



February 13, 2025

For Immediate Release

Name of Company: Sumitomo Forestry Co., Ltd.

(Code No. 1911, Prime Market, Tokyo Stock Exchange)

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Notice Regarding a Partial Revision of the Remuneration System for Directors

At a Sumitomo Forestry Co., Ltd. (hereinafter, Sumitomo Forestry or the Company) Board of Directors meeting held on February 13, 2025, it was resolved to revise the remuneration system for directors (directors and executive officers). This revision was deemed appropriate beforehand by the Nomination and Remuneration Advisory Committee.

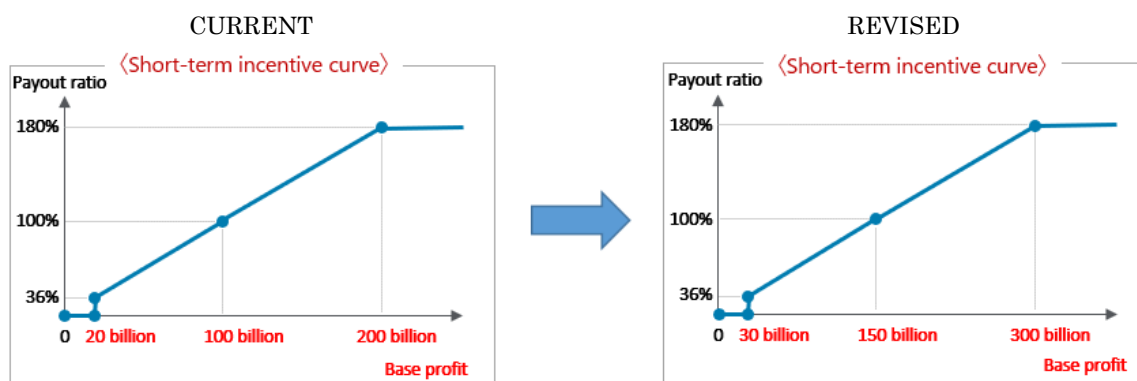
1. Aim of the revision

In line with our long-term vision Mission TREEING 2030, the Company will partially revise the director remuneration system that was originally resolved at a Board of Directors meeting held on February 14, 2022. The aim of this revision is to raise greater awareness among directors of the importance in achieving the goals set out in our Medium-Term Management Plan (for the three years from January 1, 2025, to December 31, 2027).

2. Details of the revision

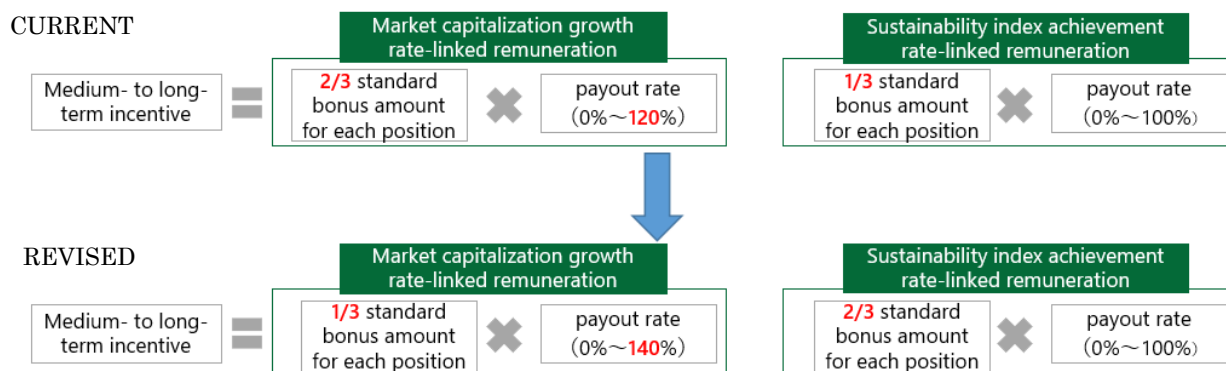
(1) Higher target profit level to determine annual performance-based bonus (short-term incentive)

For annual performance-based bonus (short-term incentive), given the growth in consolidated recurring income for the most recent term, we have raised the target profit (base profit) required for a 100% payout rate of the standard bonus amount as well as both the upper limit of the payout rate and the lower limit of the base profit.



(2) Change in ratio of our performance-based restricted stock remuneration (medium- to long-term incentive)

For performance-based restricted stock remuneration (medium- to long-term incentive), we have raised the remuneration ratio linked to the sustainability index achievement rate to further promote ESG integrated management. Consequently, we have also reevaluated the upper limit of the payout rate of remuneration linked to the market capitalization growth rate.



3. Timing of revision

February 13, 2025

4. Overview of the newly revised director remuneration system (for reference)

(1) Basic policies

Remuneration for directors is designed in accordance with the following policies:

- ① 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.
- ② The plan should be linked to value to be newly created and provided in the course of promoting the ESG integrated management.
- ③ The plan should be designed to be linked to the shareholder value of the Company.
- ④ The remuneration level should be such that the Company can secure and maintain the human resources necessary to achieve its long-term vision.
- ⑤ The plan should ensure transparency and objectivity in the remuneration determination process.

(2) Remuneration level

To ensure objectivity and appropriateness, remuneration for directors will be set with reference to levels at other companies as surveyed by outside professional organizations, with the aim of achieving a mid-to-high level of remuneration in companies of similar size. The Company will revise remuneration levels as necessary in response to changes in the external environment.

(3) Composition and composition ratios

Remuneration and other for directors (excluding outside directors) comprises of: (i) fixed remuneration

commensurate with the director's responsibilities and roles; (ii) annual performance-based bonus as a short-term incentive; and (iii) performance-based restricted stock remuneration as a medium- to long-term incentive. Thus, the remuneration plan is designed to encourage management efforts from a short-term and medium- to long-term perspective and to appropriately reward the results of such efforts. Remuneration for outside directors, who are responsible for management supervision from an independent standpoint and not in a position to execute business, is composed solely of fixed remuneration.

Composition ratios for standard director remuneration (sample case)

Fixed remuneration (60%)	Bonus (25%)	Restricted stock remuneration (15%)
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(Note) The above composition ratios represent an illustrative breakdown of a standard remuneration payment (assuming a 100% payout rate for both annual performance-based bonus and performance-based restricted stock remuneration). These ratios are subject to change according to the Company's performance.

(4) Fixed remuneration

Fixed remuneration, determined in accordance with each director's position, responsibilities and role, will be paid as regular monthly compensation.

(5) Annual performance-based bonus (short-term incentive)

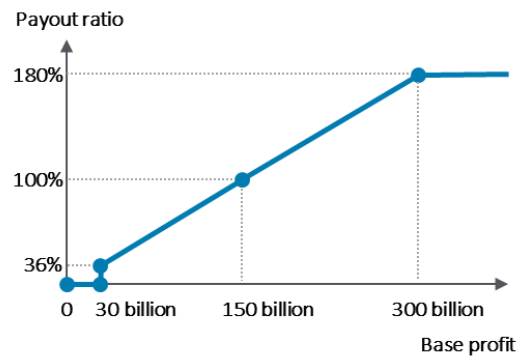
The amount of annual performance-based bonus is determined through a comprehensive evaluation and is based on the standard bonus amount determined for each position multiplied by the payout rate, which varies in proportion to the base profit for each business year (calculated by deducting actuarial differences* related to employees' retirement benefit obligation and net income attributable to non-controlling interests from consolidated recurring income for the relevant fiscal year).

*The Company adopts the method of amortizing actuarial differences regarding employees' retirement benefit obligation in a lump sum in a single business year. Accordingly, any significant fluctuation in such actuarial differences due to stock price fluctuations, interest rate conditions, or other at the end of the business year will have a significant impact on financial results. Therefore, for the calculation of the base profit, the Company uses consolidated recurring income after deducting actuarial differences regarding employees' retirement benefit obligation.

<Calculation formula>

Bonus Amount = Standard Bonus Amount by Position x Payout Rate*

<Incentive curve for annual performance-based bonus>



*Payout rate range is 0% (lower limit) to 180% (upper limit)

(6) Performance-based restricted stock remuneration (medium- to long-term incentive)

Performance-based restricted stock remuneration is structured to reflect the Company's performance during each period (three years) of the Medium-Term Management Plan. Specifically, the standard stock remuneration amount prescribed for each position consists of: (i) a portion linked to the growth rate of the Company's market capitalization relative to TOPIX (one-third of the standard stock remuneration amount by position); and (ii) a portion linked to the achievement rate of the greenhouse gas emission reduction targets based on SBT (Science Based Targets) (two-thirds of the standard stock remuneration amount by position) during each subject period.

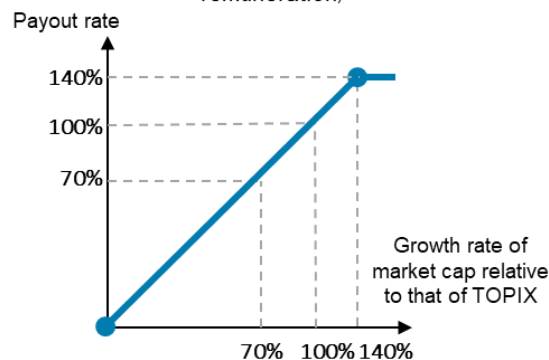
① Remuneration linked to the market capitalization growth rate

Remuneration linked to the market capitalization growth rate is designed to objectively reflect the Company's relative valuation in the stock market in remuneration by comparing the Company's market capitalization growth rate with the TOPIX growth rate.

<Calculation formula>

Remuneration Linked to the Market Capitalization Growth Rate = One-Third of the Standard Stock Remuneration Amount by Position × Payout Rate (the Company's Market Capitalization Growth Rate during the Medium-Term Management Plan Period / TOPIX Growth Rate During the Same Period) (*)

<Incentive curve for market capitalization-linked remuneration>



*Payout rate range is 0% (lower limit) to 140% (upper limit)

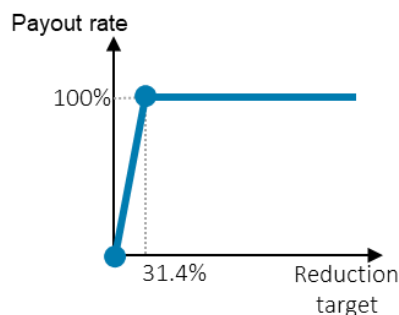
② Remuneration linked to the sustainability index achievement rate

Since the maximum payout rate is set at 100%, if the Company fails to achieve the SBT-based (Science Based Targets)(*1), emission reduction targets (*2), the amount of remuneration vested in proportion to the target achievement rate will be reduced accordingly from the standard stock remuneration amount by position, thereby providing a strong incentive to achieve the targets.

<Calculation formula>

Remuneration Linked to the Sustainability Index Achievement Rate = Two-thirds of the Standard Stock Remuneration Amount by Position × Payout Rate (achievement rate of the SBT-based emission reduction targets under the Medium-Term Management Plan) (*3)

〈Incentive curve for remuneration linked to the sustainability index achievement rate〉
(Three-year performance period)



- *1 Refers to the greenhouse gas emission reduction targets set by companies and to be achieved in five to fifteen years in conformance with the level required by the Paris Agreement that was adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) and took effect in 2016 (which sets a goal of limiting global temperature increase to well below 2°C above pre-industrial levels and pursuing efforts to limit the increase to 1.5°C).
- *2 The SBT-based greenhouse gas emission reduction target (Scope 1 and 2) for the current Medium-Term Management Plan period (the three years from January 1, 2025, to December 31, 2027) has been set at -31.4% compared to the Company's figures in FY 2021.
- *3 The payout rate range is 0% (lower limit) to 100% (upper limit).