

## Explanation of Value Creation Process

The Sumitomo Forestry Group is developing business activities based on the Wood Cycle, a value chain centered on wood, from forest management to wood processing and distribution, construction of wooden houses, and wood biomass power generation. We will contribute to the absorption and

fixation of CO<sub>2</sub> not only by our Company but also by society as a whole, by planting trees and by increasing the amount of CO<sub>2</sub> absorbed by forests, promoting carbon fixation inside wood, and using wood in buildings and furniture to store carbon over a long period of time.

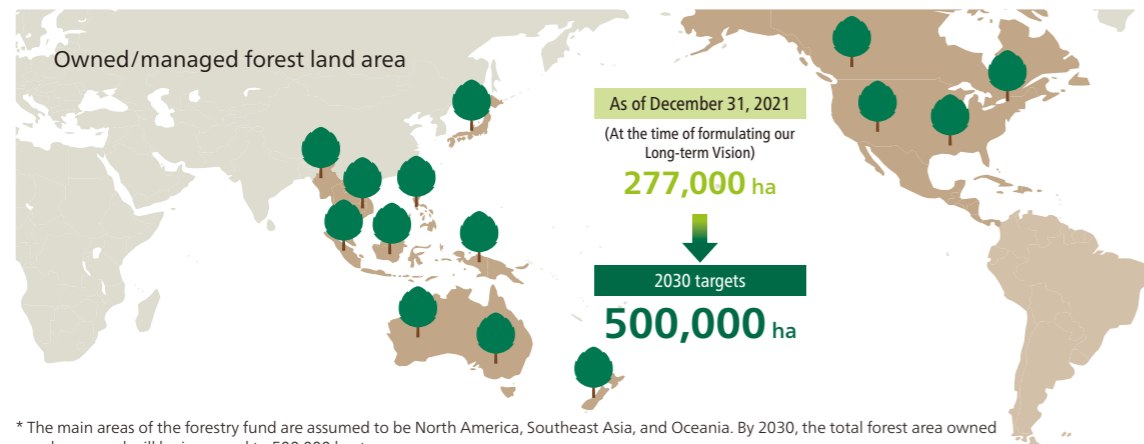
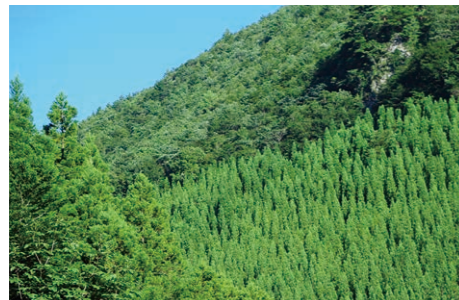
### Environment and Resources Business

P.98



Accelerate the cyclical forest business

In the Environment and Resources business, we own and manage approximately 48,000 hectares of forest land in Japan and approximately 238,000 hectares overseas, based on the sustainable forest approach, in which trees are planted, grown, harvested, and replanted. Forests are divided into protected forests for the purpose of biodiversity and landslide prevention, and economic forests that go through a cycle of afforestation and logging. The Group firmly zones protected forests and economic forests, and promotes cyclical forest management in a sustainable manner in economic forests. In the future, we will establish a global forestry fund to protect and expand forests and peatlands, and build a mechanism for allocating carbon credits (emission credits) to contribute to the decarbonization of society. In addition, we will address global environmental issues through innovative forest management technologies developed through the NeXT FOREST Project in collaboration with IHI Corporation.



\* The main areas of the forestry fund are assumed to be North America, Southeast Asia, and Oceania. By 2030, the total forest area owned and managed will be increased to 500,000 hectares.

#### Forestry fund formation: Contributing to the realization of a decarbonized society

In June 2023, Eastwood Forests, LLC, a member of the Group, established the Eastwood Climate Smart Forest Fund I, a large-scale forestry fund for decarbonization, with investments from 10 Japanese companies. The fund will acquire forest assets, mainly in North America, where the market for forest asset transactions has been established and the carbon credit system is in place, and will produce timber from appropriate forest management and generate carbon credits. The acquisition of forest assets after formation of the fund is also progressing smoothly, and as of February 2024, approximately 45,600 hectares of forest assets have been acquired. Through the fund's mechanism, the Sumitomo Forestry Group and participating companies will contribute to the realization of a decarbonized society by appropriately managing forests in terms of area and assets that cannot be achieved on its own, and by maximizing the conservation of biodiversity and the CO<sub>2</sub> absorption and fixation functions of forests.

### Timber and Building Materials Business

P.90



Promote wood change

The Timber and Building Materials business encompasses the procurement, manufacture and supply of timber and wood products. Based on our unique procurement policy, we utilize the global network we have built up over many years of expanding our distribution business to stably procure and distribute legal and sustainable timber and wood products. Wood is lightweight, strong, resistant to deterioration, and has excellent heat insulation, as well as the ability to store absorbed carbon even after product processing. In addition, compared to steel and concrete, wood can significantly reduce CO<sub>2</sub> emissions during manufacturing. As the leading trading company in the domestic timber and building materials distribution markets in terms of volume, we will further advocate the various forms of value of wood to society, promote wood change through the establishment of timber industrial complexes, and expand the volume of harvested wood products (HWP) handled and manufactured, which will lead to an increase in carbon storage for society as a whole.



#### Establishment of timber industrial complexes: Aiming to expand the use of domestic timber

In timber industrial complexes, the value of low-grade and offcuts is maximized through the cascade use of all raw timber. The Group aims to build a cyclical business by promoting the substitution of wood-derived materials in various fields such as single-family homes and non-residential buildings, and to increase the value of forests and expand the use of domestic timber. By collaborating with business partners in each area and mutually complementing their functions, we will realize the Wood Cycle and contribute to improving Japan's wood self-sufficiency rate and benefit local communities.

In February 2022, Sumitomo Forestry and Shibushi City, Kagoshima Prefecture, signed a basic agreement on the location of a new plant. With the aim of building a plant that can process logs for export and manufacture high-strength structural materials that can be used not only for residential but also for non-residential buildings, we are formulating a business plan and selecting equipment. In addition, in November 2023, we established KowanoMori Co., Ltd, aiming to build a new plant in the Iwaki-yotsukura Central Industrial Park in Fukushima Prefecture. KowanoMori Co., Ltd is actively promoting the use of domestic timber for housing materials, which use a high proportion of imported timber, and aims to increase the ratio. In particular, we will work to convert dimensional lumber, which has a low proportion of domestic timber, to domestic materials.

#### Timber industrial complex overview

