

Happiness Grows from Trees



SUMITOMO FORESTRY



For Sustainable Development Goals

Sumitomo Forestry Group
Sustainability Activity Highlights 2022

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The Origin of Sumitomo Forestry

The “Major Afforestation Project” began in 1894. This plan to reforest the Besshi Copper Mine is the very starting point of our sustainability efforts.

Sumitomo Forestry began in 1691 when the Besshi Copper Mine in Ehime Prefecture opened and was responsible for the management of the mine’s forests. Wood was indispensable for copper mine operations, as it was used for tunnel timbers, charcoal fuelwood for copper smelting, and for construction. However, at the end of the 19th century, Besshi Copper Mine was facing a crisis of devastation of the surrounding forests due to excessive logging and smoke pollution over a long period of time. Based on the idea of “Gratitude for National Land,” the then manager of the Besshi Copper Mines, Teigo Iba, initiated the “Major Afforestation Project” in 1894 to restore the lost forests. Through repeated trial and error, the mountains were eventually restored to their original verdant state as a result of the large-scale afforestation of over 2 million trees a year at the most. This sustainable forest management is the starting point of Sumitomo Forestry’s business activities and the origin of our sustainability concept.



Mountain range of Besshi, devastated by copper mining operations during the Meiji period (collection of Sumitomo Historical Archives)



Current Besshi mountain range

Sumitomo Forestry Group’s Business Activities



Timber and Building Materials Business



In the distribution business, as Japan’s No.1* timber and building materials trading company in terms of transaction amount, we are developing a wide range of businesses related to the procurement and distribution of timber and building materials. The Manufacturing Business in Japan produces wooden interior fittings. Overseas, we produce wooden board products such as plywood, medium-density fireboard (MDF) and particle board and various building materials such as flooring, furniture and kitchen cabinets at each location in South East Asia, Oceania, and North America, and supply them globally.

* As of March 31, 2020

Housing and Construction Business



Since entering the Custom-Built Wooden Detached Housing Business in 1975, we have provided a quality living environment by promoting long-life and high-quality housing. Currently, Sumitomo Forestry leverages the design skills and technical capabilities cultivated in the Custom-Built detached housing business to develop a wide range of housing and lifestyle businesses including renovation, rental housing, real estate management and agency, subdivision, greening and MOCCA (timber solutions) businesses.

Overseas Housing and Real Estate Business



Since the start of our U.S. housing business in 2003, we have been actively entering new markets with promising growth potential. Currently, the Overseas Housing and Real Estate Business is expanding even in Australia and Asia. We not only sell housing that matches the needs of the climate and natural features as well as markets in each region but also promote initiatives to create shared value through our business activities by respecting employees, local residents, corporate organizations, society and every other stakeholder.

Environment and Resources Business



Based on the concept of “sustainable forestry,”*1 we manage 48,000 ha (approximately 1/800 of Japan’s land area) of Company-owned forest in Japan, in a planned manner with such measures as acquiring SGECS*2 (Sustainable Green Ecosystem Council) certification. In Indonesia, Papua New Guinea and New Zealand, we own and manage approximately 229,000 ha of working forest, including forests which have acquired the FSC and other third-party forest certifications, which help conserve biodiversity and contribute to the development of local communities. In the renewable energy business, we are developing a wood biomass power generation business in Japan that makes effective use of wood and other resources.

*1 A forestry operation in which tree planting, cultivating, and harvesting are carried out in a planned and continuous manner.

*2 Japan’s own forest certification system. Third-party evaluations have confirmed that the forests are being properly managed. It is approved of mutual recognition of the Programme for the Endorsement of Forest Certification Schemes (PEFC), an international forest certification.

Lifestyle Services Business



We provide a wide range of services that support people’s lives, centering on the nursing care business. To meet a wide range of nursing care needs, we operate 20 private-pay elderly care facilities and provide day-care and home-care services in Japan. We are also working to revitalize the local economy by participating in the development of a commercial resort facility that opened as a joint industry, government, and academia project.



Mission TREEING 2030 Guiding us through uncertain times

Toshiro Mitsuyoshi
Representative Director and President
Sumitomo Forestry Co., Ltd.

Our long-term vision of what type of company we want to be

In February this year, Sumitomo Forestry Group defined and announced its vision to support the realization of a decarbonized society by 2050. Our aim is to provide value to our planet, to people and society, and to the market economy to make our world safer and more secure for current and future generations of people and all living beings. Because it is of primary importance to act now to produce results, our long-term vision Mission TREEING 2030 has set 2030 as the target year, the same as the target year for the United Nations' SDGs.

While formulating our long-term vision over the past two years, the world changed radically with the COVID-19 pandemic. Restrictions on people's movement and opportunities to meet changed the way we work. At Sumitomo Forestry Group, demand for newly built single-unit houses in our primary markets of Japan, the United States and Australia rose significantly. On the other hand, supply chain disruptions and other issues shook the foundation of business operations in many different sectors. In Japan, the domestic market was challenged by wood shortages and soaring prices – in other words, a wood shock. In addition, Russia's military invasion of Ukraine has had a huge impact on energy and food security not just for neighboring countries but for many other countries and regions around the world. Companies with global operations have also been affected and the outlook is unclear.

During these uncertain times, we must act urgently to address climate change, biodiversity loss and growing inequalities. To provide shared benefits to society, we must make the right choices and move forward in the right direction. Mission TREEING 2030 is our lighthouse, guiding us to the type of company we want to be in the future.

Pursuing new challenges, building on the successes of our previous Medium-Term Management Plan

Last fiscal year was the final year of our previous Medium-Term Management Plan. We achieved most of our Mid-Term Sustainability Targets, which define our non-financial goals, and among our biggest achievements was our supply chain initiatives. For the first time, we set a time-bound goal to achieve 100% procurement of timber and wood products from sustainable forests. We reexamined our procurement standards primarily for directly imported materials. For tree species and regions with environmental, human rights or other sustainability concerns, we worked with our suppliers to switch to more reliable certified materials, in addition to ensuring legality. Otherwise, we ended our contracts in September and have currently achieved 100% of our goals. Further details about this and other efforts are available in the Sustainability Report 2022. With our new Medium-Term Management Plan, we plan to implement sustainability and lifecycle initiatives that capture and reduce GHG emissions of directly imported materials, procured raw materials used at manufacturing facilities and domestically distributed materials.

At COP26 held in November last year, an agreement was reached to limit global warming to 1.5°C compared to pre-industrial levels and to steadily phase down coal power. Ahead of this in September, Sumitomo Forestry Group signed Business Ambition for 1.5°C, a campaign led by the Science Based Targets (SBT) Initiative in partnership with the UN Global Compact and other organizations. To achieve net zero by 2050 and to align with the goal to limit warming to 1.5°C, we upwardly revised our 2030 SBT reduction target to 54.6 percent compared to fiscal 2017. By accelerating our move to RE100 through such measures as installing solar panels at all our manufacturing facilities, we plan to reduce CO₂ emissions by 18.5 percent in three years.

In terms of information disclosure, after conducting scenario analyses in 2018 of our Domestic Housing Business and our Timber and Building Materials Business as part of our TCFD efforts, we implemented scenario analyses of our Overseas Housing Business and our Environment and Resources Business, as well. As we did for the first two mentioned businesses, we examined the circumstances of two scenarios for 2030 – a 4°C increase and a 2°C (1.5°C increase). These scenarios helped us determine how sustainable use of forest resources would accelerate decarbonization and how stakeholder sentiment would prompt the reinforcement of forest protection policies, both of which highlighted the importance of accurately communicating the function and effect of forests and wood resources to stakeholders. Working with such organizations as the Forest Solutions Group of the World Business Council for Sustainable Development (WBCSD), we are actively engaging with policymakers and a wide variety of other stakeholders around the world.

Climate, nature, equality — comprehensive initiatives are key

The COVID-19 pandemic and climate change have disproportionately impacted vulnerable groups in society, such as women and children. At COP26, there was much focus on the need to address biodiversity loss and widening disparities. Sumitomo Forestry Group, utilizing risk mapping based on human rights due diligence, scrutinizes the labor environment and other conditions for foreign technical trainees and is continuing to build a grievance mechanism this term. Our long-term vision was formulated around material issues that were newly defined in March 2021. With “maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy” as one of our business policies, we are setting both societal and economic goals that take into consideration not only decarbonization but also conservation of biodiversity and natural resources, such as water.

As is widely known, trees absorb carbon dioxide through photosynthesis as part of the growth process and sequester large amounts of carbon even after harvesting. Using wood for housing, furniture and other purposes leads to long-term carbon fixation. Despite a variety of measures to reduce CO₂ emissions, inevitably, there are unabated CO₂ emissions that must be offset. Forests play an important role in this regard.

Ever since its establishment in 1691, Sumitomo Forestry has operated a wide variety of businesses focused on wood both in Japan and overseas. Our wood-centric value chain is based on forest management that is sustainable and mindful of biodiversity and human rights. With the stable and ongoing operation of this wood cycle, we believe we can contribute to decarbonization and resource circularity for not just our own company, but for the whole of society as well.

Sumitomo Forestry's unique contribution: Decarbonization initiatives with our wood cycle

During the formulation process of Mission TREEING 2030, momentum to pursue SDGs and resolve societal issues grew within the company. We were able to visualize and share amongst

ourselves how we can contribute to decarbonization while pursuing further growth in the areas of forests, timber and construction. In concrete terms, we will expand the area of sustainable forests we manage to 500,000 hectares and establish forestry funds to help other companies pursue decarbonization through carbon offsets. In addition, to reduce the risk of wood shortages that we experienced in Japan with the wood shock, we are working on such measures as raising the self-sufficiency ratio of domestic timber, establishing timber industrial complexes and using wood biomass as a heat source during manufacturing to secure a stable supply of high-environmental-value timber.

In the area of construction, we are working to visualize CO₂ emissions and standardize decarbonized design. We are also implementing environmental labeling of building materials and construction lifecycle assessments (LCA) utilizing a software called One Click LCA in Japan. The construction industry accounts for almost 40 percent of the world's CO₂ emissions, and two-thirds of that comes from cooling, heating and lighting during occupancy. This is called operational carbon, which can be reduced with the wider use of renewable energy. In contrast, the remaining one-third of carbon emissions, called embodied carbon, is attributable to building materials – from the procurement and processing of raw materials to make them, to their transport, construction, renovation/repair and disposal. The key to reducing embodied carbon is developing building materials and construction methods with a low environmental burden. As part of this effort, Sumitomo Forestry signed a contract to be the exclusive Japan sales agent of One Click LCA, a software that was developed in Finland and is currently used in over 130 countries around the world.

Creating a resilient organization that can work with a diverse range of stakeholders

Sumitomo Forestry Group is undertaking numerous initiatives to grow and transform into a more diverse, resilient organization. As part of management's commitment to sustainable growth, we revised our director compensation system to be based on financial performance, which correlates with ESG management indices and is linked to the achievement of SBT, long-term CO₂ emissions reduction targets. In addition, to ensure that employees from a diverse range of backgrounds can work with a sense of security and harness their individuality, we introduced a new performance evaluation system that better promotes goal achievement and employee growth. In October, we also announced our Sumitomo Forestry Group Declaration on Health Management to promote workstyle reform.

To work with a diverse group of stakeholders, we must actively pursue alliances, join organizations and pay close attention to emerging sentiment while sharing our own company's knowledge, technologies and future vision. To begin to fully protect biodiversity, water and other forms of nature, we became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum. Compared to a year ago, interest in embodied carbon reduction and decarbonization through forest utilization has grown. More than ever before, we are meeting with business partners as well as companies we have had no past contact with about opportunities for collaboration. We look forward to working with many stakeholders as we promote Mission TREEING 2030.

Sumitomo Forestry Group's Sustainability Management

Corporate Philosophy

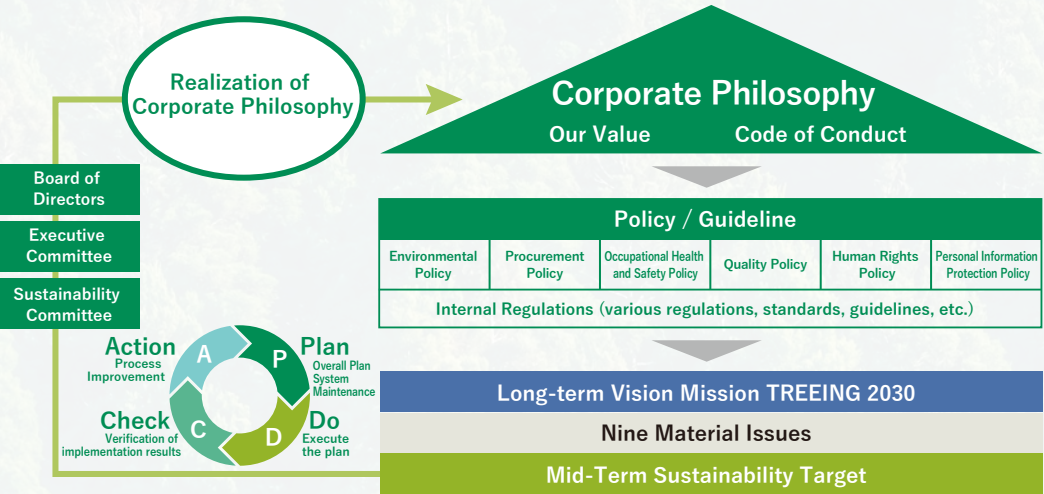
The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

Corporate Philosophy and Sustainability Management

Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy. In addition, Sumitomo Forestry Group Code of Conduct has been established to emulate the Sumitomo business spirit that has been passed down since the company's establishment and to meet with global social needs such as international conventions and initiatives. Sumitomo Forestry Group is seeking to disseminate and implement the Code of Conduct throughout its supply chain as a global standard, in addition to the Group and its partners, including suppliers and subcontractors. To guarantee that Sumitomo Forestry Group Code of Conduct is widely known, Sumitomo Forestry Group Code of Conduct Guidebook is issued to each employee at Group companies in Japan, translated into English and other languages. This initiative is also being expanded to our overseas affiliates, and education is provided as well. This information has also been disclosed on our website to our business partners and

other stakeholders. In addition, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct, etc. at the Sustainability Committee convened four times a year.

We have also established policies such as "Environmental Policy," "Procurement Policy," and "Occupational Health and Safety Policy," and various guidelines based on our Corporate Philosophy and Code of Conduct. We are dealing with ESG-related sustainability targets as a specific practice for the Medium-Term Management Plan. We formulated Mission TREEING 2030 in February 2022, a long-term vision that incorporates the ideal image of Sumitomo Forestry Group into a long-term business concept. The Group aspires to realize a sustainable society by addressing the Nine Material Issues identified and providing values to the global environment, people's lives and society, and markets and economic activities, etc.



Mission TREEING 2030

~ Making our planet safer and more secure for future generations ~

By providing value to our planet, to people and society, and to the market economy, we at Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.



Business Policy

01

Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy

In addition to reducing operational carbon in all areas domestically and abroad, we will pursue the CO₂ reduction effect of wood resources and contribute to the decarbonization of society through our businesses.

By highlighting the CO₂ sequestration capabilities of forests and HWP, we will revitalize the Japanese forestry industry and expand our medium- to large-scale wooden architecture business to dramatically elevate the value of timber resources and realize a circular bioeconomy primarily for domestic timber.

02

Advancing globalization

With our US, Australian and Asian operations as our core platform, we will expand the business areas and scale of our overseas group operations.

03

Striving for transformation and the creation of new value

With business transformation and innovation, such as the promotion of digitalization, we will rebuild the revenue base of our domestic operations.

04

Transforming our business foundation for growth

In addition to improving our ability to continually retain, nurture and engage human resources who can respond to globalization and the diversification of our businesses, we will reinforce our risk management system.

Performance Target

FY2030 Recurring Income Target

250 billion yen

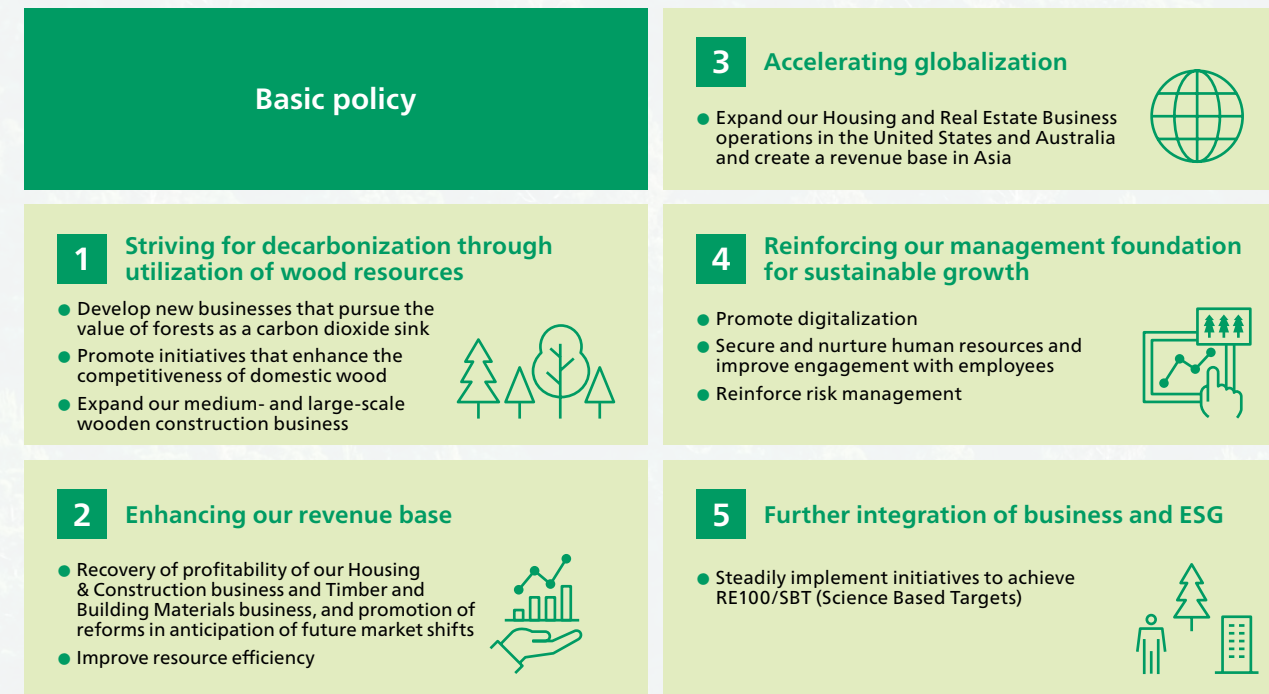
Long-term Vision Mission TREEING 2030

In February 2022, aiming toward creating a decarbonized society by 2050 and with the 2030 target date for achieving the SDGs in mind, the Sumitomo Forestry Group formulated Mission TREEING 2030 and Medium-term management plan, Mission TREEING 2030 Phase 1(2022-2024). Mission TREEING 2030, our long-term vision, incorporates our ideal vision of the Sumitomo Forestry Group into our long-

term business concept, while Medium-term management plan, Mission TREEING 2030 Phase 1 is our medium-term management plan covering 2022 to 2024. To achieve this long-term vision, we aim to simultaneously supply value for our planet, value for people and society, and value for the market economy, without compromising on any of these values and by enhancing value in each of these areas.

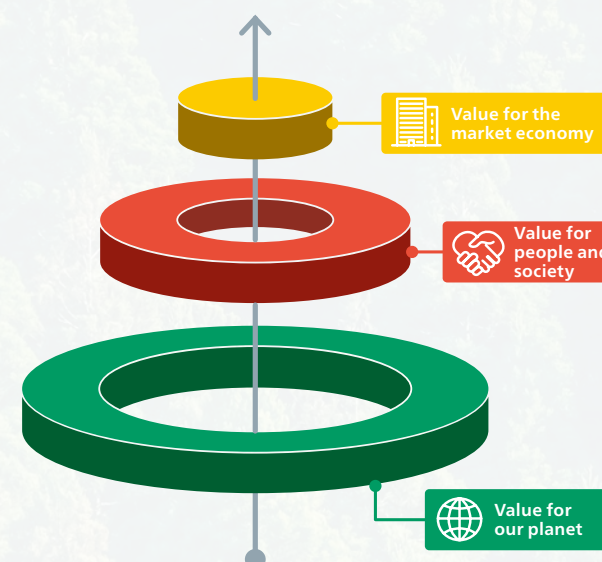
Setting of Specific Numerical Targets in Nine Material Issues

■ Mid-term Management Plan "Mission TREEING 2030 Phase 1" (2022-2024)



The world's markets and economic activities are based on the foundation of the global environment which ensures people's lives and societies. Under the long-term vision "Mission TREEING 2030," the Sumitomo Forestry Group has newly identified nine material issues, organizing the value it creates from the perspectives of "Value for our planet," "Value for people and society," and "Value for the market economy." As the first phase of this "Mission TREEING 2030," we have also announced "Mission TREEING 2030 Phase 1" (2022-2024), a three-year medium-term management plan that will lay the foundation for future growth and contribution to decarbonization. One of the five basic policies is "Further Integration of Business and ESG," and we have established "Sustainability Targets as part of Mid-term Management Plan in fiscal 2024," which incorporates our sustainability strategy and material issues. "Sustainability Targets as part of Mid-term Management Plan in fiscal 2024" sets specific numerical targets by 2024 in detail for each division to achieve Nine Material Issues, incorporating the perspectives of the SDGs. By aiming to achieve these indexes, not only does this enable us to meet the expectations of society such as SDGs, we believe it will

also lead to an increase in corporate value which cannot be determined from a financial perspective alone.



Nine Material Issues and Related SDGs



Material Issue 1

To enhance the value of forests and wood through sustainable forest management

Nurturing forests to enhance and harness the value of wood and other forest resources



Container seedling production for regional revitalization

Many local governments are working to maintain unused forest resources and conduct reforestation activities as an element of their regional revitalization efforts. In addition, clearcutting is on the rise because many Japanese cedar, Japanese cypress and Japanese larch forests planted after the World War II have reached harvesting time. This is resulting in an increase in areas needing replanting, which is creating a demand for a stable supply of seedlings. A decline in workers is also highlighting the problem of insufficient seedling supply.



To combat this problem, Sumitomo Forestry Group quickly began to modernize container seedling production. Using our proprietary production technologies, we operate climate-controlled cultivation facilities that contribute to the sustainability of forest resources and resource production.

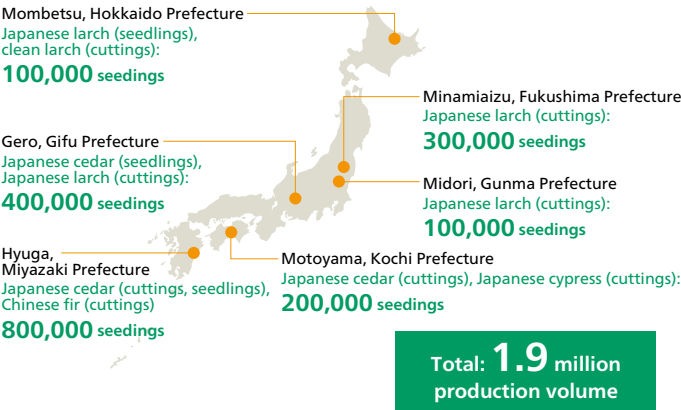
Following the 2012 opening of a climate-controlled seedling production facility in Hyuga, Miyazaki Prefecture, we opened oth-



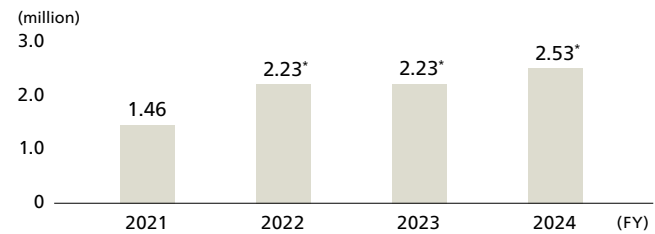
er production facilities in Mombetsu, Hokkaido Prefecture, Gero, Gifu Prefecture, Motoyama, Kochi Prefecture, Midori, Gunma Prefecture, and Minamiaizu, Fukushima Prefecture, to produce 1.9 million seedlings annually. By controlling the temperature, humidity and other factors, seedlings can be grown throughout the year and the per area production volume is significantly higher than conventional outdoor seedling cultivation.

In addition to production at our own facilities, we also consign production in Gifu Prefecture, and increased production by providing technology to a facility in Nichinan, Tottori Prefecture in fiscal 2021. By creating employment opportunities to workers involved in seedling production, and by developing and utilizing new technologies, we work with local governments to contribute to regional revitalization.

Sumitomo Forestry's seedling production facilities nationwide



Number of seedlings supplied in Japan (January ~ December of each year)



*Forecasted figures as of fiscal 2021



For more information about other related initiatives, please refer to this site.

[https://sfc.jp/english/sustainability/environment/forest/
domestic.html](https://sfc.jp/english/sustainability/environment/forest/domestic.html)



*The total of three companies – PT. Kutai Timber Indonesia (KTI), PT. Rimba Partikel Indonesia (RPI), Vina Eco Board Co., Ltd. (VECO)

"Social forestry" initiatives that impact the local economy

In 1999, PT. Kutai Timber Indonesia (KTI), one of our production sites in Indonesia, began planted forest operations using fast-growing trees, such as falcata, which grow quickly and have short harvesting cycles. Local residents were provided seedlings free of charge, given technical guidance and asked to plant and nurture the trees on their own land. By guaranteeing to purchase the timber of the mature trees at market prices, KTI sought to balance environmental, social and economic interests through this "social forestry" initiative. In 2015, this initiative was recognized for contributing to the stable income of local residents and positively impacting the local community and environmental conservation with Indonesia's Ministry of Environment and Forestry Award. In fiscal 2021, along with PT. Rimba Partikel Indonesia (RPI), Vina Eco Board Co., Ltd. (VECO) and other operations, we supplied a total of 1.14 million seedlings.

To increase the ratio of planted trees as a raw material, KTI works closely with local forestry cooperatives to manage a framework for sustainable forest management. In 2008, Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)*, a forestry cooperative that KTI supports, became the first to acquire FSC-FM certification for 152 ha of plantation forest. By 2015, the area of certified forest grew to 1,005 ha. In 2017, another forestry cooperative called Koperasi Bromo Mandiri (KBM KTI)* acquired the same certification for 206 ha of plantation forest, which expanded to 1,330 ha in fiscal 2021. Logs are supplied by KTI. The area of certified forest for both cooperatives totals 2,335 ha, and with the increase in the supply of certified timber, KTI will expand its production and sale of high environmental value products while contributing to the local community.

*KAM KTI: FSC-C023796, KBM KTI: FSC-C133562

Total social forestry plantation forest area*1 (ha)

Company name	Fiscal 2021 actual figures
PT. Kutai Timber Indonesia (KTI)	5,816
Koperasi Serba Usaha Alas Mandiri (KAM KTI)	1,005 ^{*2}
Koperasi Bromo Mandiri (KBM KTI)	1,330 ^{*3}
PT. Rimba Partikel Indonesia (RPI)	443
Vina Eco Board Co., Ltd. (VECO)	254
Total	8,848

*1 Plantation forest area calculated using the actual number of seedlings distributed and per hectare number of plants (the per hectare number of plants is planned every year by tree species)

*2 [Forest certification system] FSC [Certification number] SA-FM/COC-002083 [Certifying organization] Soil Association

*3 [Forest certification system] FSC [Certification number] SA-FM/COC-005493 [Certifying organization] Soil Association



Images from a plantation forest

For more information about other related initiatives or targets, please refer to these sites.

[https://sfc.jp/english/
sustainability/social/
supply-chain/manufacture.html](https://sfc.jp/english/sustainability/social/supply-chain/manufacture.html)

[https://sfc.jp/english/
sustainability/environment/
forest/social-forestry.html](https://sfc.jp/english/sustainability/environment/forest/social-forestry.html)

[https://sfc.jp/english/
sustainability/management/
materiality1.html](https://sfc.jp/english/sustainability/management/materiality1.html)



Material Issue 2

To realize carbon neutrality by leveraging forests and wood resources

Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.

Related targets

Establishing and improving methods to calculate forest absorption volume

Fiscal 2024

Start of full-fledged application

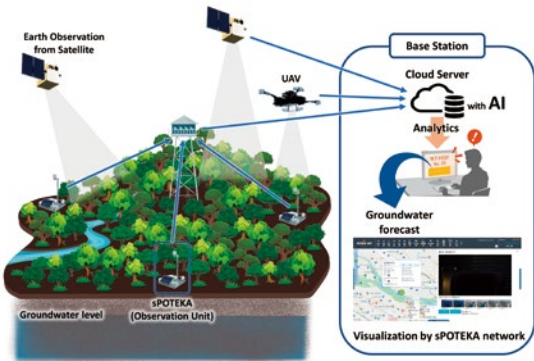
Collaboration with IHI to maintain and protect the world's forests from space

The area of tropical peatlands^{*1} in Indonesia, the Congo Basin and along the Amazon River is more than 82 million ha^{*2} worldwide (approximately twice the land area of Japan) and it is believed that they store at least 89.0 billion tons^{*3} of carbon (approximately 10 times the global total carbon emissions in 2017). However, if these tropical peatlands are not managed properly, the groundwater levels fall, making them dry, susceptible to fire and a source of CO₂ emissions. With governments, companies and investors around the world accelerating their efforts to realize a decarbonized society, forests are gaining attention as a carbon sink. There are hopes that tropical peatland forest management methods, that are low-cost, easy and environmentally sustainable, will become more widely adopted.

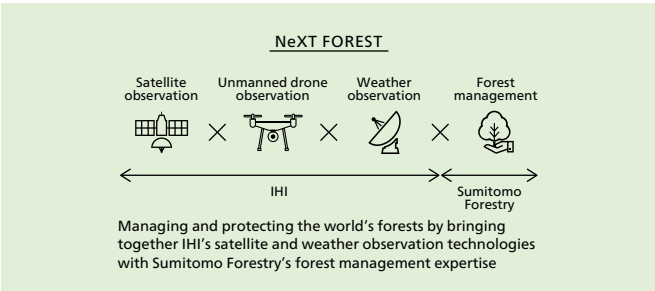
Sumitomo Forestry Group and IHI Group are working together to develop peatland management technologies that can be used worldwide. By bringing together Sumitomo Forestry's forest management expertise with IHI Group's satellite and drone remote sensor and weather observation technologies, the two companies

hope to begin forest management consulting operations in fiscal 2022. In addition, by accurately measuring the carbon stock of forests, we hope to create high-quality carbon credits that appropriately reflect the value of forests as form of natural capital^{*4} for their role in protecting biodiversity and contributing to local communities.

^{*1} Tropical peatlands are, soil made from dead plant matter that has not decomposed in the water
^{*2} Xu et al., 2018
^{*3} Dargie et al., 2017
^{*4} Natural capital is, Nature that creates as stock (capital) valuable services, such as forests, which absorb carbon dioxide and filter water



Planted forest in Indonesia



For more information about other related initiatives, please refer to these sites.

<https://sfc.jp/english/sustainability/environment/forest/consultant.html>



https://sfc.jp/english/news/pdf/20210618_01.pdf




Related targets

Renewable energy implementation rate*
[Initiatives to achieve RE100]

Fiscal 2024

35.1%



Sumirin Denki participation rate

Fiscal 2024 post-FIT surplus power acquisition 45%

* Excluding amount consumed at biomass power generation operations and at operations located in New Zealand where the entire country is striving for RE100 by 2035.

Utilizing "Sumirin Denki" renewable energy for domestic power usage

In October 2018, the IPCC (Intergovernmental Panel on Climate Change) disclosed the latest scientific findings about global warming in their "Special Report on Global Warming of 1.5°C." This report revealed that global warming of 2.0°C versus 1.5°C above pre-industrial levels would have a significantly different impact on the global environment. Given this, Sumitomo Forestry Group began working to further reduce greenhouse gas emissions from its operations and in March 2020, became a member of RE100*, a global initiative that aims to achieve 100% renewable electricity.

By 2040, Sumitomo Forestry Group aims to have all the electricity it uses for its business operations and all the fuel it uses for its power generation operations be 100% renewable energy.

In our Mid-Term Sustainability Targets as part of the 2024 Medium-Term Management Plan, to achieve RE100 by 2030 in areas where we can do so based on our own effort, we set a goal to have

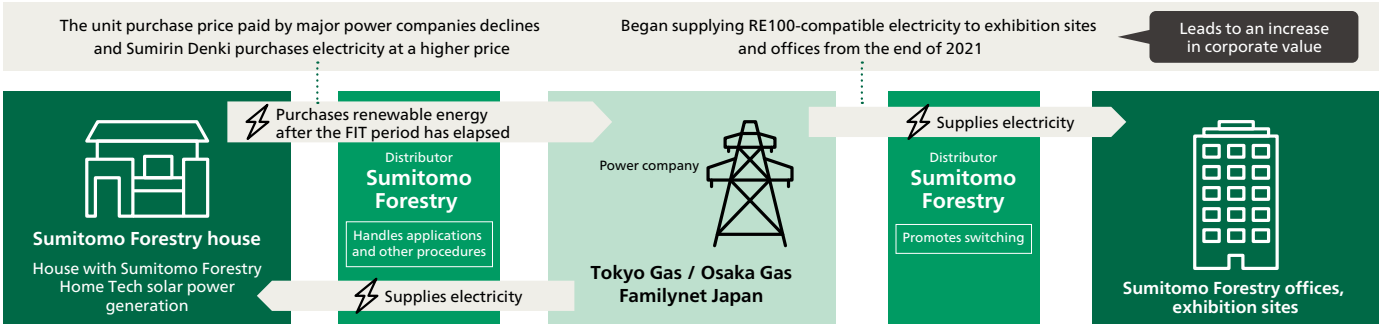
35.1% of the electricity we use for our Group business operations be from renewable energy by fiscal 2024. As one approach to achieve this, we decided to utilize "Sumirin Denki," which was introduced in November 2019 in Japan.

Sumirin Denki is a service that purchases surplus electricity from home owners of Sumitomo Forestry Homes after the renewable energy FIT (feed-in tariff) purchase period has elapsed. The service also covers customers who have installed Sumitomo Forestry Home Tech solar energy panels and offers electricity supply as an agent. By utilizing surplus electricity generated from homes for our offices, exhibition sites and other areas, Sumitomo Forestry Group is working to increase the ratio of renewable energy of our total domestic power consumption. As of May 2022, we had 2,329 contracts that supply renewable energy to 34 exhibition sites in the Kinki area.

In March 2022, we expanded the agent service to supply energy to new customers who build a home. To fulfill the targets outlined in RE100, we are working to achieve a post-FIT surplus power acquisition rate of 45% by fiscal 2024.

*A global initiative jointly led by the Climate Group, an international environmental NGO, in partnership with CDP.

How Sumirin Denki works



For more information about other initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/environment/climate-change/mitigation.html>



<https://sfc.jp/english/sustainability/management/materiality2.html>



Material Issue 3

To realize a circular bioeconomy by leveraging forests and wood resources

Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.



The Housing and Construction Division’s supply chain management initiatives

With growing awareness of human rights, environmental and other issues in the supply chain, companies are being tasked to take supply chain management initiatives that help realize a sustainable society.

Sumitomo Forestry Group formulated the Wood Procurement Basic Policy in 2005 and the Wood Procurement Principles and Policies in 2007. Based on our own Wood Procurement Due Diligence, the Timber and Building Materials Division began to conduct sustainability surveys of directly imported wood and wood products. In 2015, the Wood Procurement Principles and Policies was revised the Sumitomo Forestry Group Procurement Policy and expanded in scope beyond wood to include a wide range of other procured products, such as metals, ceramics, resin and other building materials. In 2017, we formulated the Sumitomo Forestry Group Code of Conduct, which is applicable to the entire supply chain, and have been working as a Group to enhance other initiatives involving the supply chain.

In 2002, the Housing and Construction Division began asking new suppliers to complete the Green Procurement Survey, which was developed in line with the Green Procurement Guidelines. In fiscal 2019, existing building materials and housing equipment suppliers were also asked to complete the yearly Sustainability Procurement Survey. The survey covers a total of 53 items to determine the status of our suppliers’ social and environmental initiatives and confirm the sustainability of wood building materials. In the first year, 42 companies (commanding 86.0% of our annual purchase amount of the previous fiscal year) were asked to participate in the survey.

In fiscal 2021, 86 companies (commanding 98.5% of our annual purchase amount of the previous fiscal year) were asked to participate in the survey. Before conducting the survey, we held a voluntary basis orientation session. By sharing Sumitomo Forestry Group’s thinking about responsible procurement, we were able to promote mutual understanding and achieve a 100% response rate.

The survey confirmed that many of our suppliers understood our thinking about responsible procurement. By providing survey respondents feedback on the results and through ongoing engagement, we strive to improve the average score. In fiscal 2022, we expand the survey to include domestic suppliers of the Timber and Building Materials Division as part of our effort to build a strong, sustainable supply chain.



Sustainability Survey presentation



Resource recycling (supply chain management)

Number of suppliers we proposed EPD* acquisition
(Timber and Building Materials Division)

Fiscal 2024 goal 65 companies

* Environmental Product Declaration (EPD) / Environmental certification label for materials

Promoting carbon neutral construction with the establishment and standardization of carbon neutral design methods

In January 2022, Sumitomo Forestry became the exclusive Japanese distributor of One Click LCA, a software that visualizes CO₂ emissions during a building’s construction. It is used in more than 130 countries around the world, primarily in Europe, and is compatible with ISO, LEED and more than 50 other global environmental certification programs. Through LCA^{*1}, which evaluates the environmental burden for the entire life cycle, we can calculate the CO₂ emissions during construction (embodied carbon^{*2}), from raw material procurement to processing, transport, construction, renovation and demolition, based on individual data of each material used at the construction site. Given that the construction sector is said to account for about 37% of the world’s CO₂ emissions, Sumi-

tomo Forestry will collaborate with One Click LCA to help the Japanese construction industry visualize and reduce emissions.

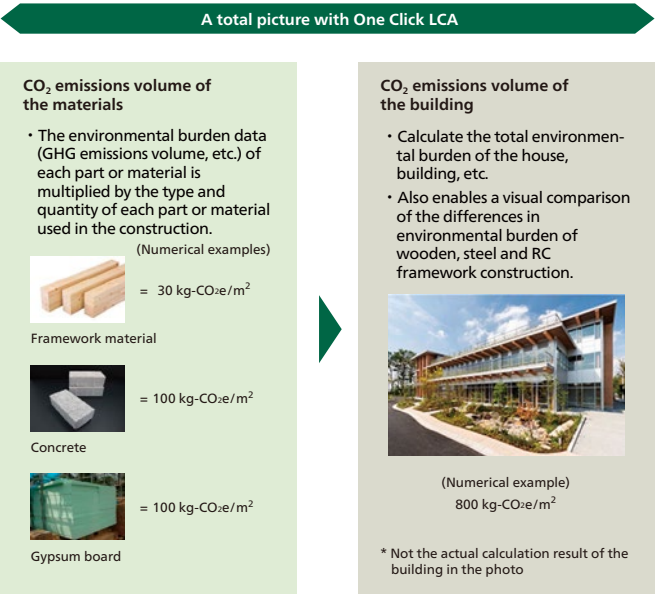
Because EPD data is critical for the widespread popularization of One Click LCA, we are also supporting timber and building material manufacturers and other companies acquire EPD certification. EPD, which is already widely adopted in Europe, is an environmental certification labeling system based on a third-party evaluation of quantitative environmental data and serves as one criterion for consumers and users when selecting environmentally conscious products. As a leading company in the timber and building materials industry, Sumitomo Forestry is creating a system to support Japanese companies seeking EPD certification to promote the visualization of CO₂ emissions for the entire supply chain.

*1 An abbreviation of Life Cycle Assessment

*2 The construction sector’s CO₂ emissions during procurement, manufacture, construction, demolition and other processes

One Click LCA software conceptual image

The relationship between the CO₂ emissions volume of the materials and the building





Material Issue 4

To provide comfortable and secure spaces for society at large

Providing safe, comfortable and secure spaces for society at large



*An index that measures customer loyalty (degree of “trust” and “sense of attachment” to a company or brand)

“Visualizing” customers’ honest feedback for continuous improvement

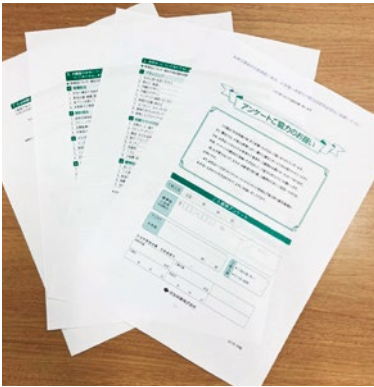
To provide spaces of value to society, it is important to listen closely to what the people who live in them are saying. Sumitomo Forestry conducts surveys of its home owners for their opinions and perceptions three times – when moving in and then at the second and tenth year of occupancy.

This survey seeks to determine the level of satisfaction customers feel about not only various components of the house, but other detailed items, such as how well our representatives took care of them. The survey also has a section where customers can write their opinions or other comments.



Comfortable space of Sumitomo Forestry homes

We were among the first companies in the housing industry to adopt NPS (net promoter score). We added the question, “Would you recommend a Sumitomo Forestry house to your relatives, friends and acquaintances?” with 11 choices of graded answers. We utilize this NPS as one way to measure customer satisfaction. In fiscal 2021, our NPS score was 50pt and we have set a goal to raise this to 53pt by fiscal 2024.



Customer survey conducted after moving in (sample)

Within the Housing and Construction Division, we have established a horizontally integrated working group that meets once a month to discuss NPS and other survey results and determine ways to improve. We provide detailed survey results to our branch offices and related divisions and have created a follow-up reporting system for areas requiring immediate attention. Our activities go through the PDCA cycle for ongoing continuity. As a result of these Group-wide efforts, our NPS has gone up steadily since it was implemented in 2017.

To accelerate our improvement efforts, we are currently incorporating a management tool that helps us “visualize” the survey results in a timely manner. In addition, we are promoting the use of digital data by encouraging participation in web-based home owners surveys. We will continue to listen closely to customer feedback to provide society comfortable and inviting spaces.

For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/customer/>



<https://sfc.jp/english/sustainability/management/materiality4.html>



Material Issue 5

To improve the livelihood of the local communities where we operate

Creating jobs through our businesses and contributing to the development of local communities



* Number of local employees at the end of fiscal 2021 was 298

Creating a circular community that coexists with forest resources

Sumitomo Forestry Group manages a large-scale plantation forest that exceeds 30,000 ha in East New Britain, Papua New Guinea. The company in charge is Open Bay Timber (OBT). When operations first began in 1971, the region had practically no social infrastructure, so OBT built roads and bridges for employees, their families and the local community as it developed its planted forest business. Now as it approaches 50 years since its establishment, the Open Bay area has grown to be one of the most vibrant communities in the region.

OBT operates medical clinics and community marketplaces for residents and employees, collaborates in the construction of schools and works in numerous other ways to further stimulate the local economy and community. In addition to having nurses regularly visit neighboring villages, OBT also transports residents to and from medical clinics and community facilities upon request.

OBT contributes to creating employment for the community. Approximately 300 people work at OBT and with the growth of operations, there are plans to increase this number. In addition, we are passing down planted forest technologies, hiring local top management and nurturing human resources on an ongoing basis.

In 2011, OBT acquired certification from the Forest Stewardship Council® (FSC), an international organization that promotes responsible forest management. The FSC certification program has been recognized to contribute to environmentally conscious and economically sustainable forest management as well as production, processing and transport of forest products. With this certification, we are conducting sustainable forest management and utilizing forest resources in a manner that is both environmentally conscious and beneficial to employees and the local community.



Aerial view of an OBT forest



Medical clinic for residents and employees



A health department vaccine seminar

For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/contribution/overseas.html>



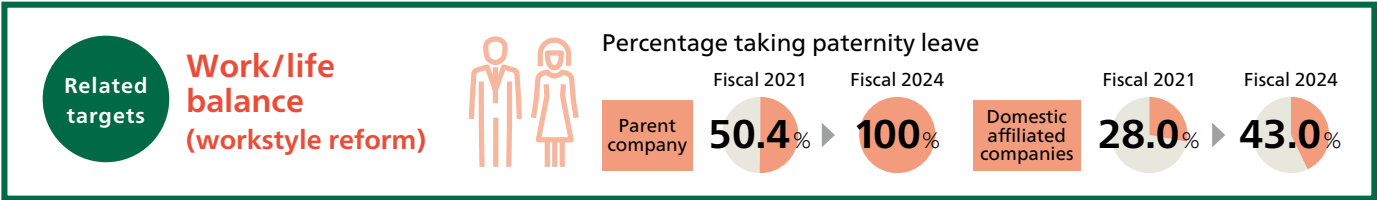
<https://sfc.jp/english/sustainability/management/materiality5.html>



Material Issue 6

To create a vibrant environment for all workers

Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated



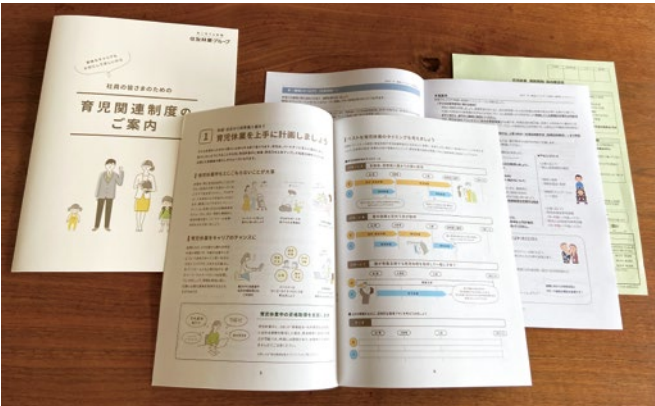
Creating a workplace that allows all employees to balance work with childcare

To build a career where employees, regardless of gender, can balance work with childcare requires the participation of male employees in raising their children. Sumitomo Forestry Group has declared in its Advancement of Measures to Support Raising Next-Generation Children Act (Next Generation Law) 8th Action Plan the goal to create a workplace that allows all employees, regardless of gender, to balance work with childcare and build a future career. To fulfill this goal, we declared that we will actively promote paternity leave to eligible male employees, their supervisor and their departments. In addition, in the Mid-Term Sustainability Targets as part of our 2024 Medium-Term Management Plan, we have set out a goal and are implementing initiatives to have 100% of all eligible male employees take paternity leave.

Ratio of male employees who took paternity leave (%)*

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Parent company	24.1	31.3	46.8	50.4
Domestic subsidiaries	4.3	6.2	13.2	28.0

* Ratio of male employees who took paternity leave = Number who started paternity leave in a given fiscal year / Number who had a child born in a given fiscal year

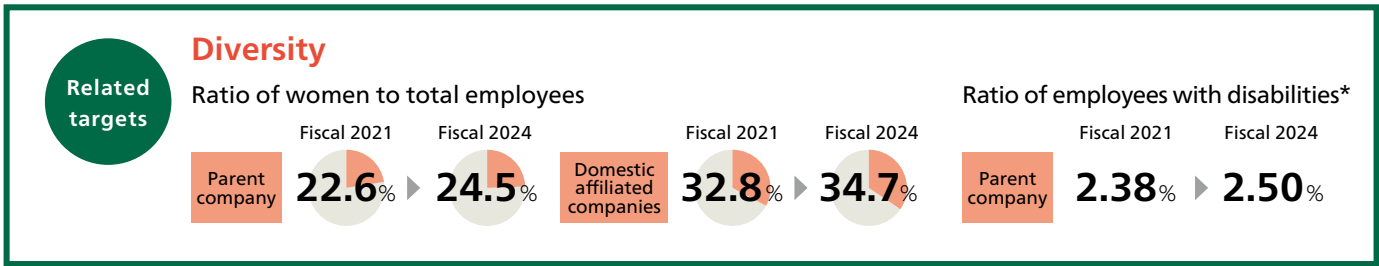


A handbook on ways to support work/childcare balance

A smooth transition into paternity leave requires the understanding of not only the eligible employee, but also his superior and colleagues. For this reason, when an employee reports a pregnancy or childbirth (of the employee or the spouse), we send the supervisor a file with a handbook and relevant documents that cover all basic information about childcare leave. When the supervisor passes on this information to the relevant employee, the two have a meeting about ways to balance work with childcare. Male employees are required to submit a notification regarding their desire to take paternity leave when they apply for the Company's Lump-Sum childcare Allowance upon the birth of a child. Under this system, the supervisor is required to add comments about the eligible employee's desire to take paternity leave and what types of guidance and consideration will be provided. This promotes greater understanding about male employee participation in child rearing. In fiscal 2021, 62 employees (50.4%) took paternity leave. In addition, we interviewed those who took paternity leave and published that content on our intranet, which garnered many comments. To nurture a workplace that embraces diverse workstyles and is not influenced by fixed notions about gender roles, we are implementing initiatives to promote greater understanding about unconscious biases.



A meeting between a supervisor and subordinate regarding work/childcare balance



*Total of Sumitomo Forestry, special subsidiary company Sumirin Wood Peace and group-applicable company Sumirin Business Service

Creating a workplace where everyone feels accepted and motivated

A fair workplace environment is based on the acceptance of people of all diversities in terms of race, religion, ethnic background, nationality, gender and other factors and the respect for human rights without discrimination.

As one aspect to promote diversity, Sumitomo Forestry Group is implementing a comprehensive range of LGBT (sexual minority) initiatives. LGBT initiatives are an important foundation of diversity and inclusion, which means understanding others and respecting individuals.



LGBT seminar

In Japan, the LGBT community is said to account for approximately 10%^{*1} of the population, making our actions important not just for employees, but customers and business partners as well. In fiscal 2021, we held an LGBT seminar for approximately 80 directors and management-related employees to convey basic information and deepen understanding about LGBT issues. The seminar featured talk sessions and other activities where LGBT members shared stories about their upbringing, difficulties and other experiences. One seminar participant remarked, "I thought I was accepting of LGBT, but I realized through this seminar that my understanding was shallow." Others commented, "This seminar confirmed the importance of creating a workplace environment where everyone, LGBT or not, feels accepted." The Company is also promoting e-learning programs and setting up external consultation services.

In January 2022, we newly created the Partnership System Regulations, which gives same-sex and common-law partners equal treatment as spouses (legally married people) in terms of company regulations and welfare benefits. By recognizing partners who are not yet legally defined and affording them eligibility under compa-

ny regulations, we are striving to create an environment where employees feel secure and are able to maintain a balance in their work and private lives with their partners at any stage of life, from childcare to nursing care.

In addition, the Company is promoting the hiring of people with disabilities with utmost priority on appropriately matching each employee's personality and capabilities with the workplace and description of responsibilities. In fiscal 2021, our disability hiring ratio was 2.38% and we are aiming for a ratio of 2.50% by fiscal 2024. To improve retention, we hold regular telephone meetings and give career advice and other information on an as-needed basis. Since fiscal 2018, we have been encouraging our employees to obtain Universal Manners Certification^{*2}. Every year, we offer Universal Manners Level 3 lecture series for all employees excluding those who are on leave. In fiscal 2021, we achieved a 100% participation rate^{*3} and plan to continue to promote this certification to new hires and others. By raising awareness among our employees and putting in place appropriate policies and systems, we are striving to create a workplace environment where everyone feels accepted and motivated.

*1 LGBT Research Institute's "LGBT Awareness Survey 2019" (pre-survey)

*2 A certification program that aims to give participants the mindset and ability to embrace people of all diversities, such as the elderly, the disabled, those who use baby strollers, foreigners, etc.

*3 For 5,430 employees, excluding those on childcare leave, long-term leave, overseas assignment and other



Group work at a Universal Manner Certification seminar

For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/employment/>



<https://sfc.jp/english/sustainability/social/work-life-balance/>



<https://sfc.jp/english/sustainability/management/materiality6.html>





Material Issue 7

To create new markets with forests and wood

Creating new markets that enrich the economy through the resourceful use of forests and wood

Related targets

Development of our overseas medium- and large-scale wooden building operations

Wooden office building in Australia

Fiscal **2023** completion

Wooden office building in the UK

Fiscal **2024** completion

Wooden/environmentally conscious multi-unit residential

Fiscal **2024** Start of construction **5,000** units annually

Creating “forests in cities” – developing our medium- and large-scale wooden building operations overseas

To realize net-zero carbon buildings^{*1}, Sumitomo Forestry is jointly developing a high-rise wooden office building in Australia. Located in the Melbourne suburbs, this RC and wood hybrid structure office building has 15 floors above ground and two basement floors (floor six and above are constructed of wood). Scheduled for completion in August 2023, it is expected to be Melbourne’s tallest^{*2} non-residential wooden building. In London, UK, we are also developing a similar wooden office building that is six floors. This is the first European project for Sumitomo Forestry’s Overseas Housing and Real Estate Division.

Compared to RC or other structures, wooden buildings produce lower CO₂ emissions during construction. In addition, the wood used in the building materials store atmospheric CO₂, which contributes to reduced CO₂. From a carbon fixation perspective, increasing the number of wooden buildings is like creating forests in cities.

However, there are challenges to using wood for medium- and large-scale buildings, such as earthquake and fire resistance. Sumitomo Forestry is working together with construction companies and developers both in Japan and overseas to focus on research and development in this area. In fiscal 2022, we will participate in a shaking

table test of a 10-floor wooden building at the University of California, San Diego (UCSD). This will be



A large-scale office building being constructed in Melbourne (conceptual drawing)



the first shaking table test of a wooden building of this scale in the world. The building for the test will use post-tensioned seismic resistance technology^{*3} to validate the earthquake resistance and construction technologies of medium- and large-scale wooden structures.

In addition to new construction methods as mentioned above, Sumitomo Forestry Group companies, such as Crescent Communities in the United States, are developing wood-frame construction methods for medium- to large-scale wooden multi-unit residential and commercial buildings. We are working to expand the number of these types of wooden building projects in the United States, Australia and Europe to contribute to the creation of sustainable urban development through wooden buildings.

^{*1} Buildings with net-zero CO₂ emissions during occupancy (operational carbon)
^{*2} A survey by WoodSolutions, an Australian government affiliated organization (as of June 2021)
^{*3} A technology that reinforces load-bearing members by placing tensile force on high-strength steel rods or wire rope passed through the members



A six-floor wooden office building being planned for development in London (conceptual drawing)



Atherton project: Wooden (wood-frame construction method) seven-floor multi-unit residential building (North Carolina, USA; sold in 2021)

For more information about other related initiatives or targets, please refer to these sites.

https://sfc.jp/english/news/pdf/20211006_01.pdf



https://sfc.jp/english/news/pdf/20220214_03.pdf



<https://sfc.jp/english/sustainability/management/materiality7.html>



Material Issue 8

To transform markets through DX and innovation

Enhancing economic efficiency and added value through business transformation brought about by DX and innovation

Related targets

Number of nursing homes with sensor devices

Fiscal **2024** plan **19** facilities

Providing health support services utilizing ICT

In 2025 and beyond when baby boomers will reach the age of 75 or older, the number of seniors requiring nursing care is expected to increase rapidly. Given this, initiatives to maintain ADL (activities of daily living) ability and increase healthy life expectancy are gaining increased focus.

Since fiscal 2016, Sumirin Care Life, one of our Group companies, has been actively installing ICT and other advanced systems that utilize state-of-the-art technologies to maintain and enhance the health and quality of life of its residents and enable it to provide comprehensive nursing services.

With ICT, Sumirin Care has installed systems that monitor residents and give staff information in real time about their condition, which is then stored as data.

Because this data can be visually confirmed, it is useful in preventing falls and determining each resident’s current state. This helps staff to more effectively develop methods to maintain and im-

prove health that are tailored to the individual. In addition, by linking this data with the nursing records system and the nurse call logs, the entire healthcare team can share information about each resident and more quickly respond to any changes while reducing staff burden.

Sleep data

- In bed
- Out of bed
- Sleep-onset time
- Awakening time
- Sleep depth
- Wake after sleep onset
- Pulse rate
- Breathing rate
- Number of times and length of apnea

Temperature and humidity data

- Temperature
- Humidity

Activity data

- Motion detection
- Activity time
- Door open/close



For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/customer/life-service.html>



<https://sfc.jp/english/sustainability/management/materiality8.html>



Material Issue 9

To establish a robust business structure

Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances

Related targets

Climate change

Implementation and disclosure of TCFD scenario analyses

Fiscal 2024

Reflect Sumitomo Forestry Group's measures in each business division's strategy under the next Medium-Term Management Plan

A strategic response to climate change

Sumitomo Forestry Group, in awareness of the risks and opportunities associated with climate change, declared in July 2018 its support of the TCFD* (Task Force on Climate-Related Financial Disclosures) Recommendations established by the Financial Stability Board. In the same year, the Timber and Building Materials Division and the Housing and Construction Division conducted its first scenario analysis based on these TCFD recommendations to evaluate the risks and opportunities that climate change has on society and the company as well as the company's strategic resilience. In the following fiscal 2019, we began disclosing information using the framework outlined in the TCFD recommendations. In fiscal 2021,

the Environment and Resources Division and the Overseas Housing and Real Estate Division also conducted a scenario analysis, thereby elevating the scenario analysis and information disclosure status of the entire Sumitomo Forestry Group.

*Abbreviation of the Task Force on Climate-Related Financial Disclosures, which was established in April 2015 by a directive from the Financial Stability Board. This initiative aims to encourage companies and organizations to disclose more information related to climate change in recognition of the increased risk to financial assets that climate change is causing in terms of natural disasters and stranded assets. As of May 31, 2022, 3,395 financial institutions, companies and organizations worldwide have declared their support, of which 878 companies and organizations are based in Japan.



Four areas of TCFD disclosure

Disclosure category	Sumitomo Forestry Group's initiatives
Governance The organization's governance around climate-related risks and opportunities	<ul style="list-style-type: none">● The Sustainability Committee analyzes risks and opportunities related to mid- to long-term ESG issues, including climate change, proposes and promotes initiatives, and monitors progress of the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan.● The Sustainability Committee, with the president and chief executive officer as the chairman, meets four times a year and all content of the meetings is reported to the Board of Directors to promote the integration of business operations with ESG initiatives.● In February 2022, the Company revised a portion of its directors' remuneration system. In addition to increasing the correlation between remuneration with improved mid- to long-term financial performance and higher corporate value, we implemented a sustainability-indices-linked remuneration system. Specifically, remuneration is linked with the achievement of SBT greenhouse gas emissions reduction targets.
Strategy The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	<ul style="list-style-type: none">● Society holds high expectations in forests for their ability to absorb and store carbon, in wood products and buildings for their ability to store carbon and reduce CO₂ emissions, and in biomass power generation for its use of leftover timber for fuel, among others.● In our long-term vision announced in February 2022, we set out "maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy" as one of our business policies and are pursuing opportunities in this area.● The relevant headquarters divisions work with each of the business divisions to identify risks and opportunities. The Timber and Building Materials Division and the Housing and Construction Division conducted a scenario analysis in 2018, and the Environment and Resources Division and the Overseas Housing and Real Estate Division conducted a scenario analysis in 2021.● Results of the scenario analyses were reported to the Sustainability Committee and the Board of Directors. In the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan, goals and initiatives were formulated and progress is being monitored.
Risk Management How the organization identifies, assesses, and manages climate-related risks	<ul style="list-style-type: none">● For all matters discussed at the Board of Directors and the Executive Committee, which is the advisory body to the president, risk assessments are made related to greenhouse gas emissions, biodiversity, water and other climate-related categories.● Progress related to the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan is checked every quarter and reported and confirmed twice a year to the Sustainability Committee.● Each division determines concrete measures and performance indicators for short-term risks arising from day-to-day operations and reports progress to the Risk Management Committee every quarter.
Metrics and Targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	<ul style="list-style-type: none">● Every year, each Group company and division sets targets based on the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan, including SBT and RE100.

Identifying and evaluating risks and opportunities

In the first scenario analysis conducted in fiscal 2018 for our Timber and Building Materials Division and our Housing and Construction Division, we analyzed the risks and opportunities that climate change would have on our operations based on two different scenarios – a 2°C versus a 4°C increase in average global temperature compared to pre-industrial levels. The findings and related information were disclosed in fiscal 2019.

In fiscal 2021, we conducted a scenario analysis for the Environment and Resources Division and the Overseas Housing and Real Estate Division. We explored what 2030 would be like in a 4°C scenario where climate change mitigation measures are not taken

and in a 1.5°C/ 2°C scenario where changes and stricter regulations are put into place to realize decarbonization.

The relevant headquarters divisions worked with each of the business divisions to identify risks and opportunities, evaluate the financial impact of climate change, and discuss mitigation measures for the risks, opportunities and recognized categories considered to have the greatest impact.

The divisions that conducted a scenario analysis in fiscal 2018 and fiscal 2021 command approximately 98% (as of fiscal 2021) of Sumitomo Forestry Group's total revenues. The results of the scenario analyses were reported to the Sustainability Committee and the Board of Directors and are incorporated into the initiatives and goals outlined in the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan.

Risks and opportunities by division

	Transition risks	Physical risks	Opportunities
Timber and Building Materials Division	<ul style="list-style-type: none">● Higher timber procurement costs due to stricter forest protection measures, logging regulations and other restrictions● Increased biomass fuel (wood chips) costs due to higher demand for biomass power generation with changes in energy mix	<ul style="list-style-type: none">● Higher timber procurement costs due to forest fires, pest and other factors associated with a rise in average temperatures● Lower revenues due to factory stoppages caused by an intensification of extreme weather	<ul style="list-style-type: none">● Increased demand for biomass power generation and fuel chips due to stricter fossil fuel regulations● Higher demand for timber, which requires less energy for manufacturing and processing and can suppress greenhouse gas emissions
Housing and Construction Division	<ul style="list-style-type: none">● Higher timber procurement costs due to stricter forest protection measures, logging regulations and other restrictions● Increased costs to comply with various policies, such as the Building Energy Conservation Act	<ul style="list-style-type: none">● Increased construction costs stemming from delays in construction time, recovery efforts of owned equipment and other in the event of a large-scale natural disaster● Decreased outdoor work productivity due to an increase in extremely hot days. Increased costs from construction delays and enhancing and maintaining the health of workers	<ul style="list-style-type: none">● Expanded demand for ZEH and other environmentally conscious housing with reinforced regulations for decarbonization and greater market need for decarbonized products
Overseas Housing and Real Estate Division	<ul style="list-style-type: none">● Increased costs with the implementation of a carbon tax● Higher construction costs due to reinforced building code standards	<ul style="list-style-type: none">● Increased costs associated with lot acquisition, construction, development and other due to an intensification of abnormal climate. Changes in demand with movement to areas with fewer disasters● Higher construction costs due to construction delays	<ul style="list-style-type: none">● Greater demand for environmentally conscious housing and medium- to high-rise wooden buildings with stricter decarbonization regulations and other
Environment and Resources Division	<ul style="list-style-type: none">● Higher operational costs due to carbon taxes, the implementation of environmental regulations and stricter logging restrictions● Increased costs to enhance the efficiency of resource utilization and production, and to develop and implement low-carbon technologies	<ul style="list-style-type: none">● Increased risk of lost sales opportunities due to damaged forests caused by an intensification of extreme weather that triggers insect and animal damage● Higher risk of forest fires due to rising temperatures	<ul style="list-style-type: none">● Higher demand for timber, which requires less energy for manufacturing and processing and can suppress greenhouse gas emissions● Increased credit income with a greater demand for wood biomass power generation and an active forest credit trading system

*For further details, please refer to the Sustainability Report 2022 Web Version

For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/environment/climate-change/>



<https://sfc.jp/english/sustainability/management/materiality9.html>



Sumitomo Forestry Group Social Contribution Activities

The Sumitomo Forestry Group advocates “To improve the livelihood of the local communities where we operate” as one of its Nine Material Issues, and in its business processes, the Group gives consideration to the local contributions and the social welfare of the communities. We are also expanding globally with a focus on forests and wood-related matters that are relevant to our business, particularly in fields such as the workplace and next-generation education.

Expenditure on Social Contribution Activities FY2021

Approx. **58** million yen

Social Contribution Donations FY2021

Approx. **315** million yen



Papua New Guinea

Contributing to Health through Community Clinics

Group company Open Bay Timber (OBT) is developing a forestry business considering the community and the environment. In Papua New Guinea, social infrastructure is inadequate in some areas, so OBT operates its own clinics and community marketplaces that are available to their employees and local residents.

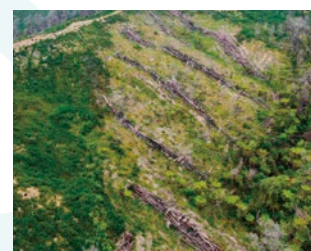
In particular, mass vaccination for coronavirus disease (COVID-19) was realized at the clinics by the arrangement of OBT as countermeasures to the COVID-19 that began to spread in 2020. Prior to vaccination, explanations of the COVID-19 and vaccine were provided by state health department officials, and vaccination was administered to those who consented to the explanations. The Health Department thanked OBT for its support of the public-private partnership to combat the COVID-19.



New Zealand

Teapot Valley Area Natural Forest Restoration Project Begins

Tasman Pine Forests (TPF), one of the group company's overseas plantation businesses, has launched a project to restore natural forests damaged by the Pigeon Valley fire that occurred in February 2019 within TPF's mountain forest in the South Island of New Zealand. Teapot Valley was one of the areas most affected by the fire. The area contained rare trees and wetlands. This project is part of the New Zealand government's Billion Tree Planting Project, a government initiative that will run for approximately four years. TPF participates in the project with a financial and operational support. Activities in FY2021 included gathering fire-damaged natural forests in one place as a preliminary work to afforestation.



the United States

Social Contribution Activities Through the Housing Business

Group company Crescent Communities participates in various programs sponsored by Habitat for Humanity, an international non-profit organization that provides housing assistance in more than 70 countries around the world. In 2021, 48 Crescent employees participated in a program, Critical Home Repair, to repair existing homes in Charlotte, North Carolina. This program was designed to assist residents who have financial difficulties to repair homes that have deteriorated over time and need to be reinforced and made safe. Painting work was performed on four eligible houses.

In addition to Crescent Communities, Sumitomo Forestry Group companies in the United States, DRB, Edge Homes, and Mark III Properties made donations to Habitat for Humanity to support housing assistance activities.



Australia

Social Contribution Activities Through the Housing Business

In 2021, Group Company Henry Properties sold one house for sale that was built with the help of a residential land developer and component suppliers, etc., and donated the proceeds. Many people from the company's business partners participated in this activity, with regard to land donation, design, cost estimation, component manufacturing and procurement, construction works management, and construction; and a two-story house was constructed in Wollert, north of Melbourne. Henley Properties donated all the earnings from the charity auction to a children's hospital. Since its inception in 1993, the donations through the auction have totaled A\$17.16 million, which has been used for medical expenses for children suffering from illnesses.



Japan

Launching an Onsite-Class Project for Comprehensive Forestry Education

In October 2021, Sumitomo Forestry launched a project delivering classes for comprehensive forestry education called “morino de van” in collaboration with the Gifu Academy of Forest Science and Culture. This is an initiative to deliver a wide range of experience programs that comprehensively view the forest, such as nature observation, fire-making experience, and a forest museum providing hands-on experience, using a Wald-car^{*1}. The program was jointly developed with the Forestry Education Center called morinos^{*2} for nature experience programs, with morinos providing and training instructors and arranging and operating program equipment, and Sumitomo Forestry donating Wald-cars, wooden boxes made of company-owned forest timber, as well as offcuts generated after timber sawing.

The program aims to realize a society in which all people and forests are connected and “coexist” through the nature experience programs offered by the delivery of classes.

^{*1} “WALD-car” refers to a “forest car.” Wald (WALD) means forest in German

^{*2} Nickname of the Forestry General Education Center, located within the Gifu Academy of Forest Science and Culture



Japan

Restoration of Nature in Oku-matsushima through Tree-planting Activities

In 2012, Sumitomo Forestry concluded the “Agreement on Collaboration and Cooperation in Recovery and Community-Development Plan” with Higashi-matsushima City in Miyagi Prefecture. In 2017, in order to help the area recover from the Great East Japan Earthquake, we began a pilot project to plant trees on a seawall near the Nobiru Coast devastated by the tsunami. By reference to the opinions of third-party organizations, the selection of suitable native tree species and tree-planting methods were studied, and a tree-planting plan was formulated. With the help of the local people, we were able to confirm that the saplings were growing well, so we began full-scale tree planting activities in 2019. In 2021, 213 volunteers participated in planting 880 local plants. In addition to tree planting, we also mow the undergrowth so that the saplings in the areas planted seedlings by 2020 will grow to a large size, and are engaged in mid- to long-term activities together with the local community.



[Click here for other examples of our initiatives and more information about our social contributions.](https://sfc.jp/english/sustainability/social/contribution/)

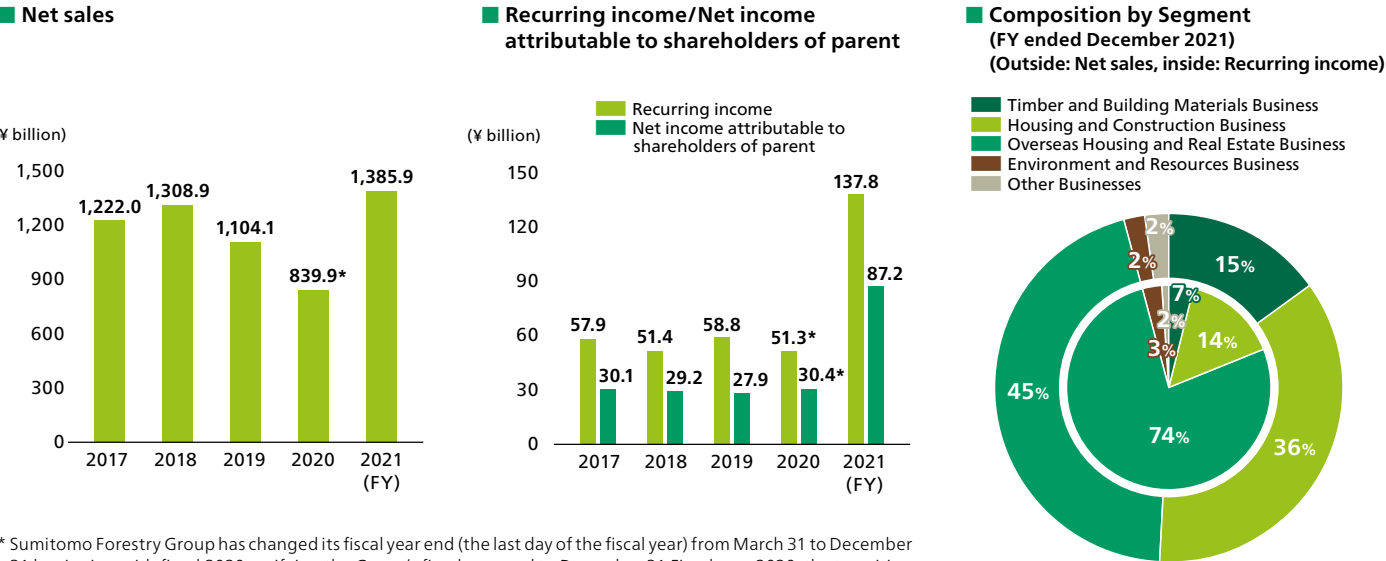
<https://sfc.jp/english/sustainability/social/contribution/>



Corporate Profile

As of December 31, 2021

Company name	Sumitomo Forestry Co., Ltd.
Address of Headquarters	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Paid-in Capital	¥50,064 million
Incorporated	February 20, 1948
Founded	1691
Number of Employees	Non-consolidated 5,091, Consolidated 21,254
Company-owned forests	Japan: approx. 48,000 ha Overseas: approx. 229,000 ha



* Sumitomo Forestry Group has changed its fiscal year end (the last day of the fiscal year) from March 31 to December 31 beginning with fiscal 2020, unifying the Group's fiscal year end to December 31. Fiscal year 2020, the transition period for the change in fiscal year end, is a nine-month period from April 1, 2020 to December 31, 2020.

● Socially Responsible Investment (SRI) Index/ESG Indicators

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



Used as a Constituent Company in all Five ESG Indices Selected by GPIF

2022 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数

2022 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)



List of Major Locations

As of December 31, 2021

Business Activities	■ Timber and Building Materials Business	■ Housing and Construction Business
■ Overseas Housing and Real Estate Business	■ Environment and Resources Business	■ Lifestyle Services Business

Japan

- Domestic forestry business
- Timber and Building Materials Distribution Business
- Custom-built Detached Housing Business
- Landscaping Business
- Existing Homes Business
- Renewable Energy Business
- Manufacturing Business
- Rental Housing and Community Development (Residential Houses for Sale) Business
- MOCCA (timber solutions) Business
- Elderly Care Business

The United States

- Manufacturing Business
- Detached Housing and Real Estate Development Business

China

- Timber and Building Materials Distribution Business
- Overseas Housing and Real Estate Business

Vietnam

- Timber and Building Materials Distribution Business
- Manufacturing Business
- Condominium Development Business

Thailand

- Timber and Building Materials Distribution Business
- Condominium Development and Detached Housing Business

New Zealand

- Overseas Forestry Business
- Manufacturing Business

Hong Kong

- Condominium Development Business

Singapore

- Timber and Building Materials Distribution Business

Australia

- Detached Housing Business

Papua New Guinea

- Overseas Forestry Business

Indonesia

- Overseas Forestry Business
- Timber and Building Materials Distribution Business
- Manufacturing Business
- Detached House Sales Development and Complex Development Business

India

- Timber and Building Materials Distribution Business

Canada

- Timber and Building Materials Distribution Business

The Netherlands

- Timber and Building Materials Distribution Business

● Awards and Recognition by Third Parties



Sustainability Report (ESG Information) Website

In addition to the reports in this booklet, the Sumitomo Forestry Group's "Sustainability Management" and "Initiatives for Business and ESG," as well as specific efforts and related data on "Environment," "Social," and "Governance" are reported in detail.

<https://sfc.jp/english/sustainability/>



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Top Commitment

Sumitomo Forestry Group's Sustainability Management

- Corporate Philosophy and Sustainability Management
- Sustainability-related Policies and Philosophy
- Mid-term Sustainability Targets and Material Issues
- Contributions to the SDGs and Material Issues
- Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan
 - Material Issue 1
To enhance the value of forests and wood through sustainable forest management
 - Material Issue 2
To realize carbon neutrality by leveraging forests and wood resources
 - Material Issue 3
To realize a circular bioeconomy by leveraging forests and wood resources
 - Material Issue 4
To provide comfortable and secure spaces for society at large
 - Material Issue 5
To improve the livelihood of the local communities where we operate
 - Material Issue 6
To create a vibrant environment for all workers
 - Material Issue 7
To create new markets with forests and wood
 - Material Issue 8
To transform markets through DX and innovation
 - Material Issue 9
To establish a robust business structure

- Sumitomo Forestry Group Mid-term Sustainability Targets Achievements in 2021
- Stakeholder Engagement

Initiatives for Sumitomo Forestry Group's Business and ESG

- Overall Picture of Our Business
- Timber and Building Materials Business
- Housing and Construction Business
- Overseas Housing and Real Estate Business
- Environment and Resources Business
- Lifestyle Services Business
- Research & Development

Environment

- Environmental Management
- Responding to Climate Change
- Sustainable Forest Management
- Utilization of Sustainable Forest Resources
- Biodiversity Conservation
- Resource Conservation and Waste Reductions
- Pollution Prevention
- Efficient Use of Water Resources
- Environmental Related Data

Social

- Human Rights
- Diversity and Inclusion
- Work-life Balance
- Occupational Health and Safety
- Safety and Quality of Products and Services
- Communication with Our Customers
- Business initiatives that contribute to regional revitalization
- Supply Chain Management
- Social Contribution
- Social Data

Governance

- Corporate Governance
- Risk Management
- Compliance
- Tax
- Business Continuity Management
- Information Security/DX
- Intellectual Property Management
- Responsible Advertising/Promotional Efforts
- Return to Shareholders and IR Activities

Related Information

- External Recognition
- Editorial Policy
- GRI Content Index (GRI Standards) / Independent Assurance Report
- SASB Content Index
- Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19)

