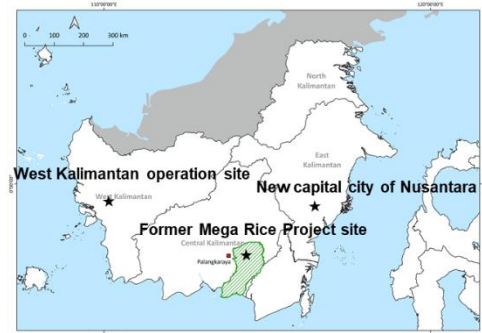


For Immediate Release

Pilot tropical peatland restoration and management project in Indonesia

~Creating a model using advanced technologies to balance
both the economy and the environment on the former Mega Rice Project site~

Sumitomo Forestry Co., Ltd. (President and Representative Director: Toshiro Mitsuyoshi; headquarters: Tokyo; hereinafter Sumitomo Forestry) is pleased to announce that on August 17, 2024, its wholly owned subsidiary PT. Sumitomo Forestry Indonesia signed a business cooperation agreement (PKS) with the Ministry of Environment and Forestry Directorate General of Pollution and Environmental Damage Control (officially, Direktorat Jenderal Pengendalian Pencemaran dan Kerusakan Lingkungan) and the Peat and Mangrove Restoration Agency (BRGM), both of the Republic of Indonesia. With this agreement, the parties have begun pilot tests of new advanced peatland management technologies on the former site of the Mega Rice Project*¹ in Central Kalimantan Province, Indonesia. Under a Memorandum of Cooperation (MoC) signed by Japan's Ministry of the Environment and Indonesia's Ministry of Environment and Forestry, this pilot project to restore and manage approximately 10,000 hectares of degraded tropical peatlands on the former Mega Rice Project site will be conducted until August 2027. The project also aims to verify reforestation efforts to achieve sustainable forest management that balances both the economy and the environment.



Kalimantan, Indonesia

This project was selected to be part of the Japanese Ministry of Economy, Trade and Industry's Global South Future-Oriented Co-Creation Project (large-scale demonstration in ASEAN member countries). Utilizing proprietary tropical peatland management technologies developed in its work in West Kalimantan, Sumitomo Forestry Group has been involved in numerous initiatives to prevent peatland fires, reduce CO₂ emissions, protect biodiversity and create employment opportunities for local residents. This project aims to test the latest satellite, drone and AI technologies to go beyond temporary restoration of tropical peatlands and create a sustainable tropical peatland management model. With this new model, we hope to utilize Japan's unique technologies on a global scale to resolve international tropical peatland issues and help Indonesia achieve its greenhouse gas reduction targets (NDC)*².

■Outline

This project will verify the technologies and economic feasibility of a new initiative that combines Sumitomo Forestry Group's tropical peatland management technologies with emissions-reducing peatland management methods that utilize advanced satellite, drone and AI technologies. Additionally, the project aims to construct an inventory method*³ that measures the CO₂ emissions reduction effect of tropical peatland management and create an international standard. In a Memorandum of Cooperation (MoC) between Japan's Ministry of the Environment and Indonesia's Ministry of Environment and Forestry, peatland restoration and management were added as areas for cooperation, making this a bilateral project.

■Tropical peatland site

Tropical peatlands consist of dead plants and other organic matter that have not decomposed due to excessive humidity (high water content) and contain large amounts of water and carbon. Tropical peatlands distributed over Indonesia, the Amazon and the Congo Basin are said to cover more than 82 million hectares^{*4} (more than twice the land area of Japan) and store at least 89 billion tons^{*5} of carbon (about 10 times the world's carbon emissions in 2017).

Maintaining groundwater levels is critical in tropical peatland management. Improper soil management, agricultural development and plantation drainage can dry the soil, leading to microbial decomposition. In addition, they can result in fires, which release huge volumes of CO₂ into the atmosphere. On the other hand, excessively high groundwater levels can hinder tree growth.



Former Mega Rice Project site devastated by peatland fires and other

■Background

Following the adoption of the Paris Agreement in 2015, governments, companies and investors around the world are accelerating their efforts to realize a decarbonized society by 2050. The Japanese government also announced it would raise its 2030 greenhouse gas reduction targets from 26% to 46% compared to 2013 levels. Reducing emissions through tropical peatland restoration and increasing CO₂ absorption through forest conservation are highly regarded not only as global climate change countermeasures, but also as Nature-based Solutions (NbS)^{*6} to social challenges.

In December 2022, we began feasibility studies for this project following a request from President Joko of Indonesia for assistance in tropical peatland management to prevent peat fires and haze (smoke pollution). Based on this request, we decided to implement and develop tropical peatland management technologies at the former site of the Mega Rice Project, where the need for fire prevention and the risk of smoke pollution to the new capital city of Nusantara are high. At the Asia Zero Emission Community (AZEC) bilateral meeting in December 2023, President Joko mentioned our company's tropical peatland management initiative as one of the country's three national priority projects.

Sumitomo Forestry Group's waterway design and management technologies for tropical peatland management has not been highly reproducible until now, but with the use of advanced technologies, such as satellites, drones and AI, we aim to create a sustainable tropical peatland management model that does not depend on specific individual experts. Our know-how is based

Happiness Grows from Trees

on a wealth of data and experience accumulated over many years working in the tropical peatlands of West Kalimantan. We believe these technologies will enable large-scale commercialization after the pilot project is completed.

■ Outlook

If the project proves to be viable during the pilot period that ends in August 2027, we will aim to expand the management scale. In addition to profits from forest management, we will create a methodology for carbon credits from the reduced emissions from tropical peatlands and use the credit business as a new source of revenue. Carbon credits from tropical peatlands will not only contribute to profits for our own company but will also lead to the promotion of the Joint Crediting Mechanism (JCM) between Japan and Indonesia. Sumitomo Forestry will work with the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Forestry Agency to hold joint study sessions to contribute to the achievement of NDCs of both countries. In the future, we hope to expand our efforts to other tropical peatlands in not just Indonesia, but also Brazil and the Republic of the Congo to restore and manage tropical peatlands around the world.

Sumitomo Forestry Group is engaged in a broad range of global businesses centered on wood, including forestry management, the manufacture and distribution of wood building materials, the contracting of single-family homes and medium- to large-scale wooden buildings, real estate development, and wood biomass power generation. In our long-term vision Mission TREEING 2030, we are seeking to promote the Sumitomo Forestry Wood Cycle, our value chain to contribute to decarbonization for the whole of society by increasing the CO₂ absorption of forests and popularizing wooden buildings that store carbon for long periods of time. In our efforts to accelerate the circular forestry business as outlined in our long-term vision, we are working to establish global forestry funds and expand the forest area we own or manage.

■ PT. Sumitomo Forestry Indonesia

Headquarters	Summitmas II 8th Fl., JL.Jend. Sudirman Kav. 61-62, Jakarta 12190, Indonesia
Representative	Fumihide Nakatsu
Establishment	May 2011
Business overview	Import and export of timber and building materials, wholesale sales

【Reference】

Sumitomo Forestry Group has been engaged in large-scale forestry business operations in West Kalimantan since 2010. The land we manage was used for commercial logging in the 1960s to the early 1990s. Due to repeated illegal logging and slash-and-burn agriculture, the forest became increasingly degraded. After five years of topographical surveys, we conducted drilling surveys to determine peat and water distribution. We then developed a unique tropical peatland management method that enables forest management while maintaining stable groundwater levels. This has helped to suppress greenhouse gas emissions and forest fires, maintain appropriate water cycles, and significantly contribute to the realization of a decarbonized society.

Website: <https://sfc.jp/treecycle/value/peatland.html>

YouTube: <https://www.youtube.com/watch?v=npCFnYGJGY>

*1 To address food problems, the Indonesian government initiated in 1996 a project to convert one million hectares of peatland forest into rice paddies in the southern part of Central Kalimantan. However, due to a

lack of knowledge about peatland ecosystems and management technologies, the project ended in failure. Subsequently, severe peat fires destroyed almost all but a small portion of the forest.

- *2 Nationally Determined Contributions (NDC) are greenhouse gas emission reduction targets that each country must create, report and maintain under the Paris Agreement.
- *3 A method that compiles greenhouse gas emissions and absorption data of a country in one year. This method calculates the balance of emissions and absorption by type of greenhouse gas, such as CO₂, N₂O, methane and other, and by activity.
- *4 Source: PEATMAP: Refining estimates of global peatland distribution based on a meta-analysis (Xu et al., 2018)
- *5 Source: Age, extent and carbon storage of the central Congo Basin peatland complex (Dargie et al., 2017)
- *6 Solutions based on nature. This concept is becoming established in both the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD) and is defined by the International Union for Conservation of Nature (IUCN) as actions that protect, sustainably manage and restore natural and modified ecosystems to effectively and adaptively address social challenges while simultaneously benefiting human well-being and biodiversity.