Corporate Governance

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

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.

A unique aspect of the Sumitomo Forestry Group can be found in its business activities around the Wood Cycle, the upstream to downstream value chain centered on wood, which is a renewable form of natural capital. In addition to leveraging our unique strengths, including technologies and expertise related to wood, networks within and outside Japan, and housing brand strength, the Group organically links management resources across the entire Group. In doing so, we generate synergies between businesses and strive to continuously enhance corporate value.

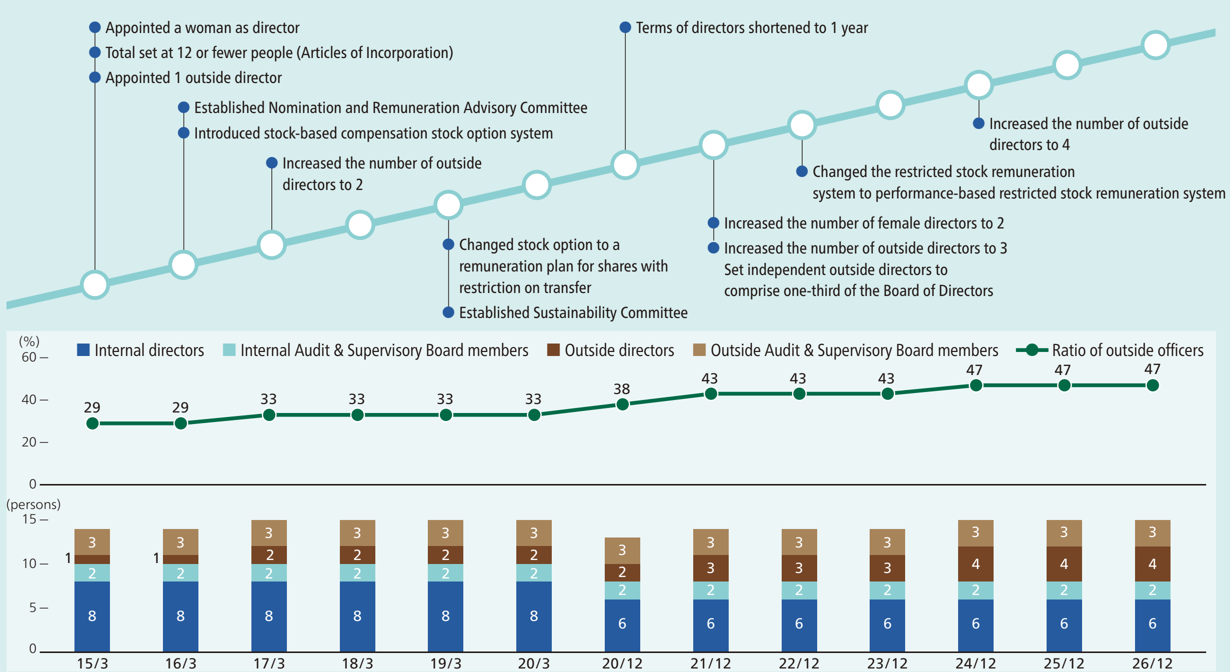
Under this business structure, the Company believes it is important for the Board of Directors to make decisions on important operational execution matters from a comprehensive perspective, based on coordination across the entire Group, and to provide highly effective supervision of each director. The Company also believes it is important to ensure that the audit function is fully exercised from a standpoint that is independent from the Board of Directors. Audit & Supervisory Board members, as independent officers, are expected to exercise their audit function from a medium- to long-term and continuous perspective throughout their four-year term of office. For this reason, the Company has adopted the structure of a company with an Audit & Supervisory Board. In addition, the Company has introduced an executive officer system to separate decision making and management oversight functions from operational execution functions, thereby strengthening the Board of Directors' supervisory function over operational execution and clarifying responsibility for operational execution.

At present, the Company believes that its current system, which combines decision-making and supervision by the Board of Directors with independent and continuous audits by

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 2025)	15 times
Adoption of the executive officer system	Yes
Nomination and Remuneration Advisory Committee	Yes
Accounting auditor	Ernst & Young ShinNihon LLC

Initiatives for corporate governance



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Audit & Supervisory Board members, is an effective corporate governance system for the Sumitomo Forestry Group.

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

Board of Directors and Executive Committee

FY2025 meeting results	
Board of Directors	Executive Committee
15 meetings	27 meetings

The Board of Directors is comprised of 10 directors (8 male and 2 female), including 4 outside directors (2 male and 2 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%.

Main agenda items discussed by the Board of Directors	- Matters related to the progress of the Medium-term Management Plan - Important investments - Matters related to loans, real estate development, and other matters - Matters related to corporate governance - Status of ESG-related activities - Status of strategically held shareholdings - Status of dialogue with shareholders and institutional investors - Status of risk management activities - Matters related to internal audits - Matters related to the evaluation of the effectiveness of the Board of Directors - Other matters stipulated by laws, regulations, the Articles of Incorporation, and other rules

Statutory audit system

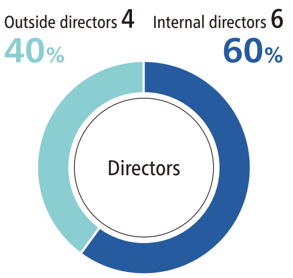
FY2025 meeting results	
Audit & Supervisory Board	Group Audit & Supervisory Board
14 meetings	6 meetings

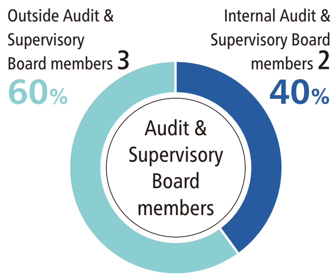
The Audit & Supervisory Board is comprised of 5 Audit & Supervisory Board members (3 male and 2 female), including 3 outside Audit & Supervisory Board members (2 male and 1 female). Each Audit & Supervisory Board member audits the directors' execution of duties utilizing the deep insights and diverse perspectives they have acquired from their various backgrounds.

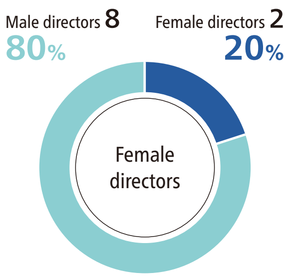
Dedicated staff who assist in the audit operations of Audit & Supervisory Board members, and auditing inspectors, who double as senior managers of major departments, are assigned with a particular focus on enhancing the function of audits from a practical perspective. In addition, the Audit & Supervisory 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 whether internal controls are functioning effectively.

Audit & Supervisory Board members are ensured opportunities to express their opinions, as necessary, on operational execution by directors, and the Company believes this sufficiently ensures objectivity in management. Furthermore, in conjunction with the monthly meetings of the Audit & Supervisory Board, the Company provides opportunities for the deputy divisional manager of the Corporate Division responsible for corporate planning and others to explain the agenda items discussed at Executive Committee meetings. This system enables all Audit & Supervisory Board members and outside directors to gain a detailed understanding of important matters. Audit & Supervisory Board members also regularly exchange opinions with representative directors. In addition, the Company works to improve the effectiveness of audits by holding Group Audit & Supervisory Board meetings every other month with Audit & Supervisory Board members of major subsidiaries in Japan and through other initiatives.

Membership and composition of directors, Audit & Supervisory Board members, and female directors (as of March 27, 2026)







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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.

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 and 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. As for the composition of the committee, the director members comprise 2 internal directors, namely the Chairman and the President, and 4 outside directors, with outside directors constituting a majority. In addition, 3 outside Audit & Supervisory Board members also serve as committee members, as the Company believes that their inclusion, given their role in auditing the execution of duties by directors from an independent standpoint, further ensures fairness and transparency. As a result, outside directors do not constitute a majority of all committee members. However, the Company believes that the committee's independence and monitoring functions are sufficiently strengthened by having outside officers, comprising outside directors and outside Audit & Supervisory Board members who constitute a majority of the committee members, and by having an outside director serve as chairperson of the Nomination and Remuneration Advisory Committee.

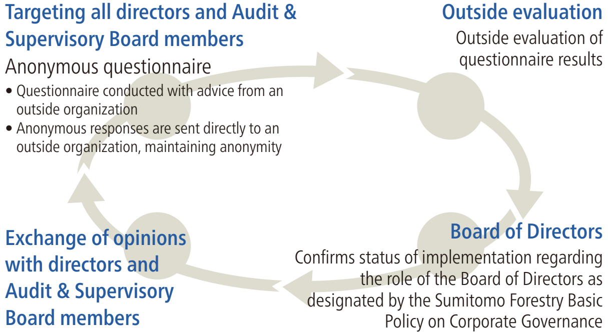
FY2025 meeting results
Nomination and Remuneration Advisory Committee
5 meetings

Main agenda items discussed by the Nomination and Remuneration Advisory Committee	- Review of the skills matrix in line with the Medium-term Management Plan - Nomination of candidates for directors and Audit & Supervisory Board members - Appointment of representative directors and executive officers - Evaluation of the Chief Executive Officer and executive officers - Remuneration of directors and executive officers - Matters related to the succession plan for management and other matters

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

Analysis/evaluation process



Analysis and evaluation of the effectiveness of the Board of Directors

1. Method of evaluation

(1) Evaluation process

Regarding the effectiveness of the Board of Directors, including the Nomination and Remuneration Advisory Committee, in the fiscal year under review, the Company conducted a questionnaire for self-evaluation and analysis for all directors and all Audit & Supervisory Board members on the evaluation items listed below, with advice from an external organization. To ensure anonymity, responses were submitted anonymously and directly to the external organization. In addition, the Company conducted an external evaluation of the questionnaire results. 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) Evaluation items

- Composition of the Board of Directors and other matters
- Operation of the Board of Directors
- Management strategies and management plans
- Internal controls and risk management
- Nomination, remuneration, and monitoring functions
- Performance of outside directors
- Support system for directors and Audit & Supervisory Board members
- Training
- Dialogue with shareholders and investors
- Individual initiatives
- Evaluation of the Nomination and Remuneration Advisory Committee
- Overall evaluation

2. Results of evaluation

(1) Overall evaluation

As a result of the evaluation in 1. above, the Company's Board of Directors was found to be functioning effectively overall.

(2) Initiatives addressing matters recognized as issues in the previous fiscal year's evaluation

1. Regarding the issue of "working to provide appropriate supervision so that effective plans are set up for the systematic development of successor candidates," the Nomination and Remuneration Advisory Committee clarified the selection criteria and related approach by including matters related to the selection criteria for officer candidates on its agenda. The committee also enhanced its discussions on the succession plan and sufficiently shared the content of these discussions with the Board of Directors.
2. Regarding the issue of "providing sufficient feedback on the status of dialogue with shareholders and investors and taking initiatives for greater dialogue quality," the Company provided sufficient feedback by sharing information in a timely manner through reports on the status of dialogue, and also considered the ideal approach to dialogue and related matters.

(3) Main future issues and action policy

To further improve the operation of the Board of Directors, the Company will review matters such as delegation of authority, the nature of discussions at Board of Directors meetings, and the content of materials provided.

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

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Skills matrix

	Name	Title	Corporate management	Resources/ Environment	Construction/ Real estate development	Global	Finance/Accounting	Human resources development/DEI	Legal affairs/ Risk management	IT/DX	Industrial policy
Directors	Akira Ichikawa	Representative Director, Chairman of the Board	●			●	●	●	●	●	●
Directors	Toshiro Mitsuyoshi	Representative Director, President and Executive Officer	●	●	●	●					
Directors	Tatsumi Kawata	Representative Director, Executive Vice President	●	●		●	●	●	●	●	
Directors	Atsushi Kawamura	Director, Senior Managing Executive Officer	●	●	●	●					
Directors	Nobuyuki Otani	Director, Managing Executive Officer	●	●		●	●				
Directors	Kenji Inui	Director, Managing Executive Officer			●	●					
Directors	Mitsue Kurihara	Outside Director	●	●		●	●				●
Directors	Yuko Toyoda	Outside Director				●			●		
Directors	Toshio Iwamoto	Outside Director	●			●		●		●	
Directors	Kenji Sukeno	Outside Director	●			●	●	●	●		
Audit & Supervisory Board members	Toshio Kakumoto	Audit & Supervisory Board Member				●			●		
Audit & Supervisory Board members	Junko Saishu	Audit & Supervisory Board Member			●			●	●		●
Audit & Supervisory Board members	Yoshimasa Tetsu	Outside Audit & Supervisory Board Member					●				
Audit & Supervisory Board members	Takashi Kawachi	Outside Audit & Supervisory Board Member			●			●			●
Audit & Supervisory Board members	Naoko Munakata	Outside Audit & Supervisory Board Member				●			●	●	●

Reasons for selection of the skills

Skill	Reason
Corporate management	To achieve further growth of existing businesses, which cover a wide variety of aspects of people's lifestyles, such as forestry management, timber and building materials distribution and manufacturing, housing construction, etc. and to fulfill our Long-Term Vision amidst a global movement toward decarbonization, the Company needs board members who have experience in corporate management.
Resources/ Environment	In our Long-Term Vision, the Company has set out to enhance the value of "forests" and "trees" through sustainable forestry management, to create the new value of forests that are properly managed forests and expand sustainable forests. To implement measures based on recommendations made by TCFD (Task Force on Climate-related Financial Disclosures) and TNFD (Task Force on Nature-related Financial Disclosures) and to steadily implement initiatives to achieve our SBT-based greenhouse gas emissions reduction targets, the Company needs board members who have expertise and experience in resources and the environment.
Construction/ Real estate development	To establish a revenue base early on for the Company's medium- and large-scale wooden construction operations as stated in its Long-Term Vision and Medium-Term Management Plan, and to turn its real estate development operations into operations that sustainably contribute to the realization of the wood cycle, the Company needs board members who have expertise and experience in construction and real estate development.
Global	"Advancing globalization" is one of the business policies of the Company's Long-Term Vision. To promote the expansion of the business areas and scale of its overseas group operations, the Company needs board members who have global experience.
Finance/ Accounting	To achieve sustainable and steady profit growth by executing strategic investments that are conscious of capital costs while ensuring financial soundness, the Company needs board members who have expertise and experience in finance and accounting.
Human resources development/DEI	In the Company's Long-Term Vision, it has set out to enhance "Value for people and society." To reinforce its ability to continually retain and nurture human resources that transform and create businesses, to promote a free and open-minded organizational culture that maximizes employee performance and initiatives to maintain and promote health and wellness, the Company needs board members who have expertise and experience in human resource development and DEI (diversity, equity, and inclusion).
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 activities, the Company needs board members who have expertise and experience in legal affairs and risk management.
IT/DX	In our Long-Term Vision, the Company has set out to enhance "Value for the market economy." To revamp the business base through the use of IT and digitalization, to transform operations and improve efficiency by promoting DX (digital transformation), and to enhance the mid- and long-term competitiveness of the business by leveraging new IT technologies, the Company needs board members who have expertise and experience in IT and DX.
Industrial policy	In our Long-Term Vision, the Company has set out to enhance "Value for the market economy." To draw attention to the value of sustainable products and services that contribute to decarbonization, and promote their market penetration, the Company must create policy frameworks in relation to society and hence needs board members who have knowledge of industrial policy.

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Succession plan

From the perspective of ensuring management continuity and enhancing corporate value over the medium to long term, the Group considers the selection and dismissal of the Chief Executive Officer and the development of successors as one of its most important management issues.

In fiscal 2025, the Group implemented development measures, including training programs focused on candidates for executive officer positions. In addition, based on discussions at the Nomination and Remuneration Advisory Committee, the Group worked to clarify the selection criteria for directors and executive officers, including by revising related regulations.

The Group is also working to involve outside directors at an earlier stage so that they can directly evaluate candidates with regard to their potential to become future top management candidates. In addition to sharing candidate information from the executive side at an early stage, the Group provides opportunities for outside directors to receive explanations directly from the candidates themselves and to attend meetings with them. Through these initiatives, the Group seeks to eliminate closed decision-making, ensure a process based on multifaceted judgment, and enhance transparency.

Going forward, the Group will strengthen diversity from the perspectives of gender and global experience, which have been discussed as issues by the Board of Directors and the Nomination and Remuneration Advisory Committee. The Group will also continue to enhance the effectiveness of its succession plan and develop a system capable of adapting to changes in the management environment.

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 2025, the Company conducted training on the Board of Directors' response to changes in the market environment. In addition, to deepen their understanding of the Company's businesses, outside directors visited business sites in Japan and overseas, including the Niihama Forest and model homes in Australia.

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 Science Based Targets (SBT), and a portion linked to the growth rate of the Company's market capitalization relative to TOPIX, each during the relevant period. In addition, 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

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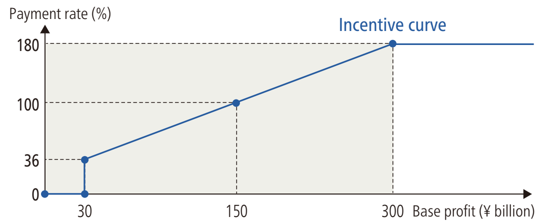
Remuneration composition ratio of directors (illustration using base profit of 150 billion yen)

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

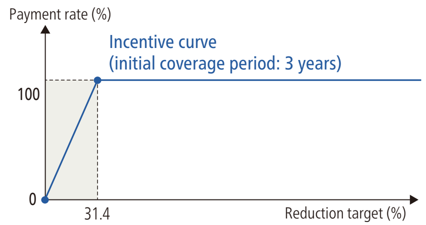
(1) Amount equivalent to two-thirds of the standard stock remuneration amount by position x payout ratio (percentage of achievement of Medium-term Management Plan SBT greenhouse gas emission reduction targets)*2

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

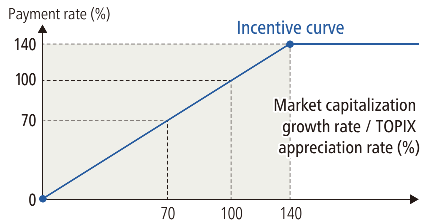
(2) Amount equivalent to one-third of the standard stock compensation amount by position x payout ratio (growth rate of Company's market capitalization during the period of the Medium-term Management Plan/TOPIX growth rate during the same period)*3

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

(1) Remuneration linked to the sustainability index achievement rate



(2) Remuneration linked to market capitalization growth rate



Total remuneration paid to directors and Audit & Supervisory Board members (fiscal year ended December 2025)

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	522	313	129	80	6
Audit & Supervisory Board members*4	54	54	—	—	2
Outside directors	59	59	—	—	5*5
Outside Audit & Supervisory Board members	43	43	—	—	3

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

*5 The above includes one outside director who retired at the conclusion of the 85th Ordinary General Meeting of Shareholders held on March 28, 2025.

*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 140.6 billion yen.

*7 The amount of non-monetary remuneration represents the expense recorded for the fiscal year under review, including ¥61 million, which is the estimated amount of monetary remuneration claims to be paid according to the estimated number of shares to be delivered after the three-year evaluation period.

Total consolidated remuneration per officer (for officers receiving over 100 million yen) (fiscal year ended December 2025)

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	126	Director	Sumitomo Forestry Co., Ltd.	75	31	19
Toshiro Mitsuyoshi	126	Director	Sumitomo Forestry Co., Ltd.	75	31	19

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remuneration for each director will be linked at a rate of two-thirds for the achievement rate of the greenhouse gas emission reduction target based on the SBT and one-third for the growth rate of the Company's market capitalization relative to TOPIX. If misconduct or other improper conduct by an eligible director is confirmed by the Board of Directors, the Company may restrict the provision of performance-linked restricted stock remuneration or request its return.

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.

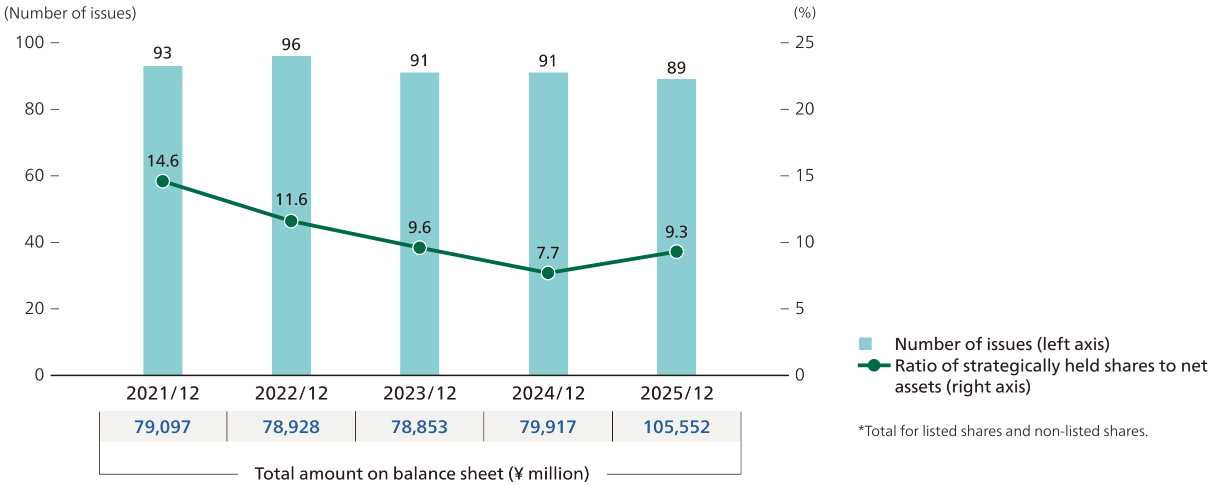
Cross-shareholding

The Company's policy with regard to cross-shareholdings 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 reduce the number of shares that we have determined to be neither rational nor necessary to hold.

If a business partner or counterparty of the Company where we hold cross-shareholdings 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 cross-shareholdings by gathering information through dialogue with such counterparties.

Holdings of strategically held shares



*Total for listed shares and non-listed shares.

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.

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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_2026.pdf

Risk Management and Compliance

Material issues and related SDGs
9 To establish a robust business structure

Indicators for evaluation (numerical targets)	Managing department	FY2025 targets	FY2025 results	FY2025 evaluation	FY2026 targets	FY2027 targets
Number of BCM training sessions held	General Administration Department	2	4	●	2	2
Voluntary inspections of the legal compliance system		Voluntary compliance checks based on business-specific laws	Voluntary compliance checks based on business-specific laws	●	Voluntary compliance checks based on business-specific laws	Voluntary compliance checks based on business-specific laws
Number of confirmations of environmental regulatory compliance (affiliates in Japan)	Sustainability Department	1	1	●	1	1
Disclosure according to the Sustainability Standards Board of Japan (SSBJ) standards in securities reports		Identification of scope	~~Identification of scope~~	●	Consideration of collection/reporting methods	Preparation for disclosure

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

FY2025 results			
Risk Management Committee	Compliance Subcommittee	BCM Subcommittee	Reports to the Board of Directors
4 times	2 times	2 times	4 times

Risk management system

To strengthen risk management across the entire Group, the Sumitomo Forestry Group has established the Risk Management Basic Regulations to comprehensively manage environmental, social, and governance (ESG) risks. In our risk management system, the President 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, the persons responsible for the Corporate Division and each business division, and related general managers, and meets quarterly. The Committee conducts risk analysis and evaluation for each division, and prioritizes monitoring the progress of responses to important risks. The Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee have been established under this committee, and undertake activities aimed at enhancing the effectiveness of responses to Groupwide risks.

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, the subcommittee comprises the persons responsible for risk management, including those from the responsible departments at Group companies. The subcommittee shares information on revisions to laws and regulations, including those governing the construction industry, as well as government agency trends, and works to address compliance risks. In fiscal 2025, the subcommittee met twice and continued its improvement efforts. These activities are reported to and discussed by the Board of Directors on a quarterly basis, 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 Group Audit & Supervisory Board meetings.

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 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 and other activities to prevent recurrence. In fiscal 2025, there were 23 consultations received regarding suspected misconduct, harassment, and other matters.

Visit our website for further details about compliance.
https://sfc.jp/english/sustainability/governance/compliance.html

Information security

To ensure the confidentiality, integrity, and availability of information assets, the Sumitomo Forestry Group works to improve its level of information security from both operational rules and technological perspectives. In particular, we position the protection of customer information as our most important priority, and continue to provide employee education and verify awareness levels. For Group companies in Japan and overseas, we distribute guidelines and checklists, and each company confirms its security level every year.

Visit our website for further details about information security.
https://sfc.jp/english/sustainability/governance/security.html