

**Launch of Mangrove Conservation Project in Kalimantan, Indonesia**  
**Creating carbon credits through blue carbon management and engaging in**  
**unprecedented wide-area ecosystem conservation**

Sumitomo Forestry Co., Ltd. (President and Representative Director: Toshiro Mitsuyoshi; Headquarters: Chiyodaku, Tokyo) announced that on December 28, 2022, it acquired all shares of PT. BINA OVIVIPARI SEMESTA (Headquarters: Kubu Raya Regency, West Kalimantan, Indonesia; hereinafter “BIOS”), which owns and manages a 9,738-ha mangrove<sup>\*1</sup> forest, and made it a wholly owned subsidiary. Under its long-term vision “Mission TREEING 2030”, the Sumitomo Forestry Group has expressed its commitment to focus on cycling forestry business and aims to expand the area of its forests owned or managed to about 500,000 ha in Japan and abroad by 2030. The addition of this business brings the area owned or managed to around 290,000 ha. Managing mangroves, which form globally valuable ecosystems, as conservation forests, we aim to reduce CO<sub>2</sub> emissions and create blue carbon<sup>\*2</sup> credits. We will engage in wide-area ecosystem conservation projects that include mangroves along the coast and peatlands and tropical forests inland, which form a continuous ecosystem.

\*1. A general term for plants that grow in brackish water area in tropical and subtropical regions. It is said that there are more than 110 species of mangroves.

\*2. Carbon captured by the marine ecosystems of seagrass beds, wetlands/tidelands, and mangrove forests designated by the United Nations Environment Programme (UNEP) in 2009. <Reference> Ministry of Land, Infrastructure, Transport and Tourism website: [https://www.mlit.go.jp/kowan/kowan\\_tk6\\_000069.html](https://www.mlit.go.jp/kowan/kowan_tk6_000069.html)

#### ■Business Overview

Many mangrove forests in West Kalimantan have been lost as a result of illegal logging for charcoal production and others. The Sumitomo Forestry Group will establish a model for appropriate management of mangroves that inhabit the land and ocean interface. Rather than utilizing the mangroves as an “production forest” through a cycle of felling and planting, we will plant mangroves in degraded areas and preserve them as a “conservation forest” to increase the natural capital value.



Managed mangrove forest (aerial photograph)

It is estimated that the carbon storage (blue carbon fixed in the trees and soil) of BIOS mangroves amounts to approximately roughly 66 million t-CO<sub>2</sub>.

By maintaining the carbon stored in mangroves, which have gained worldwide attention as blue carbon ecosystems, this business reduces CO<sub>2</sub> emissions. We aim to create high-quality carbon credits by measuring the amount of carbon absorbed and fixed in the trees and soil with high accuracy, and by establishing technology for estimating blue carbon sequestered in the bottom of the ocean. We will realize a nature-positive<sup>\*3</sup> future by maintaining biodiversity, purifying the water, and improving the water retention and circulation functions.

The Sumitomo Forestry Group has achieved both sustainable timber production and ecosystem conservation at peatlands in West Kalimantan at the landscape level\*4. In addition to contributing to the sustainable development of the local economy, we will utilize the expertise we have cultivated in forest management to engage in a wide-area ecosystem conservation project that considers the mangroves that inhabit the ocean and land interface and the peatlands and tropical forests inland to be a single, continuous ecosystem.



Endangered Irrawaddy dolphin (*Orcaella brevirostris*) confirmed to live nearby

\*3. Stopping and reversing the loss of biodiversity and putting it on track to recovery.

\*4. An approach of preserving ecosystems by considering the natural environment, local residents, and corporate activities from a broader scope.

### ■Mangroves

More than 40% of the global mangrove land area is concentrated in four countries: Indonesia (19%), Brazil (9%), Nigeria (7%), and Mexico (6%).\*5

The global mangrove land area decreased by 1.04 million ha (6.6%) over the period from 1990 to 2020. It has been reported that the average annual decline in Indonesia from 1990 to 2000 was 6,800 ha, and over the past decade, the average annual decline was 21,100 ha.

\*5. According to 2020 Global Forest Resources Assessment (FRA) by FAO



Managed mangrove forest  
(photograph taken from the ground)

### ■Contribution to Communities

It is estimated that more than 600 local households are involved in charcoal production using mangrove logs in the area around BIOS. In collaboration with West Kalimantan-based WSL, MTI, and KMF, we will promote the planting of tree species that can be used as raw materials for charcoal to support sustainable charcoal production by local residents.

Many fish and shellfish, including shrimp and crabs, live around the mangroves. Through the conservation of mangroves, we will increase fishery resources, which are important to residents, thereby contributing to sustainable development of communities.

### ■Sustainable Forest Management in Indonesia

From the 1960s to the early 1990s, forests in West Kalimantan, Indonesia were cut down for timber production and repeatedly laid to waste by illegal logging and slash-and-burn farming. Since 2010, the Sumitomo Forestry Group has engaged in a large-scale forestry business through WSL, MTI, and KMF. In this business, we have a protection area satisfying the 30by30\*6 international target for ecosystem conservation. Containing peatlands with valuable ecosystems, it plays a major role in carbon storage and the water cycle. The Sumitomo Forestry Group is establishing a model for managing peatlands and is engaging in forest management that ensures both environmental protection and profitability.

WSL is in charge of BIOS mangrove conservation operations, and efficient management takes place through the sharing of know-how between WSL, MTI, and KMF. We aim to stop the decline of mangroves, expand conservation projects, and roll out the initiative to other areas in cooperation with local governments and other entities.

In February 2022, the Sumitomo Forestry Group established its long-term vision Mission TREEING 2030 for 2030, the ending year of the SDGs. One of our initiatives for achieving a decarbonized society is to focus on cycling forestry business, which includes establishing a global forestry fund.

By implementing the Sumitomo Forestry's "wood cycle," which is a value chain centered on wood, from forest management to procurement and manufacturing of timber and building materials, wooden architecture, and biomass power generation, we can increase the amount of CO<sub>2</sub> absorbed by forests and continue to fix carbon for extended periods of time through the use of timber in construction. We will contribute to decarbonization not only within our Group but also in the operations of our customers and trading partners and society as a whole by implementing this "wood cycle."

\*6. An international target for effectively conserving or protecting at least 30% of land and sea areas as healthy ecosystems by 2030 to achieve the goal of stopping and reversing loss of biodiversity (nature positive world) by 2030

#### ■ Overview of BIOS

##### **PT. BINA OVIVIPARI SEMESTA**

Headquarters location: Kubu Raya Regency, West Kalimantan, Indonesia

Representative: Eiji Harima (as of January 31, 2023)

Established: November 2000

Licensed period: Until 2050

Plantation: Kubu Raya Regency, West Kalimantan, Indonesia

Managed area: 9,738 ha

Shareholder composition: PT. Sumitomo Forestry Indonesia (99%) and Sumitomo Forestry (Singapore) Ltd. (1%)



Managed mangrove forest



Reference:

Existing forestry operating companies in West Kalimantan, Indonesia. " WSL, MTI, and KMF"

Description of business: Industrial forestation and log sales

Headquarters location: Kubu Raya Regency, West Kalimantan, Indonesia

●**PT. Wana Subur Lestari (WSL)**

Established: October 2009

Licensed period: Until 2107

Plantation: Kubu Raya Regency, West Kalimantan, Indonesia

Managed area: 40,750 ha

Shareholder composition: Sumitomo Forestry (Singapore) Ltd. (99.99%) and PT. Sumitomo Forestry Indonesia (0.01%)

●**PT. Mayangkara Tanaman Industri (MTI)**

Established: September 1989

Licensed period: Until 2069

Plantation: Kubu Raya Regency, Sanggau Regency, and Ketapang Regency, West Kalimantan, Indonesia

Managed area: 104,664 ha

Shareholder composition: Sumitomo Forestry (Singapore) Ltd. (99.99%) and PT. Sumitomo Forestry Indonesia (0.01%)

●**PT. Kubu Mulia Forestry (KMF)**

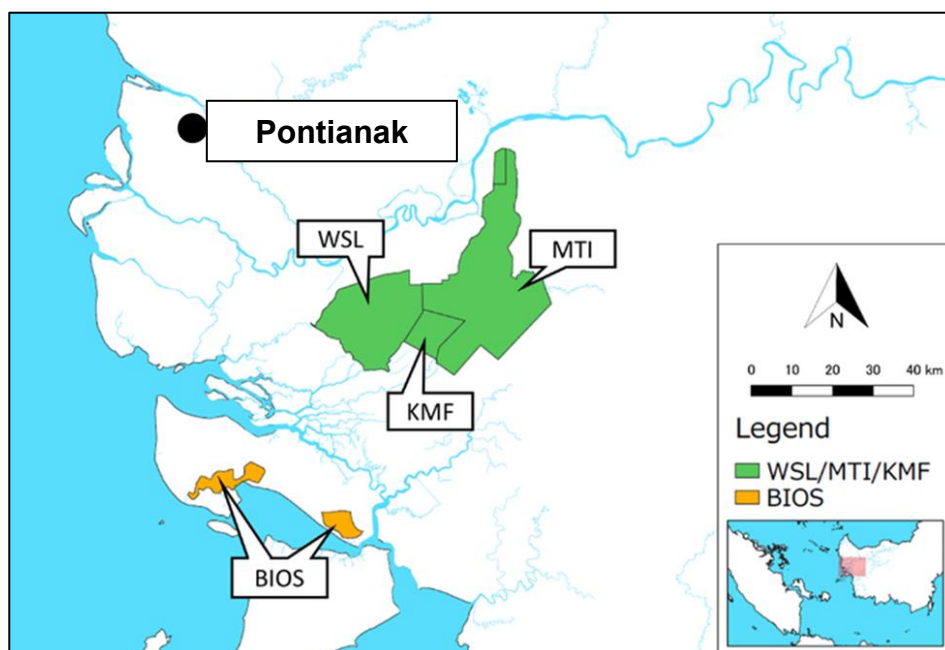
Established: April 2020

Licensed period: Until 2043

Plantation: Kubu Raya Regency, West Kalimantan, Indonesia

Managed area: 9,270 ha

Shareholder composition: Sumitomo Forestry (Singapore) Ltd. (99%) and PT. Sumitomo Forestry Indonesia (1%)



Areas managed by the four companies