

(Translation)

Sumitomo Forestry Basic Policy on Corporate Governance

Chapter 1. General Provisions

Article 1. (Basic Philosophy on Corporate Governance)

Sumitomo Forestry Co., Ltd. (the “Company”) seeks to ensure management transparency as well as appropriateness and legality of its business and strives to promote expeditious decision-making and business execution under the Sumitomo Forestry Group's corporate philosophy, “The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on the “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 expectations of various stakeholders around the Group.

Article 2. (Revision or Abolishment)

This Policy may be revised or abolished by resolution of the Board of Directors.

Chapter 2. Relationship with Shareholders and Stakeholders

Article 3. (Ensuring Equality among Shareholders)

The Company will take appropriate measures to substantially ensure equality among its shareholders.

Article 4. (Ensuring Shareholders’ Rights)

1. The Company will take appropriate measures to substantially ensure the shareholders’ rights, and strive to develop an environment in which the shareholders are able to duly exercise their rights, as follows:
 - (i) The Company will coordinate appropriate scheduling of the dates of General Meeting of Shareholders and other events related to the General Meeting of Shareholders.
 - (ii) The Company will dispatch and disclose notices of General Meeting of Shareholders well in advance of the meeting to give the shareholders sufficient time to consider the agenda.

- (iii) The Company will properly provide information to the shareholders to help them make appropriate decisions regarding the exercise of their voting rights.
- 2. In the case where any proposal made by the Company at General Meeting of Shareholders has been passed, but with a substantial number of negative votes, the Company will analyze the reasons for such opposition and the causes of the large number of negative votes, and take appropriate measures.

Article 5. (Strategically-held Shares)

- 1. The Company may acquire and hold shares in its business partners and counterparties when the Company determines that such shareholdings will contribute to mid- to long-term enhancement of the Company's corporate value from the perspective of, among others, maintenance and reinforcement of long-term and stable business relationships with those partners and counterparties as well as expansion of the Company's business as a result of such closer ties with those parties.
- 2. At meetings of the Board of Directors, the Company will regularly examine whether the holdings of the shares under the preceding paragraph (the "Strategically-held Shares") lead to the improvement of its corporate value through analyzing the relationship between the profits/risks associated with such holdings and the cost of capital, and will verify the purpose and rationale of such holdings. When the Company judges that the rationale and necessity of such holdings cannot be confirmed, it will reduce the number of such Strategically-held Shares.
- 3. The Company will appropriately exercise its voting rights pertaining to the Strategically-held Shares in accordance with its voting criteria and based on its comprehensive judgment from the perspective of the improvement of its corporate value.

Article 6. (Conflict of Interest Transactions)

- 1. In the case where the Company enters into a material or irregular transaction involving a conflict of interest with any Director of the Company, the Company shall obtain prior approval of the Board of Directors to ensure that such transaction does not harm the interests of the Company or the common interests of the shareholders.
- 2. The outcome of any transaction involving a conflict of interest under the preceding paragraph shall be reported to the Board of Directors.

Article 7. (Appropriate Collaboration with Stakeholders)

1. With the aim of achieving long-term improvement of its corporate value, the Company will respect and seek to develop appropriate collaboration with all of its stakeholders, including customers, employees, business partners and local communities.
2. The Company will develop a workplace environment where motivated employees can flourish regardless of nationality, age, gender, disability or otherwise, and will promote the ensuring of diversity.
3. The Company will positively and proactively address social and environmental issues and other challenges, and will contribute to building a sustainable society capitalizing on its expertise and technology in the field of timber.

Chapter 3. Appropriate Disclosure of Information

Article 8. (Enhancement of Information Disclosure)

In addition to complying with the disclosure requirements under the Companies Act and other applicable laws and regulations, the Company will seek to enhance disclosure of information to facilitate correct and quick perception by the stakeholders of material information on management of the Company.

Chapter 4. Corporate Governance System

Article 9. (Systems of the Company)

1. By adopting the system of a company with an Audit & Supervisory Board, the Company will enable the supervisory functions of the Board of Directors and the auditing functions of the auditors as independent agents to be appropriately performed. The company will also seek to improve its governance by strengthening and linking both functions.
2. By separating managerial decision-making and supervisory functions from executive functions with the adoption of an executive officer system, the Company will enhance the monitoring and supervisory functions of the Board of Directors over the execution of business and clarify the responsibility for execution of business.
3. By appointing Outside Directors, the Company will enhance the managerial supervisory functions and ensure management transparency and its soundness.

Article 10. (Roles of Board of Directors)

1. The Board of Directors will discuss and make decisions on execution of important businesses, including business plan-related matters, in addition to the matters stipulated by laws, regulations and the Company's articles of incorporation, and supervise the execution of businesses by Directors and Executive Officers.
2. The Board of Directors will delegate to the Executive Officers the execution of businesses and decision-making concerning the matters other than those to be resolved by the Board of Directors as provided in the preceding paragraph.
3. The Board of Directors will establish an internal control system and supervise its effective operation.
4. The Board of Directors will promote the environmental social and governance (ESG) activities and strengthen the business risk management system through monitoring based on the activity reports from the Sustainability Committee and the Risk Management Committee.
5. The Board of Directors will annually analyze and assess the effectiveness of the Board of Directors as a whole and disclose a summarized result thereof. In addition, the Board of Directors will have an external evaluation conducted as appropriate.
6. The Board of Directors will assess the succession candidates for the Chief Executive Officer and will appoint the successor of the Chief Executive Officer taking into consideration the opinions from the Nomination and Remuneration Advisory Committee.
7. In the discharge of its roles, the Board of Directors should be aware that its mission is to achieve sustainable growth of the Company and mid- to long-term improvement of its corporate value with a view to fulfilling its fiduciary duties and accountability to the shareholders.
8. In principle, Directors and Audit & Supervisory Board Members must attend at least 75 percent of all the Board of Directors meetings.

Article 11. (Constitution of the Board of Directors)

The Board of Directors is constituted by not more than seventeen (17) members. In order to effectively discharge the Board of Directors' roles and responsibilities, consideration will be given to the diversity of its members in terms of gender, nationality or otherwise. The board members should also be comprised of persons with professional and diverse knowledge, experience and capability, including:

- (i) those with extensive experience and track record regarding the Group's business;

- (ii) those with extensive experience and track record in corporate management, industries, policies or the like; and
- (iii) those with expertise in law, accounting or the like.

Article 12. (Advisory Committee)

1. The Board of Directors will set up a Nomination and Remuneration Advisory Committee as an advisory body to the board, and will request the opinions about the appointment of candidates for Directors and Audit & Supervisory Board Members and of Executive Officers, the dismissal of Directors, Audit & Supervisory Board Members and Executive Officers, the evaluation of the Chief Executive Officer and Executive Officers and the decision on the Directors' and Executive Officers' remuneration and other benefits from the Nomination and Remuneration Advisory Committee to ensure fairness and transparency.
2. A majority of the members of the Nomination and Remuneration Advisory Committee shall be Outside Directors and Outside Audit & Supervisory Board Members, and the committee shall be chaired by an Outside Director.

Article 13. (Eligibility, Nomination Policies and others of Candidates for Directors and Audit & Supervisory Board Members, and Executive Officers)

1. The Board of Directors determines the candidates for Directors and Audit & Supervisory Board Members, and Executive Officers from among persons of upstanding character and insight who are valuable to the management of the Company, taking into consideration the opinions from the Nomination and Remuneration Advisory Committee.
2. Candidates for Director shall be selected from those who meet the following criteria.
 - (i) Possess a high standard of ethics
 - (ii) Be capable to embodying the Group's corporate philosophy
 - (iii) Have the management capability (skills) necessary to enhance the Company's corporate value over mid- to long-term
3. When Directors, Audit & Supervisory Board Members and Executive Officers violate laws, regulations and the Company's articles of incorporation or other grounds considered to be difficult to appropriately perform their duties occur, the Board of Directors will determine removal of the position of relevant Director, Audit & Supervisory Board Member and Executive Officer, other disposition or the submission of the proposal to dismiss the relevant Director, Audit & Supervisory Board Member and Executive Officer to the Company's general meeting of shareholders taking into consideration the opinions from the Nomination and Remuneration Advisory Committee.

Article 14. (Policy for Determining the Remuneration of Directors and Executive Officers)

1. The amount of the remuneration of Directors and Executive Officers will be determined at a board of Directors meeting taking into account the views of the Nomination and Remuneration Advisory Committee within the remuneration cap specified by resolution of a General Meeting of Shareholders based on the following policy:
 - (i) 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;
 - (ii) The plan should be linked to the value to be newly created and provided in the course of promoting the ESG integrated management;
 - (iii) The plan should be designed to be linked to the shareholder value of the Company;
 - (iv) The remuneration level should be such that the Company can secure and maintain the human resources necessary to achieve its long-term vision; and
 - (v) The plan should ensure transparency and objectivity in the remuneration determination process.
2. The remuneration of Directors (excluding Outside Directors) and Executive Officers shall be as follows:
 - (i) fixed remuneration commensurate with its responsibilities and roles
 - (ii) annual performance-based bonus as a short-term incentive
 - (iii) performance-based restricted stock remuneration as a medium- to long-term incentiveThe remuneration of Outside Directors shall only be fixed remuneration.
3. From the perspective of ensuring objectivity and appropriateness, the level of remuneration of the Company will be set with reference to the levels of other companies as surveyed by outside professional organizations, with the aim of achieving the mid-to high level of remuneration in companies of similar size. The Company will revise the remuneration levels as necessary in response to changes in the external environment.

Article 15. (Training of Directors, Audit & Supervisory Board Members and Executive Officers)

1. The Company will develop a training system required for its Directors, Audit & Supervisory Board Members and Executive Officers to appropriately fulfill their roles and responsibilities.
2. The Company will provide its Directors, Audit & Supervisory Board Members and Executive Officers with information and training opportunities upon initial appointment and continuously thereafter.
3. The Board of Directors will verify whether the provision of information and training opportunities under the preceding paragraph has been performed appropriately.

Article 16. (Audit & Supervisory Board)

1. As independent agents in whom the shareholders have placed trust, the Audit & Supervisory Board Members audit the execution of duties by the Directors and take responsibility for ensuring a sound and sustainable growth of the Company with a view to the creation of value for its stakeholders and for establishing a high-quality corporate governance system that can meet expectations from the society.
2. Each Audit & Supervisory Board Member shall audit the execution of businesses by the Directors in accordance with the auditing policies and plans established by the Audit & Supervisory Board, through, among other things, attendance at the Board of Directors meetings and other important meetings, examination of the details of the reports received from Directors, employees, accounting auditors and other parties, investigation into the status of the Company's businesses and assets.
3. The Audit & Supervisory Board shall be constituted by not less than three (3) members, the majority of which shall be Outside Audit & Supervisory Board Members. At least one (1) of the Outside Audit & Supervisory Board Members shall have appropriate knowledge and experience in finance and accounting.
4. In principle, Audit & Supervisory Board Members must attend at least 75 percent of all the Audit & Supervisory Board.

Article 17. (Outside Directors and Outside Audit & Supervisory Board Members)

1. The Outside Directors and Outside Audit & Supervisory Board Members are required to satisfy the standards of independence separately established and disclosed by the Company.
2. The Company will build a system which allows Outside Directors and Outside Audit & Supervisory Board Members access to necessary internal information. In addition, the Company will establish a forum to share material management information and exchange opinions with the management, and otherwise improve the environment for interaction with the management.
3. In the event that Outside Directors and Outside Audit & Supervisory Board Members concurrently serve as Directors or Audit & Supervisory Board Members at other listed companies, the number of such concurrent positions shall be limited as follows:
 - (i) If serving as an executive director entrusted with the execution of operations at the concurrent company:
The individual may hold such a position at only one company other than the Company.
 - (ii) In situations other than (i)

The individual may hold such a position at up to four companies other than the Company.

Chapter 5. Dialogue with Shareholders

Article 18. (Policy for Dialogues)

1. Upon receipt from any shareholders of a proposal for dialogues, the Company will engage in constructive dialogues with the shareholders to a reasonable extent which is considered beneficial to a sustainable growth and mid- to long-term improvement of its corporate value.
2. The policy for dialogues with the shareholders is as follows:
 - (i) Dialogues with the shareholders in general are overseen by the Divisional Manager of Corporate Division.
 - (ii) When engaging in dialogues with the shareholders, the Corporate Communications Department will play a central role, while the Corporate Planning Department, the Finance Department, the General Administration Department, the Personnel Department, the Sustainability Department and other relevant business divisions will appropriately exchange information with each other and cooperate organically.
 - (iii) The Company will pursue enhanced dialogues with the shareholders by such means as holding financial results briefings and developing investor relations (IR) activities in Japan and abroad.
 - (iv) Any information or opinions obtained through dialogues with the shareholders will be reported as necessary to the Board of Directors.
 - (v) When engaging in a dialogue with the shareholders, the Company will appropriately control important information including insider information in accordance with its internal rules and others.
3. In order to prevent the leakage of financial results and to ensure fairness in information disclosure, the Company designates a certain period prior to the scheduled announcement date of financial results as a "silent period". During the period, the Company refrains from making comments or responding to inquiries related to its financial results. However, if it becomes likely that there will be a significant change in the earnings forecast during the silent period, the Company will disclose such information appropriately in accordance with the timely disclosure rules.

END

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