

Management Environment Analysis

Mega Trends ■ Climate change and biodiversity conservation ■ Resources and energy issues ■ Values and lifestyles ■ Demographic and household trends ■ Regional revitalization ■ Respect for human rights ■ Trend of globalization ■ Political and economic situation ■ Advancements in digitalization

Risks and opportunities behind the Nine Material Issues

Risks for Sumitomo Forestry

- Diminishing value of forests caused by increasing severity of natural disasters, and fiercer competition due to the market entry of companies from other industries into industries making use of forests and wood
- Growing stakeholders' requests and pressure for responses to climate change
- Increased environmental impact and impairment of natural capital caused by the use and disposal of unsustainable resources
- Changes in demographics and reduction in consumer needs
- Disruptions to business expansion owing to the negative impact brought forth on communities
- Occurrence of occupational injuries and declining employee satisfaction and productivity
- Loss of business opportunities due to delayed responses to growing markets
- Destruction of existing business value caused by technological innovation
- More profound impact on business activities resulting from unforeseen circumstances, such as natural disasters, infectious diseases, financial crises, and others

Opportunities for Sumitomo Forestry

- Expansion of business opportunities and stronger sources of competitiveness due to the maximization of value of forests and wood
- Creation and expansion of business opportunities contributing to carbon neutrality through the use of forests and wood
- Expansion of business opportunities using the characteristics of trees which are naturally renewable cyclically
- Increase of business opportunities that capture the diversifying needs for housing and living associated with societal changes
- Co-prosperity of communities and the Company through co-existence
- Productivity improvements and innovation creation through increased workforce vitality and the promotion of diversity, equity and inclusion
- Growing overseas housing markets and creation of new business opportunities using forests and wood
- Productivity improvements in the Company and the whole market driven by DX and innovation as well as creation of innovative value in customer experiences
- Contribution to sustainable economic growth through resiliently built business operations and structures

Strategies

- Long-term Vision, Business Policy**
- 1 Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy
 - 2 Advancing globalization
 - 3 Striving for transformation and the creation of new value
 - 4 Transforming our business foundation for growth
- Medium-term Management Plan Basic Policy**
- 1 Efforts to address decarbonization challenges using wood resources
 - Develop new businesses domestically and internationally that pursue the value of forests as carbon sinks
 - Promote initiatives that enhance the competitiveness of domestic wood
 - Expand our medium- to large-scale wooden construction business
 - 2 Promotion of a more resilient earnings base
 - Regain profitability of our housing business and our timber and building materials business and promote transformation that enables us to anticipate and respond to future market changes
 - Improve asset efficiency
 - 3 Acceleration of global expansion
 - Expand our housing and real estate business operations in the United States and Australia and create a profit base in Asia
 - 4 Strengthen management base for sustainable growth
 - Promote digitalization
 - Enhance the securing and nurturing of personnel and improve employee engagement
 - Reinforce risk management
 - 5 Further integration of business operations and ESG
 - Steadily implement initiatives to achieve RE100/SBTs (Science-Based Targets)

Nine Material Issues

- Value for our planet**
- 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
- Value for people and society**
- 4 To provide comfortable and secure spaces for society at large
 - 5 To improve the livelihood of the local communities where we operate
 - 6 To create a vibrant environment for all workers
- Value for the market economy**
- 7 To create new markets with forests and wood
 - 8 To transform markets through DX and innovation
 - 9 To establish a robust business structure