tr> <tr> <td> Global environment - Preserving the natural environment and biodiversity - Reducing the environmental impact of business activities - Developing and providing products and services with minimal environmental impact </td><td> - Providing an environment for business - Supplying and standardizing environmentally conscious housing - Acting as volunteers in building forests such as in reforestation - Carrying on a dialogue with NPOs/NGOs - 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Stakeholder Engagement

Actual dialogue with stakeholders

Customers	FY2024	FY2025
Number of calls received by the call center	130,016	126,433
Customer satisfaction ratio (surveyed when residents move in)	97.2%	96.8%

Employees and their families	FY2024	FY2025
Overtime working hours (compared to FY2017)(non-consolidated)	13.1% reduction	14.5% reduction
Education expense per employee (non-consolidated)	¥152,000	¥173,000

Shareholders and investors	FY2024	FY2025
Individual meeting for analysts and investors (in and outside Japan)	478	662
Full-year dividend per share (year ended December 31)*	¥48.3	¥53

* The Company conducted a three-for-one stock split with an record date of June 30, 2025, and the past dividend results have been retroactively adjusted accordingly.

Business partners	FY2024	FY2025
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	FY2024	FY2025
Percentage of orders for ZEH out of new custom-built detached housings in Japan	79.3%	81.3%
Percentage of sustainable timber and wood products handled	100%	100%

Global society and local communities	FY2024	FY2025
Expenditure on social contribution activities	Approx. ¥81 million	Approx. ¥80 million
Cumulative number of visitors to Mt. Fuji Manabi no Mori	Approx. 1,600	Approx. 1,400

Dialogue with employees

Communication between the President and field employees

The Sumitomo Forestry Group regularly provides opportunities for communication between the President and employees. In 2025, we conducted exchanges of opinions through a field dialogue program conducted by President Mitsuyoshi himself at ten branches and sales offices throughout Japan. The President provided an explanation of the Wood Cycle and answered questions from employees. Participating employees commented that they wanted to “use what they learned from the dialogue and communicate it to customers,” and video of the event was distributed within the Company.



Field dialogue program conducted by President Mitsuyoshi

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Dialogue with customers

Customer surveys

Sumitomo Forestry conducts surveys of customers who have purchased custom-built houses at three points: upon move-in, in the second year, and in the tenth year. In the fiscal 2025 survey, the satisfaction ratio was 96.8% in the survey of new owners, and 97.3% 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.

Dialogue with shareholders and investors

Briefings

Sumitomo Forestry actively discloses information to enhance management transparency. In addition to individual meetings, site briefings, and briefings for individual investors, the Company is expanding opportunities for dialogue through engagement and roadshows with overseas investors, including online meetings, and actively participates in IR conferences in Japan and overseas.

Track record of dialogue with investors (FY2025)

Individual IR meetings	Briefings for individual investors
Total in Japan and overseas: 662	2
Overseas roadshows	IR conferences
4 (U.S., Europe, Australia, and Asia)	Total in Japan and overseas: 10
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IR FAQ → P.94	

Dialogue with business partners

Sustainability procurement survey

The Housing Division conducts an annual Sustainability Procurement Survey of existing suppliers, covering 53 items related to social and environmental matters and the sustainability of timber procurement. In fiscal 2025, 89 companies were subject to the survey, representing 98.2% of the total purchase amount from target manufacturers in the previous fiscal year, and the response rate was 100%. The Company shares its approach to responsible procurement, including the Sumitomo Forestry Group Code of Ethics and the Sumitomo Forestry Group Procurement Policy, by distributing recorded videos of the Sustainability Procurement Survey briefing. It also provides feedback to all suppliers based on the survey results. If a supplier has not addressed any “high-risk” items, we individually confirm the situation, request improvements, and thoroughly record the responses. We continue to follow up with suppliers that still have issues and encourage improvements.

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