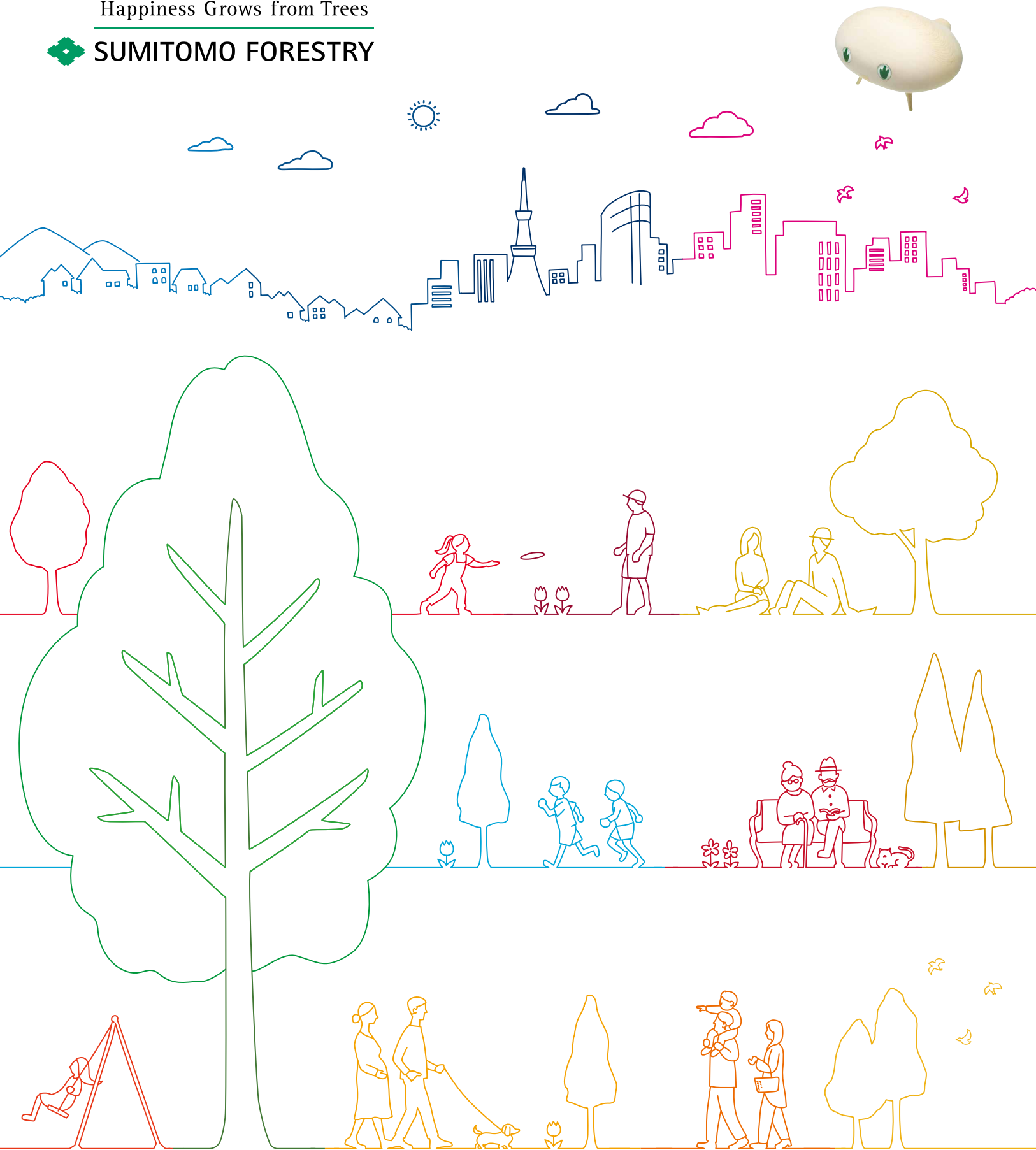


Happiness Grows from Trees



SUMITOMO FORESTRY



Sumitomo Forestry Group
Sustainability Activity Highlights 2024

The Origin of Sumitomo Forestry

The “Great Reforestation 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 1961 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 principal of the Besshi Copper Mines, Teigo Iba, initiated the “Great Reforestation 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 2.5 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 efforts.



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



Current Besshi mountain range

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Sumitomo Forestry Group’s Business Activities



Sumitomo Forestry’s character “Kikorin”

Timber and Building Materials Business

Based on a global network built up over years of developing operations worldwide, the distribution business sources stable supplies of high-quality timber and wood products from properly managed forests. In Japan, we purchase and sell a wide range of products related to timber and building materials. In recent years, we have been handling higher quantities of domestic timber that has reached the cutting age, as well as wood chips used as fuel for biomass power generation, for which demand is expected to increase.

In the manufacturing business, we manufacture doors and windows, wooden interior fittings, and staircase materials, and other materials in Japan. 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. We supply them all over the world including Japan.



Housing Business

Since entering the Custom-Built Detached Housing Business in Japan 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 businesses.



Global Construction 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 housing, construction and real estate business is expanding in Australia, Asia, and other regions. We sell homes that match the needs of the climate and natural features as well as markets in each region and develop medium- to large-scale wooden constructions. We also promote initiatives to create shared value through our business activities by respecting stakeholders, such as employees, local residents, corporate organizations and society.



Environment and Resources Business

Based on the approach of “sustainable forestry,” in which trees are planted, raised, harvested, utilized and then replanted, we are strategically implementing forest management across approximately 48,000 ha of company-owned forest in Japan (about 1/800th of the total land area of Japan), including acquiring the SGE^C¹ forest certification.

In Indonesia, Papua New Guinea and New Zealand, we own and manage approximately 240,000 ha of planted forest, including forests which have acquired the Forest Stewardship Council® (FSC)² and other third-party forest certifications, which help conserve biodiversity and contribute to the development of local communities.

Other initiatives primarily include the development of a wood biomass power generation business in Japan as a renewable energy business that effectively uses wood and other resources.

^{*1} SGE^C-FM (Trademark License No. SGE^C/31-21-1057) ^{*2} FSC-CoC (Trademark License No. FSC-C113957)



Lifestyle Services Business

Lifestyle Services Business is responsible for downstream businesses that support people’s daily lives. We are making use of the experience and knowledge in creating comfortable living spaces that have been cultivated over many years in the housing business to develop a variety of lifestyle-related services which center on elderly care business that provides safe and secure living environments for seniors.

In addition to elderly care businesses, the Sumitomo Forestry Group is also involved in the VISON lodging and accommodations business being developed in Taki-cho, Mie Prefecture, Japan. The joint industry, government and academia project takes advantage of local resources with the goal of advancing industry and creating jobs around the keywords of food, nature and health.

Moreover, we are also involved with insurance and other businesses with the hope of achieving a vibrant society where people can live healthy lives.



Realizing Decarbonization and Nature Positivity with our Wood Cycle

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



A year of transformation toward 2030

This year, important national elections are being held in countries that are home to 4 billion people, half the world’s population. The British magazine *Economist* has positioned 2024 as an unprecedented election year. According to the Global Risks Report issued by the World Economic Forum held at the beginning of the year, the top three most serious long-term risks for the next decade are extreme weather, critical change to Earth systems, and biodiversity loss and ecosystem collapse. When natural resource shortages and pollution are added, half of the top 10 risks are related to the environment. Short-term risks include misinformation and disinformation, cyber insecurity, societal polarization, inflation, and economic downturn. While these issues will affect electoral results in various countries in various ways, long-term environment-related efforts to build a sustainable society remain immediately pressing.

For Sumitomo Forestry, 2024 is the final year of Phase 1 of the Mid-Term Management Plan as part of our long-term vision Mission TREEING 2030 announced in February 2022. At the same time, it is also the time to formulate Phase 2 of the Mid-Term Management Plan. Now in my fifth year as CEO, I am certain that 2024 will become an important milestone year to look back on to in many respects.

Contributing to the decarbonization of society through our Wood Cycle

In our long-term vision Mission TREEING 2030, which outlines what type of company we want to be in 2030, the same target year as the SDGs, we aim to provide value for the global environment, for people and society, and for the market economy. We are committed to promoting business activities that simultaneously enhance all three values without sacrificing any of the other values. As one of our business pol-

icies, we have set out to maximize the value of forests and wood to realize decarbonization and a circular bio-economy. As a first step, the Sumitomo Forestry Group has focused on initiatives to increase CO₂ absorption and sequestration in the forestry, timber and construction sectors through our value chain, the Wood Cycle. For example, our SBT target to achieve a 54.6% greenhouse gas emissions reduction by 2030 compared to fiscal 2017 levels, we almost achieved that target by significantly reducing the coal co-firing rate at the Mombetsu Biomass Power Plant. Furthermore, this January, we reformulated our short and long-term reduction targets and newly submitted FLAG (forests, land and agriculture) targets in accordance with the latest SBT guidance. In addition, we launched a number of initiatives described below that we believe will contribute to decarbonization not only for our own operations, but for the whole of society as well.

In the area of forests, we formed and began managing our first forestry fund in the United States in June 2023 as part of our effort to accelerate the circular forestry business. To date, we have acquired a total of 112,580 acres (approximately 45,600 hectares) of forest assets in New York, Virginia and West Virginia. To achieve our goal to expand the forest area we own and manage to 500,000 hectares by 2030, we are now forming a second fund in Japan and Southeast Asia. In Indonesia, we are utilizing the peatland management technologies we developed in Kalimantan to standardize methods to measure biomass growth and CO₂ emissions in tropical peatlands. At the same time, we are working to promote our consulting business for peatland restoration projects through NeXT FOREST, a joint venture with IHI.

In the area of timber, we will increase the use of domestic logs and ensure a stable product supply by establishing timber industrial complexes, which promote the diverse values of timber, such as its ability to sequester carbon. As our first effort, we collaborated with Koei Shizai Co., Ltd., and Wada Mokuzai Ltd. to establish Kowa no Mori Inc. in Iwaki-Yotsukura Central Industrial Park, Iwaki, Fukushima Prefecture, in November of last year. This new factory will manufacture processed

wood products using primarily Japanese cedar and is scheduled to begin operations in March 2026.

None of these efforts can be achieved by a single company alone but require collaboration with other companies and a systemic change of society, including changes in rules and regulations.

Moving toward the standardization of carbon neutral design for buildings

From the perspective of societal transformation, the most progress this year may be in the field of architecture where we have made a commitment to standardize carbon neutral design. Until now, the construction sector has been divided into architectural design, structural design, materials, equipment, construction and other processes and has not been collectively viewed as a built environment. At COP 28 held in Dubai last year, 28 countries including Japan launched the Buildings Breakthrough (BBT), an effort to make zero emissions and resilient buildings in the construction sector the new normal by 2030.

The Buildings and Climate Global Forum took place this March in Paris, France, attended by some 1,800 ministers and high-level representatives from 70 countries around the world. Dedicated to accelerating decarbonization and climate change resilience of the construction sector, the participants adopted the Declaration de Chaillot, a significant step forward for an industry that is responsible for almost 40 percent of the world’s GHG emissions. Sumitomo Forestry had an opportunity to speak at this event. We communicated that the use of wood and wood construction could significantly reduce embodied carbon, in particular, GHG emissions from raw material procurement and processing, the transport of building materials, and the construction and demolition of buildings.

The Ministry of Land, Infrastructure, Transport and Tourism is now considering making calculations of embodied carbon mandatory by 2030. One Click LCA, a software for which we are the exclusive distributor in Japan, aligns with international ISO standards and conforms to global environmental certifications. Because products that have acquired EPD (Environmental Product Declaration) can be used for calculations, it reflects the emission reduction efforts of timber and building materials manufacturers. One Click LCA is gaining high regard among developers, general contractors and architectural firms and will hopefully become the standard tool for carbon neutral design in Japan. The aforementioned Declaration de Chaillot also advocates the setting and mandating of upper limits on emissions (whole life carbon) for all processes in the construction sector, which we believe will further increase interest in wooden buildings.

To capture expanding market demand for medium- to large-scale wooden buildings, we completed construction of a 15-story wooden and partially reinforced concrete office building in Melbourne, Australia, in October last year. This year, we began construction of wooden office buildings in the United States and the United Kingdom. In Japan, we are accelerating collaboration with general contractors, such as Kumagai Gumi Co., Ltd., to build wood hybrid buildings. We are also promoting real estate development projects to construct wooden lodging and other facilities.

Towards a nature positive society

In addition to our decarbonization initiatives, the Sumitomo Forestry Group seeks to conduct business that is conscious of biodiversity to

raise the value of forest resources and other forms of natural capital. In line with disclosure recommendations issued by the Taskforce on Nature-related Financial Disclosures (TNFD) in September 2023, we conducted analyses using the LEAP approach (an integrated approach to locate the interface with nature, evaluate dependencies and impacts on nature, assess nature-related risks and opportunities, and other). Despite time constraints, we were able to conduct analyses of four out of five of our business segments and disclosed information on a trial basis that integrated our TNFD analysis of climate-related risks and opportunities. We also registered as a TNFD Early Adopter to express our intention to disclose TNFD information simultaneously with our financial information from 2025.

Following the June 2023 announcement of the International Sustainability Standards Board (ISSB) standards for the disclosure of non-financial information, the Sustainability Standards Board Japan (SSBJ) released a draft this March for Japan. It will be open for public comment until the end of July and decided upon in March 2025. Afterwards, early adoption will be possible from the business year starting on or after April 1, 2025. For the time being, climate-related and non-financial information related to human capital will be targeted but it is almost a certainty that nature-related information will be added in the near future. In addition to continuing to conduct analyses and disclosure in accordance with TNFD recommendations, we will accelerate our initiatives to conserve and restore nature so that we can contribute to the realization of nature positivity.

Creating a diverse and inclusive organization that values fairness and trust

With non-financial information now being incorporated into statutory disclosure documents where accuracy is essential, we are now tasked with the need to improve the efficiency of collecting non-financial data from group companies. While accessing the laws, regulations and other rules for each of our growing business operations and business locations, we will work to enhance corporate value by setting up proper internal controls, ensuring employee conscientiousness about compliance, and disclosing information that stakeholders find relevant and worthy.

We have implemented a new personnel and evaluation system to reinforce our human resources development and retention efforts. The system seeks to maximize our overall strength as an organization by enabling the quick identification and selection of outstanding personnel. At the same time, with our Declaration on Health Management formulated in 2021 and our DEI Declaration, we have made a commitment to create an inclusive organization and workplace so that our diverse group of employees can work energetically and in good health.

Ever since our establishment in 1691, Sumitomo Forestry has sought to provide value not only for our own operations but also for the whole of society in line with our thinking, “Benefit self and benefit others, private and public interests are one and the same.” By actively promoting DX (digital transformation) and SX (sustainability transformation) and working together with our many business partners both in Japan and overseas, all of us at the Sumitomo Forestry Group are committed to fulfilling Mission TREEING 2030 and contributing to the creation of a sustainable and prosperous society.

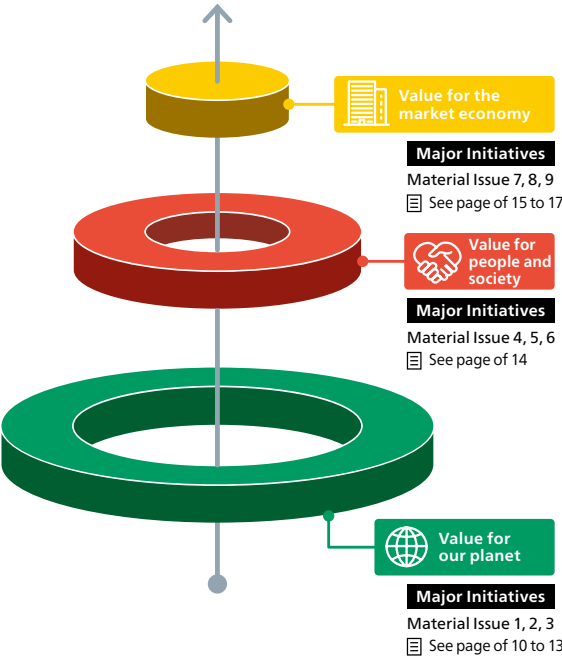


Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

One of the five basic policies in our Medium-Term Management Plan Mission TREEING 2030 Phase 1 (2022 to 2024) is "Further Integration of Business and ESG," and the Group has established Mid-Term Sustainability Targets 2024, which incorporates the Group’s sustainability strategy and material issues. We have set numerical targets for fiscal 2024 for the Mid-Term Sustainability Target of the Mid-Term Management Plan based on our contribution to the SDGs and the nine material issues that are directly linked to our business.

Each group company and department has set “Sustainability Budget” with numerical targets set for the fiscal year and engaging in initiatives to achieving these goals.

The Sumitomo Forestry Group fully implements a PDCA cycle for progress and achievements of each target at the Sustainability Committee convened two times a year in addition to providing reports to the Board of Directors.



Click here for indicators related to the "Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan":



Click here for our initiatives and response related to our material issues:

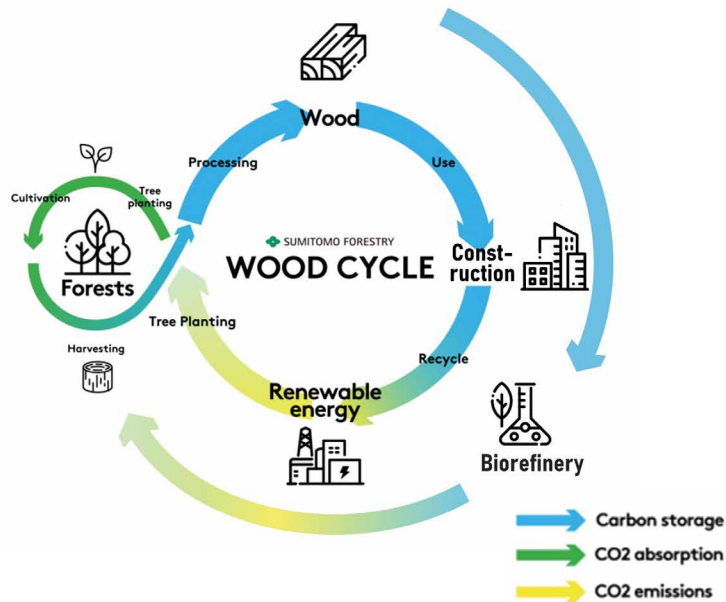


Nine Material Issues and Their Impact on the Environment and Society

	Material Issue	Impact (Risks)	Impact (Opportunities)
Value for our planet	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.	<ul style="list-style-type: none">Intensification of competition due to entry of different industries into industries that utilize “forests” and “trees”Decrease in sustainable forests due to overharvesting decrease in reforestation rate, etc. Soil erosion, water pollution, and biodiversity loss	<ul style="list-style-type: none">Contribution to measures against global warming through CO₂ fixationContributing to the protection of rare species and other biodiversity conservationContribution to revitalization of the forestry business and local communities by promoting forest sustainabilitySecuring seedlings for reforestation and promoting circular use of forest resources from harvesting to replantingContribution to greater biomass power generation (renewable energy supply) capacity in JapanContribution to revitalization of the forestry business and local communities by utilizing Japanese timberEnhancing standardization, awareness, and added value of sustainable wood, products and certified wood
	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.	<ul style="list-style-type: none">Increasing cost burden on companies to lower greenhouse gas emissionsRising cost for buyers and declining demand due to rising prices of housing and other products	<ul style="list-style-type: none">Reducing energy consumption (greenhouse gas emissions) throughout all of society by reducing the housing related energy use, which has the majority of energy use/ time spent in daily lifeHeightening environmental awareness of consumers (residents)Contributing to the reduction of the environmental impact and solutions to climate change by achieving SBT and RE100Building a sustainable society by providing sustainable architectureBuilding a new forest value creation business
	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.	<ul style="list-style-type: none">Resource depletion, degradation, pollution, and loss of ecosystems due to unsustainable use and disposal of resourcesWood resources that are difficult to recycle permanently	<ul style="list-style-type: none">Protecting resources and reducing the environmental impact by advocating for recycling and zero emissionsReduction of greenhouse gas emissions through the utilization of wood as a substituteImprovement of environmental awareness in supply chainCreation of new markets
Value for people and society	Material Issue 4 To provide comfortable and secure spaces for society at large Providing safe, comfortable, and secure spaces to society at large.	<ul style="list-style-type: none">Responding to changes in demographics and consumer needs	<ul style="list-style-type: none">Improvement of customer satisfaction by reducing complaintsEnsuring social credibility by improving quality
	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.	<ul style="list-style-type: none">Widening disparities within communities due to provision of disproportionate services and employmentResponding to community rules, customs, and cultures	<ul style="list-style-type: none">Correction of economic disparities through regional revitalizationDevelopment of a common awareness of the issues of local communities through communication with local residentsEnhancement of welfare by providing elderly care facilities
	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.	<ul style="list-style-type: none">Occurrence of occupational injuriesDeclining employee satisfactionDeclining productivityPerception of unfairness and decline in satisfaction due to the provision of treatment and services among stakeholders with different valuesWork-life balance and balancing with educational opportunities	<ul style="list-style-type: none">Eliminating gender discriminationSecuring better human resourcesEnhancing corporate value by improving work productivityRealizing a diverse societyEnsuring employee health by building a safe, secure workplace (higher satisfaction)Ensuring safety of employees and subcontractors by eliminating occupational accidents
Value for the market economy	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.	<ul style="list-style-type: none">Loss of business opportunities due to delays in responding to expanding markets	<ul style="list-style-type: none">Realization of a prosperous society by creating new value
	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.	<ul style="list-style-type: none">Destruction of existing business value through technological innovationLoss of cost competitiveness with competitors and opportunities to win new customers due to delay in response	<ul style="list-style-type: none">Improve workability by improving work efficiencyImprove productivity through effective use of data
	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.	<ul style="list-style-type: none">Intensifying effects on business activities due to unexpected circumstances such as natural disasters, infectious diseases, and financial crises	<ul style="list-style-type: none">Building a business foundation by strengthening information security systemImproving employee awareness by establishing an educational foundationImproving credibility from society by strengthening governance system



WOOD CYCLE



The Sumitomo Forestry Group is developing business activities through the "WOOD CYCLE," a value chain based on wood, from forest management to wood processing and distribution, wooden buildings, and biomass power generation. We seek to contribute to a decarbonized society by turning the "WOOD CYCLE" in other words, by planting and cultivation, increasing the amount of CO₂ absorbed by forests, and promoting carbon storage using the wood in buildings and furniture to store carbon over a long period of time.

Biomass Power Generation contributes to neutrality because, even when wood products and wooden constructions are used as fuel for biomass power generation after they have become waste wood, the only CO₂ emitted is the carbon absorbed during the growth process.

Through this business as a whole, we will contribute to CO₂ absorption and fixation not only for ourselves but also for society as a whole.



Sumitomo Forestry's decarbonization initiatives

As a partner in helping the world shift to decarbonization, the Sumitomo Forestry Group is striving to create a sustainable society with the Sumitomo Forestry Wood Solution. We are pursuing decarbonization by managing our wood cycle across three pillars of our operations forests, wood and construction.

Forests



Accelerate the circular forest business

We will contribute to carbon offsetting for other companies and society by establishing a forestry fund and expanding and protecting the forest area and peatlands that we own and manage around the world, including in Asia.

- Expanding owned and managed forest area
- Promoting the NeXT FOREST Project with IHI Corporation to support the creation of tropical peatlands
- Establishing a global forestry fund

Wood



Promote wood change

With the establishment of timber industrial complexes, we are working to enhance the efficiency of the Japanese forestry and wood manufacturing industries and expand the use of wood-derived materials to increase carbon storage amounts.

- Establishing timber industrial complexes to raise the domestic wood self-sufficiency rate
- Shifting to wood to increase carbon storage

Construction



Standardize decarbonized design

By actively promoting ZEH, ZEB, LCCM houses and net zero carbon buildings, and by establishing decarbonized design (One Click LCA x EPD), we will contribute to the decarbonization of other companies and organizations.

- Reducing two types of CO₂ emissions operational carbon and embodied carbon
- Visualizing CO₂ emissions during construction with One Click LCA and working with the entire construction industry to establish decarbonized design
- Promoting the EPD environmental labeling system as a leader in the timber and building materials industry

Sumitomo Forestry Group's Sustainability Initiatives



Providing value for our planet

Launch of a mangrove conservation project in Kalimantan, Indonesia



In December 2022, Sumitomo Forestry acquired PT.BINA OVIVIPARI SEMESTA (BIOS), which owns and manages 9,738 hectares of mangrove forests, a globally important ecosystem. By protecting and managing mangrove forests as conservation forests instead of plantation forests, we aim to reduce CO₂ emissions and create high-quality blue carbon*¹ credits.

This project is designed to raise the value of nature of the entire area by completely halting the logging of mangrove forests, which until now were felled to produce charcoal and other products, and switching to conservation to restore vegetation of areas that have not been reforested and remain degraded. Generally speaking, due to the slow decomposition of organic matter, trees and soil in mangrove forests are said to sequester significantly higher levels of carbon compared to other forest ecosystems. Through conservation activities, we are striving to create high-quality carbon credits by maintaining and increasing this carbon volume and by working with research institutes and others to accurately measure absorption and sequestration volumes. Furthermore, because mangrove forests are

located in coastal intertidal zone between land and sea and are part of a distinctive plant community that can tolerate salinity, they have helped to establish a unique ecosystem populated with a rich variety of organisms. The Irrawaddy dolphin, the proboscis monkey, the kingfisher and other diverse species, all of which have high conservation value, inhabit the BIOS forests. Protecting the BIOS mangrove forests helps preserve this rich biodiversity. In addition, the area around the BIOS mangrove forests is populated with fish, shrimp, crabs and other resources that local residents depend on for their livelihoods. Through this mangrove forest conservation project, we are increasing essential fishery resources and contributing to the sustainable development of local communities. Over the long term, our Group will harness our extensive know-how in sustainable management of peatlands in West Kalimantan to work on comprehensive ecosystem conservation initiatives that treat sea- and land-bordering mangrove forests and inland area tropical forests as one contiguous ecosystem. This will enable us to conduct sustainable forestry as a business while maintaining biodiversity, purifying water, improving water cycle functions and other to achieve nature positivity.*²



Mangrove forest conservation efforts



BIOS mangrove forest (panoramic view)

*1 Carbon captured by seagrass meadows, seaweed beds, wetlands, tidal flats and mangrove forests, which were designated as 'marine ecosystems' by the United Nations Environment Programme (UNEP) in 2009
<Reference> Ministry of Land, Infrastructure and Transport homepage (https://www.mlit.go.jp/kowan/kowan_tk6_000069.html)

*2 Stopping and reversing the loss of natural ecosystems and putting them on a path to recovery



For more information about related targets and initiatives: _____



Sakiko Yanou
Forest Resources Department

Employee message

As a student, I was shocked to see forests in Southeast Asia being decimated by illegal logging and land conversion for farming. This experience led me to think about how economic activities can be balanced with ecosystem conservation. I believe that concepts like carbon credits and biodiversity credits, which are gaining attention in recent years, may offer one solution to this question. By expanding a framework where businesses that benefit economically from forest resources take on a portion of the costs associated with cyclical forestry and conservation operations, we can ensure that the preservation of the vast natural ecosystem becomes a collective societal effort. I approach my work with a strong commitment in leaving a better environment for future generations.

Forestry fund operation



Eastwood Forests, LLC, a US forest asset management company in the Sumitomo Forestry Group, created and began managing a forestry fund called Eastwood Climate Smart Forestry Fund I in June 2023. Ten Japanese companies, including us, are participating in this fund, which has an asset size of about 60.0 billion yen*1 and an operation period of 15 years. As of February 2024, the fund completed the acquisition of approximately 45,600 hectares of forest and began forest management operations.

This fund will purchase forest assets primarily in North America, where the forest asset trading market is well established and the carbon credit system is more advanced than other countries, to produce timber and create forest carbon credits through sustainable forest management. Eastwood Forests, with its knowledge and experience in establishing and managing forest funds in the US, will be in charge of the overall management of the fund, including the acquisition and sale of forest assets and forest management. In addition, Sumitomo Forestry's wholly owned subsidiary SFC Asset Management Co. Ltd. will provide support from the Japan side in terms of communicating with investors during and after the fund's establishment.

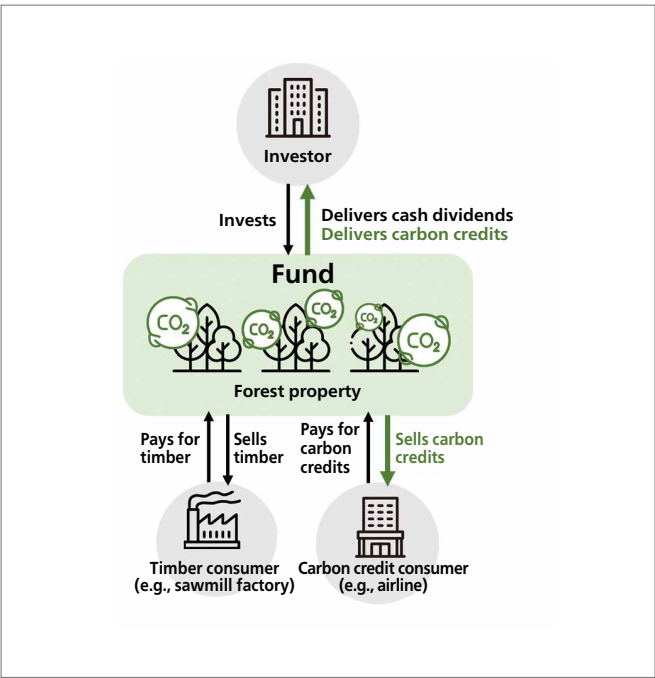
One of the characteristics of this fund is that in addition to managing forests for the conventional main purpose of timber production, it will also contribute to combating climate change through sustainable forest management. By sustainably managing and operating forests, forests can fulfill their multifaceted functions, including CO₂ absorption and sequestration. More concretely, promoting reforestation while leaving intact promising successor trees will enable the cultivation of hierarchical forests with trees of various species and ages. With this effort, we plan to create carbon credits using IFM*2 methodology.

Through this fund, the Sumitomo Forestry Group and participating companies can sustainably manage forests of an area and asset size that cannot be achieved independently. This helps to maximize the CO₂ absorption and sequestration functions of forests and contribute to the realization of a decarbonized society. Furthermore, because forests also have shared benefit functions, such as biodiversity conservation and water source protection, they serve as a nature-based solution*3. This fund aims to provide an environment for a diverse range of organisms and conserve biodiversity through forest management.

The Sumitomo Forestry Group has set out its long-term vision for 2030 in Mission TREEING 2030. To accelerate the cyclical forestry business in our forestry operations, we are aiming to establish global-scale forestry funds not only in the United States, but also in Southeast Asia, Oceania and a wide expanse of other areas so that we can increase the forest area we own or manage to 500,000 hectares and have 100 billion yen in fund assets under management by 2030.

*1 Calculated at USD 1 = JPY 144.46 (the TTM exchange rate as of July 3, 2023)
*2 Improved Forest Management. Methodology to create carbon credits through improved forest management methods that increase forest reserves, thereby generating additional CO₂ absorption and carbon sequestration
*3 Nature-based Solutions (NbS) are actions to protect, sustainably manage and restore natural or modified ecosystems in ways that address societal challenges effectively and adaptively, to provide both human well-being and biodiversity benefits (as defined by the International Union for Conservation of Nature)

Fund mechanism



Forest asset acquired by the fund (North America)



For more information about related targets and initiatives:

Sales of ZEH and LCCM housing for new custom-built detached houses



In Japan, the residential sector accounts for 15.3%*1 of CO₂ emissions, and to help reduce that, initiatives to popularize ZEH (net-zero energy houses) for new housing construction are underway nationwide.

In the Sumitomo Forestry Group's Mid-Term Sustainability Targets as part of our 2024 Mid-Term Management Plan, we have set out a goal to achieve a ZEH order ratio of 80% for new custom-built detached houses by fiscal 2024. In addition to using wood that has superior insulation properties as a structural material, we are integrating energy-conserving, energy-producing and energy-storage technologies that raise energy efficiency within the home and reduce CO₂ emissions during occupancy. In fiscal 2023, our ZEH order ratio rose 2.5 points from the previous year to 79.7%.

Furthermore, we introduced LCCM (life cycle carbon minus) housing in April 2022. Sumitomo Forestry homes use wood as a structural material. Trees absorb CO₂ during the growth process through photosynthesis and store this as carbon even after being harvested. In addition, our proprietary Big-Frame (BF) construction method accommodates easy renovations in terms of layout, which enhances the building's longevity and leads to long-term carbon sequestration. Sumitomo Forestry's LCCM housing takes advantage of these benefits of wood to reduce total CO₂ emissions from material procurement construction, renovation and demolition. In addition, through the use of renewable energies, such as solar power generation systems, energy-saving equipment and design innovations, we are able to achieve LCCM. By supplying LCCM and other types of houses, the Sumitomo Forestry Group is contributing to the realization of a decarbonized society.

ZEH order ratio of new custom-built detached houses

Fiscal year*2	2020	2021	2022	2023
ZEH order ratio (%)*3	51.5	67.4	77.2	79.7

*1 Source: "Japan's National Greenhouse Gas Emissions and Removals in Fiscal Year 2022" (details), Ministry of the Environment
*2 The calculation period is from January to December of each year
*3 Includes Nearly ZEH, Narrow ZEH Oriented, and ZEH Oriented for High Snowfall Areas



LCCM housing model home (Yonago [Kinoie Lab] model home)



For more information about related targets and initiatives:

Opening of a machiya hotel in the Mikuni Minato area (Sakai, Fukui)



In January 2024, Actibase Fukui, a company that Sumitomo Forestry has invested in, opened Auberge Homachi Mikuniminato, a machiya hotel in the Mikuni Minato area of Sakai, Fukui. This hotel was built utilizing machiya, townhouses characteristic of the region's traditional architecture, to revitalize the once-flourishing port of call area that Kitamaebune ships used during the Edo and Meiji periods. Sumitomo Forestry Home Tech was in charge of renovating the distinctive Kaguradate Machiya of Mikuniminato and Japan's traditional architectural structures, *hirairi-zukuri* (where the building's main entrance is on the side) and *irimoya-zukuri* (Japanese hip-and-gable roof). Utilizing expertise in seismic retrofitting of old houses, we transformed traditional townhouses that were scattered throughout the area into guest rooms for lodging facilities. The renovations used *shakudani* stones, which can only be quarried in Fukui Prefecture, as well as Fukui-sourced wood to enhance the charm and earthquake resistance of old houses.

Renovations like these lengthen the building's lifespan, which reduces the burden on the environment. Calculations using One Click LCA* indicate that for one of the machiya hotel buildings, CO₂ emissions from construction, including raw material procurement and processing to transport, construction, renovation and demolition (embodied carbon), are approximately 57 tons, which is about 15% less than the CO₂ emissions from a newly built building with the same specifications. Furthermore, because the building utilizes wood, which is able to sequester carbon for long periods of time, the total amount of carbon sequestered is approximately 26 tons, equivalent to about 85 Japanese cedar trees that are forty years old.

The Sumitomo Forestry Group is contributing to the realization of a sustainable society and the revitalization of local economies through environmentally conscious and appealing community developments.

* One Click LCA is a software that visualizes CO₂ emissions and other data related to buildings. It is used in more than 140 countries worldwide and aligns with international standards, such as ISO and European standards, and conforms with over 60 global green building certification programs, including LEED. Sumitomo Forestry is the exclusive distributor of One Click LCA in Japan



Exterior view of a machiya hotel



Entranceway using shakudani stones



For more information about related targets and initiatives:

Providing value for our planet

Tackling to visualize and reduce CO₂ emissions

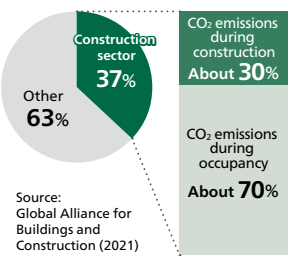


The construction sector accounts for 37% of the world's greenhouse gas emissions, placing significant responsibility on this sector. The CO₂ emitted during the use of the building is called operational carbon and accounts for about 70% of the construction sector's emissions. On the other hand, the CO₂ emitted during construction of the building is called embodied carbon and accounts for the remaining 30%.

In Japan, while efforts to reduce operational carbon are underway with the popularization of ZEH and ZEB,* initiatives to reduce embodied carbon are still lagging when compared to North America and Europe. In the construction sector, visualizing and reducing embodied carbon are very important.

As the exclusive Japan distributor, Sumitomo Forestry began selling in August 2022 One Click LCA, a software that enables the visualization of a building's CO₂ emissions and other data. Currently,

Ratio of global CO₂ emissions by industry



the Ministry of Land, Infrastructure, Transport and Tourism is considering mandating the calculation of embodied carbon by 2030, and a wide range of companies in the construction sector, in particular, general contractors and architectural firms, have already begun using it.

Based on data of individual materials used at the construction site, One Click LCA calculates embodied

carbon and other data to determine environmental impact across the entire lifecycle. The software provides efficient and accurate CO₂ emission calculations that comply with international standards. The wide adoption of One Click LCA in the entire construction industry will facilitate the visualization of CO₂ emissions and lead to carbon neutral design.

To reduce CO₂ emissions throughout the entire supply chain, it is important that timber and building material manufacturers disclose greenhouse gas emissions data for each product. As construction companies are expected to increasingly request manufacturers to disclose their CO₂ emissions, it is necessary to promote the acquisition and popularization of EPD (Environmental Product Declaration) across the entire industry. Sumitomo Forestry began EPD acquisition support services in February 2023 and introduced the Japan version of EPD Generator, a software for EPD acquisition. Already, we have concluded contracts with major timber and building material manufacturers.

With One Click LCA and EPD Generator, Sumitomo Forestry is contributing to the decarbonization of the entire construction industry.

*Abbreviation for Net Zero Energy Building



For more information about related targets and initiatives:

Establishing timber industrial complexes to promote greater use of domestic wood



In our long-term vision, Sumitomo Forestry has set out as a goal the establishment of timber industrial complexes,* which maximize the added value of timber and promote the use of domestic wood.

As a first step toward this, in November 2023, we established as a joint venture Kowa no Mori in Iwaki, Fukushima. The newly built factory is scheduled to begin operations in March 2026.

Kowa no Mori will actively promote the use of domestic wood

in housing components, which currently has a high ratio of imported timber. Although the number of new housing starts in Japan is on a downward trend, we will work to raise the ratio of domestic wood, maintain a constant demand for Japanese logs and build a system that provides a stable supply of structural timber that is not affected by external factors, such as wood shocks (a sudden shortage of timber). Furthermore, in February 2022, we signed a basic site agreement with Shibushi City, Kagoshima Prefecture, to construct a new

factory that will manufacture high-strength structural members not only for housing, but also for non-residential buildings.

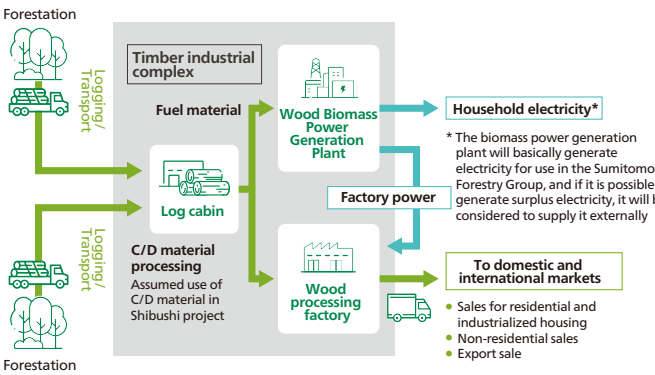
* By utilizing wood in a variety of ways, from energy use to chemical use, timber industrial complexes raise the value of wood and help realize long-term carbon fixation



Yotsukura Factory (Iwaki, Fukushima) planned construction site



For more information about related targets and initiatives:



Providing value for people and society

Our DEI Declaration for an environment where everyone can fulfill their potential



In recent years, it has become increasingly important for companies to promote diversity in order to nurture innovation and secure talented personnel. The Sumitomo Forestry Group is undertaking numerous initiatives to "promote a free and open-minded corporate culture that respects diversity," one of our values.

In fiscal 2013, we formulated the Sumitomo Forestry Group Declaration on Empowering Women and set numerical targets for the appointment of women to managerial posts. To enhance motivation among female employees, we are implementing on an ongoing basis several initiatives, such as setting up networking opportunities and creating a mentoring system aimed to foster a leadership mindset for managerial career development. In terms of HR policies, we abolished the clerical job category, which was predominantly filled by female employees, expanded job roles and created an administrative planning position with opportunities for promotion to managerial posts. In fiscal 2013, the ratio of women in managerial roles was 1.8% on a non-consolidated basis but rose to 6.8% in fiscal 2023. In sales where women are underrepresented across the entire housing industry, a female group leader and three female model homes managers were appointed in January 2024 for the first time.

In terms of work styles, to create an environment where everyone can fulfill their potential regardless of time or place, in addition



A women-in-sales networking event organized by the Housing Manufacturers' Information Exchange Meeting

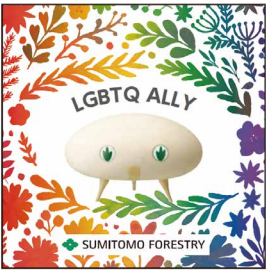
to our flex time system, we developed and expanded our telework regulations. All employees are permitted to work from home up to twice a week and can work remotely for three or more days a week with prior approval.

Our LGBTQ initiatives include seminars for directors and managers and e-learning

requirements for all employees. In fiscal 2022, we newly created the Partnership System Regulations so that employees with same-sex or common-law partners can receive the same company and welfare benefits as legally married couples.

From fiscal 2018, we have been encouraging employees to obtain the Universal Manners Certificate to acquire the mindset and understand how to engage with a diverse range of people, including the elderly, people with disabilities, baby stroller users and foreigners. Certification is granted upon completion of the course, and since fiscal 2021, we have maintained a 100% completion rate (not including employees on leave) for the Level 3 course.

In April 2024, we formulated the Sumitomo Forestry Group Declaration on DEI to reaffirm the aims and significance and further advance these types of initiatives. DEI stands for diversity, equity and inclusion. To realize our long-term vision Mission TREEING 2030, we believe innovation in various business sectors and organizations is vital and promoting DEI is key to achieving this. Our aim is to create a work environment that embraces diversity not just in terms of gender, age, nationality, disability status and sexual orientation but also in terms of work style, career and values so that each and every one of our employees can fulfill their potential.



Our original LGBTQ ally sticker to increase support



For more information about related targets and initiatives:

Employee message



Saki Harada
Workstyle Diversification
Department
Personnel Department

When thinking about the "D" in DEI, I believe it is important to respect not only diversity in terms of gender and age, but also in terms of thinking and values. To spread awareness and understanding about the Sumitomo Forestry Group Declaration on DEI, we are streaming video messages from the president on our intranet, distributing posters to be displayed on company bulletin boards and broadcasting e-learning seminars about unconscious bias. Through these and other efforts, we are working to change people's mindset throughout the entire organization.

Providing value for the market economy

Developing medium- to large-scale wooden constructions



The Sumitomo Forestry Group is promoting the development of medium- to large-scale wooden constructions that strive for net-zero carbon emissions. Compared to reinforced concrete (RC) and other types of structures, wooden buildings have lower CO₂ emissions both in terms of raw material manufacturing and construction and because trees absorb CO₂ during their growth process, wood continues to fixation carbon even as a building material. Hence, expanding the use of wood contributes to the realization of a decarbonized society.

Through Hines, a major developer with global operations, we have begun initiatives to build net-zero carbon buildings in Australia and in October 2023, completed construction of a large-scale wooden office building in Melbourne. This hybrid wood-and-RC structure has 15 above-ground floors and two basement floors (floors 7~15 are wood), making it the tallest wooden office building in Melbourne.*1

In London, we began construction of an environmentally conscious, six-floor wooden office building in March 2023. This property is a pioneering initiative in the UK and is expected to reduce emissions approximately 35% already in 2025 compared to the 2030 target of 750kgCO₂e/m² set by the Royal Institute of British Architects (RIBA).*2

In Texas in the United States, we completed construction of an ESG-conscious building in April 2024. This project utilizes mass timber*3 as the structural material, which reduces CO₂ emissions during construction by approximately 2,600 tons compared to RC structures and fix approximately 3,800 tons of carbon in its building materials and other components.*4

With these types of projects, we plan to acquire environmental

certifications for green buildings, such as the green building rating system LEED*5 and the healthy building certification program WELL,*6 to supply societally and environmentally high-value-added office buildings.

In Sapporo, Japan, Sumitomo Forestry worked with Kumagai Gumi Co., Ltd. to complete the KAGA Project, a fire-resistant wooden building with one basement floor and ten above-ground floors, the first initiative of the “with TREE” brand of medium- to large-scale wooden constructions. In Tokyo, we began construction of a nine-floor wooden building in April 2023 (Minato-ku Shibaura Project) through a joint venture with Maeda Corporation. And in a joint venture with Mitsui Sumitomo Construction, we started building the Expo 2025 Sumitomo Pavilion in Osaka in December 2023.

The Sumitomo Forestry Group will continue to expand projects like these both in Japan and overseas to popularize wooden construction and contribute to the decarbonization of society as a whole.

*1 Survey by the Australian government-affiliated Wood Solutions (March 2024 survey)
*2 Royal Institute of British Architects is an association of leading British architects
*3 A building that utilizes relatively high mass engineered wood, which is formed by combining several types of wood
*4 Estimated CO₂ emissions during the construction of an office and parking building. Based on construction drawings, evaluations were made of the major structural components, such as frames, curtain walls and foundations to estimate the carbon fixation volume of the office building
*5 An environmental performance rating system for buildings and site use developed and operated by USGBC (US Green Building Council)
*6 WELL Building Standard is a building evaluation system focused on occupant health and well-being



For more information about related targets and initiatives:



36 Wellington Project (Melbourne, Australia)



Southstone Yards Project (Dallas, Texas, USA)



Paradise Project (London, UK) (artistic rendering)



Minato-ku Shibaura Project (artistic rendering)



KAGA Project exterior view



Expo 2025 Sumitomo Pavilion (artistic rendering)

Providing value for the market economy

Providing health support services with the use of ICT in our nursing care operations



In 2010, Japan became a super-aging society with more than 21% of the total population being 65 years or older. In 2022, this ratio reached 29%*1 and with estimates that it will exceed 30% by 2030, addressing this super-aging society has become one of the most critical societal issues for Japan. The Sumitomo Forestry Group operates nursing care facilities in Japan and as of December 2023, manages a total of 21 private nursing homes with 1,842 rooms. In addition, we also provide senior daycare services, home-care services and other in-home services for the elderly.

In October 2023, Grand Forest Denenchofu, a private nursing home managed by our Group company Sumirin Fill Care Co., Ltd., began operations. This RC building with five above-ground floors is an environmentally conscious facility with BELS★★★★ 2nd level*2 certification as well as ABINC*3 certification, a first for a private nursing home.

To ensure the safety of the residents, all 78 rooms in Grand Forest Denenchofu are equipped with an ICT-based resident monitoring system that measures and records data on the indoor environment as well as the resident's sleep patterns and indoor activity. The visualization of this data enables staff to have a better awareness of each person's condition, which helps provide the necessary support

to prevent falls and maintain and improve resident health. Furthermore, this data is combined with nursing care records and nurse call logs for staff to share and coordinate to provide residents timely assistance while reducing their workload.

Under the Sumitomo Forestry Group's Mid-Term Sustainability Targets as part of its Mid-Term Management Plan, we set out a goal to further advance our ICT-based health support services by installing sensors in 19 facilities by fiscal 2024. As of fiscal 2023, we have already fulfilled this target. In fiscal 2024, we will continue to work to install monitoring systems in all our facilities.

*1 2023 White Paper on Aging, Ministry of Health, Labour and Welfare
*2 BELS, an abbreviation of Building-Housing Energy-Efficiency Labeling System, is a third-party certification system based on the Guidelines for Labeling the Energy-Saving Performance of Buildings (Guidelines for Labeling the Energy Consumption Performance of Buildings) stipulated by the Ministry of Land, Infrastructure, Transport and Tourism. Operated by the Japan Housing Performance Evaluation and Labeling Association, a general incorporated association, this certification system objectively evaluates and indicates energy performance using a five-star rating system
*3 A certification system established by the Association for Business Innovation in Harmony with Nature and Community (ABINC) that recognizes corporate biodiversity conservation initiatives to encourage companies to coexist with nature. This system targets factories, offices, commercial facilities, multifamily housing, logistics centers, single-family housing developments and other buildings that incorporate biodiversity-conscious designs or green spaces



Grand Forest Denenchofu external view

Items that can be verified by the system (example)

Activity data	● Motion detection	Room environment data	● Temperature
	● Active time		● Humidity
Sleep data	● Door opening/closing		
	● In bed		● Out of bed
	● Wake-up time		● Depth of sleep
	● Pulse rate		● Respiratory rate
			● Fall-asleep time
			● Mid-sleep awakening
			● Number, duration of apnea episodes



For more information about related targets and initiatives:



Takekazu Funasaki
Home Executive Director
Grand Forest Denenchofu
Sumirin Fill Care Co., Ltd.

Employee message

With the installation of our resident monitoring system, we have been able to better manage our residents' health, alleviate staff workload and most importantly, enhance the quality of our services. By collecting data on residents' daily activities, we are able to quickly detect any changes in physical condition or sleep quality, and then discuss effective countermeasures with doctors and other staff. Furthermore, the system reduces unnecessary nighttime visits, which helps residents get a good night's sleep and reduces staff burden. We will continue to utilize ICT technologies to provide high-quality nursing care services and establish a nursing care business model that is at the forefront of the times.

Providing value for the market economy

Transforming the market with Sumitomo Forestry's DX innovation



At the Sumitomo Forestry Group, one of the business policies under our long-term vision Mission TREEING 2030 is to transform the market with DX and to achieve this, we are promoting digitalization. In April 2023, we launched a DX Promotion Team and began full-fledged efforts to transform our operations using digital technology. We have three aims: to create new value using digital technology, to involve all our employees in DX and to build a global IT framework. Of these three aims, we consider our goal to involve all employees in DX to be especially important and are currently focusing on enhancing IT literacy and skills through e-learning, various types of training seminars by job level and other programs.

DX policy Proactive IT x Reactive IT



In addition, we are encouraging employees to obtain the IT Passport Certification, a national certification, to help them acquire basic IT knowledge. With our newly created IT Support Intranet, we are disseminating IT-related information to nurture greater awareness about DX.

Since 2023, we have also been promoting the Citizen Developer Project of RPA.* Our objective is to help employees automate the routine tasks they undertake for greater administrative efficiency. Because development does not require specialized knowledge, any employee can take on the DX challenge. As of May 2024, approximately 70 people have participated since its launch in 2023 and used robotic development to automate such tasks as creating summaries of affiliated company financial reports and downloading or managing files. In 2024, we plan to invite entries to four RPA learning seminars with about 20 participants in each. After the seminars, participants give presentations to share examples of what they developed.

*An abbreviation of Robotic Process Automation, this technology automates copy/pasting, simple editing and other routine tasks conventionally performed by humans to enhance overall administrative efficiency. While it cannot evaluate or learn, the technology is able to conduct predetermined repetitive tasks



A presentation of the Citizen Developer Project of RPA

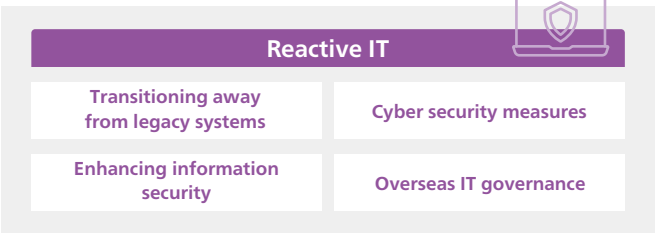
Employee feedback about Citizen Developer Project of RPA

Simple systems can be developed in a short time, and I was able to utilize it immediately. I would like to continue doing robotic development to promote the DX of our operations.

Based on what I learned this time, I would like to think about whether others can also use RPA in their work and share information within the branch office for greater overall efficiency.

Because the RPA robot is so adept at simple, repetitive tasks, I think there are many opportunities to use it in our work. I would like to continue development a little at a time and contribute to improving our operations.

DX policy Proactive IT x Reactive IT



In recent years, there has been a rise in information security threats, such as personal information leaks and targeted e-mail attacks. Sumitomo Forestry takes utmost precautions to protect information security and has implemented measures to prevent virus attacks and other unauthorized access. Furthermore, all company PCs throughout the Sumitomo Forestry Group in Japan are installed with next-generation security software that detects and mitigates cyberattacks in real time as well as a system that quarantines ZIP file e-mail attachments with passwords before delivering them to recipients.

All employees are required to take e-learning seminars about information management, and we are continuously improving the curriculum to enhance understanding about proper information security rules. In this and other ways, we are working on initiatives on both the systems side and the people side to protect information security.



For more information about related targets and initiatives: _____

Social Contribution Activities

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.



Papua New Guinea

Contributing to Health through Community Clinics

Because the preparation of social infrastructure is insufficient in some areas of Papua New Guinea, Group company Open Bay Timber (OBT) supports the operation of medical clinics and operates super markets for employees and local residents to use.

the United States

Social Contribution Activities through the Housing Business

Group company MainVue Home has been setting up an annual MainVue day for employees to participate in philanthropy activities. In 2023, collaborating with an NPO who provides temporary housing to homeless families in Washington State, employees assisted their activity through painting the doors of those temporary housing units.

Indonesia

Providing Basic Educational Support in Neighboring Business Regions

Group company Mayangkara Tanaman Industri (MTI) offers environmental education at local elementary schools to raise students awareness of the natural environment. In addition to classes on the importance and methods of protecting forests, flora and fauna, MTI provides students with a hands-on tree planting experience and donated stationery.

Australia

Social Contribution Activities through the Housing Business

In 2023, Group Company Henley Properties sold one house that was built with the help of a residential land developer and component suppliers, etc., and donated the proceeds. It was sold in a charity auction with the proceeds being donated to a children's hospital. Since its start in 1993, cumulative donations have now reached 19.25 million Australian dollars.

Japan

Restoration of Nature in Oku matsushima through Tree-planting Activities

Sumitomo Forestry entered into a partnership agreement on restoration property development coordination and cooperation with Higashi Matsushima City, Miyagi Prefecture in 2012. As part of the restoration effort following the Great East Japan Earthquake, we began planting trees on a trial basis in 2017 on a seawall near the Nobiru Coast, which was damaged by the tsunami, and started full-scale planting in 2019. In 2023, around 200 people participated alongside members of the local community. A total of 850 local indigenous trees were planted.

Japan

Participation in the Hokkaido Companies' Reforestation Project

Hokkaido Branch of the Timber and Building Material Division, together with three business partners, concluded an agreement with Kuriyama-cho, Yubari-gun for "reforestation in Kuriyama-cho" in 2023. A joint tree-planting event was held and attended by around 60 employees and business partners and about 150 Sakhalin fir were planted.



For more information about related targets and initiatives: _____

Our response to TCFD and TNFD

Changes in the natural environment, such as climate change and biodiversity loss, are recognized as crises that will cause serious impact on the Earth’s ecosystems and human society. If climate change progresses, weather changes in different parts of the world may negatively affect corporate business activities and supply chains. Furthermore, if flora, fauna, water and other aspects of the natural environment are affected by changes in climate and business activities, companies may no longer be able to provide products and services that rely on nature.

Therefore, it is imperative for companies to understand the impact that changes in climate and the natural environment could have on economies and society and to appropriately evaluate and manage those risks. The Sumitomo Forestry Group has been quick to recognize climate-change risks and opportunities and has taken the lead to respond to such initiatives as the Task Force on Climate-related Financial Disclosures (TCFD), the Taskforce on Nature-related Financial Disclosures (TNFD) and other international initiatives.

At the Sumitomo Forestry Group, the Sustainability Committee, chaired by the president and representative director and comprised of directors who concurrently serve as executive officers as well as divisional managers of each business division, meets four times a year to comprehensively discuss and manage throughout the entire value chain mid- to long-term risks related to ESG issues, including climate change and nature-related issues. After each meeting, the Sustainability Committee reports the contents of these discussions to the Board of Directors. From fiscal 2024, the committee will hold regular meetings six times a year.

The TCFD and TNFD recommendations call for disclosure across four pillars related to climate and nature: governance, strategy, risk management, and metrics and targets. The Sumitomo Forestry Group is actively working to improve its disclosures. In May 2024, we disclosed analysis results related to TCFD and TNFD in an integrated manner for the first time.


dependencies, impacts, risks and opportunities as required by the recommendations. Following the September 2023 release of TNFD v.1.0, we conducted a LEAP analysis from the end of 2023 to March 2024 of four business divisions with a particularly significant interface with nature (Timber and Building Materials, Housing, Global Construction and Real Estate, and Environment and Resources). The LEAP approach was developed by the TNFD to comprehensively evaluate a business’s dependencies and impacts on nature and access nature-related risks, opportunities and other issues through four phases: Locate, Evaluate, Access and Prepare.

We evaluated 148 operating sites and upstream/downstream operations of the four targeted business divisions and using

TNFD-recommended nature-related risk analytical tools, identified 37 sites as priority areas in terms of financial importance and ecological sensitivity. Taking into consideration regional characteristics and our knowledge gained through our operations, we qualitatively evaluated the dependence and impacts on nature for each of these priority sites. In addition, we conducted an analysis of risks and opportunities for 25 sites that were evenly selected from each of the priority sites’ operations to qualitatively assess remaining risks and the level of priority of possible opportunities. Furthermore, for certain high-priority risks and opportunities, we tried to quantitatively measure financial impact and put together a main response plan.


TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) is a climate-related financial information disclosure task force established in April 2015 under the direction of the Financial Stability Board (FSB). In the name of financial stability, this initiative requires companies to disclose climate change-related information in recognition of the increased risk of loss that natural disasters, stranded assets and other climate-related events have on financial assets.

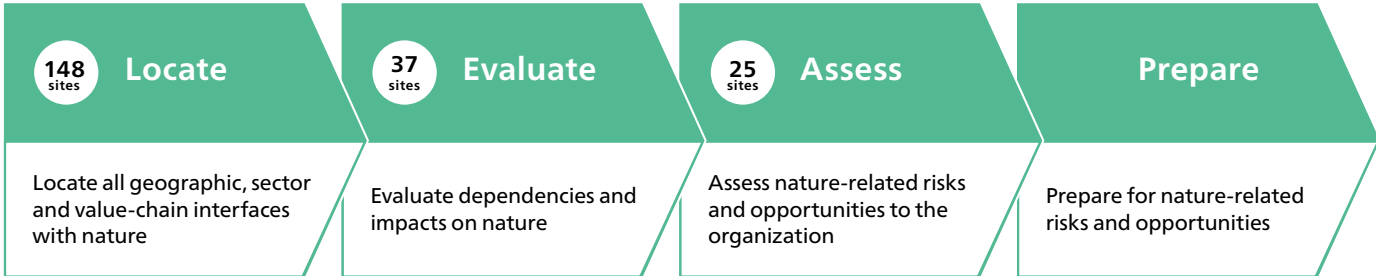


TNFD

The Taskforce on Nature-related Financial Disclosures (TNFD) is a nature-related financial disclosure task force that provides a framework for companies to disclose information on biodiversity and other natural capital. This initiative was established in June 2021 by Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP FI), the World Wildlife Fund (WWF) and others.



*Sumitomo Forestry is a member of the TNFD Forum



Our response to TCFD

In July 2018, the Sumitomo Forestry Group declared its support for TCFD and has made ongoing progress in disclosing information as required by the TCFD recommendations. In 2019, we participated in the TCFD Consortium where we took part in discussions about effective corporate information disclosure and how to make climate change-related information helpful for financial institutions and other parties to make appropriate investments decisions. For our scenario analysis for 2030, we examined a 4°C scenario where

no progress is made in addressing climate change and a 1.5°C/2.0°C scenario where progress toward global decarbonization is made. We formed a working team comprised not only of members from the headquarters division, but also the business groups, and conducted scenario analyses three times since 2018 to identify risks and opportunities, define cross-organizational issues and formulate countermeasures.

Our response to TNFD

In terms of nature-related issues, following the formation of the TNFD organization in June 2021, we joined in February 2022 the TNFD Forum, a stakeholder organization that supports TNFD discus-

sions. Based on the TNFD beta framework v.0.3 released in December of the same year, we conducted a trial LEAP approach analysis of our wood procurement operations to determine our nature-related

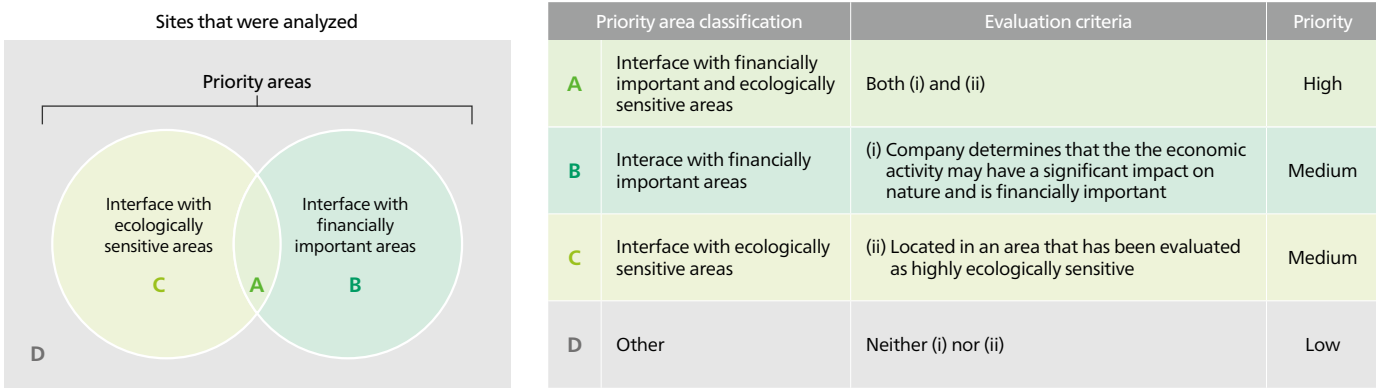
TNFD identification of priority sites (Locate)

Using ENCORE,*1 IBAT*2 and other TNFD-recommended analytical tools that measure nature-related risks, we evaluated 148 operating sites and upstream/downstream supply chain operations of the four targeted business divisions from the perspective of financial importance and ecological sensitivity. As a result, we were able to identify 37 sites as priority areas in need of response.

*1 An abbreviation of Exploring Natural Capital Opportunities, Risks and Exposure, ENCORE is a nature-related risk analysis tool developed by such organizations as the Natural Capital Finance Alliance, an international finance industry organization in the field of natural capital

*2 An abbreviation of Integrated Biodiversity Assessment Tool, IBAT is a biodiversity assessment tool developed by the United Nations Environment World Conservation Monitoring Centre and others to integrate global biodiversity information

Priority area classification



TNFD analysis of priority sites (Evaluate)

Locate Evaluate Assess Prepare

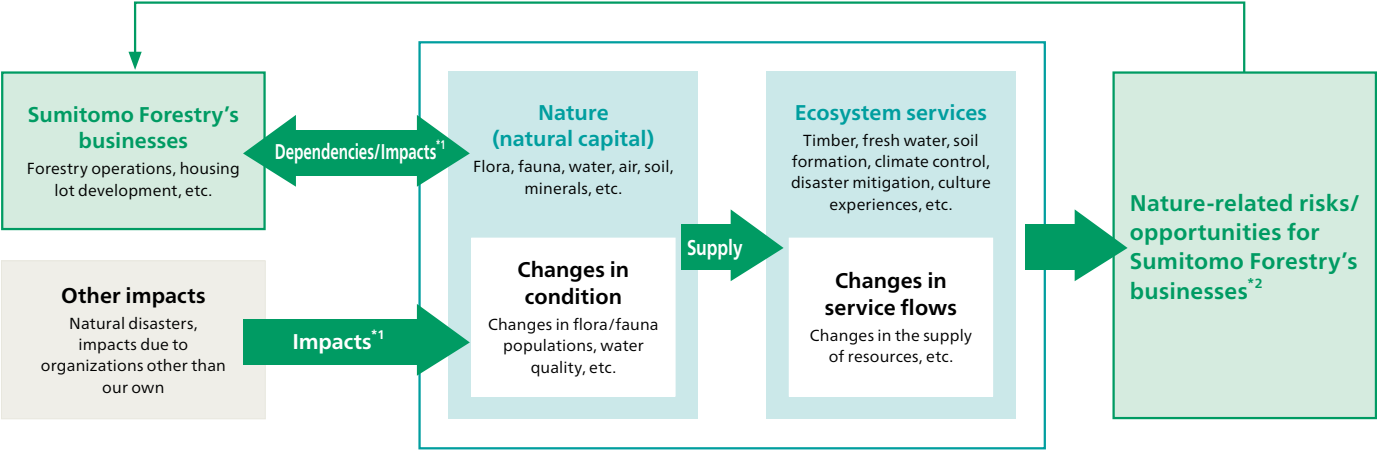
For the Evaluate process, we qualitatively evaluated the dependencies and impacts on nature of each of the 37 priority sites, taking into consideration results from the Locate analytical tools and region-

al characteristics. To evaluate both positive and negative impacts, in addition to the analytical tools, we used our knowledge gained through our operations. The main diagnostic results are as follows.

Main nature-related dependencies and impacts by business division

Business division	Dependencies	Positive impacts	Negative impacts
Timber and Building Materials Business	<ul style="list-style-type: none">Wood supply services from forest ecosystemsSoil retention and flood prevention services	(Not identified since predominantly production activities)	<ul style="list-style-type: none">Change of surrounding forests and soil degradation due to the procurement of raw materialsWastewater pollution of surrounding bodies of water from manufacturing plants
Housing Business	<ul style="list-style-type: none">Soil retention and landslide prevention services	<ul style="list-style-type: none">Maintenance and improvement of ecosystem-related services (rainwater recharge, water purification, habitat provision) by enhancing natural symbiotic functions (greening, water retention/permeable pavements, biodiversity initiatives) in housing and construction sites	<ul style="list-style-type: none">Waste discharge, water use, and invasion of non-native species associated with subdivision development
Global Construction and Real Estate Business			
Environment and Resources Business	<ul style="list-style-type: none">Surface water and soil provision service driven by forest ecosystemsRaw material supply service for power generation fuel (wood, PKS, coal)Surface water supply service for steam turbine-based power generation	<ul style="list-style-type: none">Maintenance and improvement of ecosystem-related services (carbon storage, water cycle, disaster prevention, habitat provision) through sustainable forest and peatland management practicesSupport for the demand for wood resources through the use of wood chips in power generation projects, promotion of sustainable forest management in the region	<ul style="list-style-type: none">Impact on the livelihoods of forest-dependent communitiesHabitat fragmentation for plants and animals due to loggingWaste discharge/emissions, water and air pollution resulting from power generating facilities

Relationship of Sumitomo Forestry's businesses with nature (examples)



*1 Negative impact: Temporary degradation of soil due to development
Positive impact: Enhanced forest ecosystem services through proper management
*2 Risk: Landslides in working forest areas
Opportunities: Monetization opportunities for ecosystem services, increased added value of wood products

Risks and opportunities identified by TCFD and TNFD (Assess)

Locate Evaluate Assess Prepare

For the Assess process, we conducted an analysis of risks and opportunities for 25 sites that were evenly selected from each of the priority sites' operations. Taking into consideration existing initiatives, we qualitatively assessed remaining risks and the level of priority of possible opportunities.

The major opportunities and risks identified by the TCFD scenario analysis conducted until last year, and the major opportunities and risks identified by the current TNFD LEAP analysis are as follows. Forests and trees, which are at the core of the Sumitomo Forestry

Group's operations, absorb and fix atmospheric carbon as they grow, nurture biodiversity and provide ecosystem services. Because of these characteristics, TCFD scenario analyses and TNFD LEAP analyses produced common or similar results in several categories, indicating that for the Sumitomo Forestry Group's operations, decarbonization initiatives are also increasing nature-related business opportunities (the Lifestyle Services Division conducted a TCFD scenario analysis only).

Major opportunities and risks identified by the TCFD scenario analysis and TNFD LEAP scenario analysis

Business division and principal businesses		Main transition risks	Main physical risks	Key opportunities
Timber and Building Materials Business (distribution and manufacturing of timber and building materials)	C	Increased costs due to carbon taxes and stricter environmental regulations	Decreased timber value and sales due to an increased preference for solid buildings as a result of more severe disasters	Increased demand for environmentally conscious housing renovations due to stricter environmental regulations; increased sales of timber and building materials
	C•N	Increased costs due to compliance with stricter laws and regulations related to illegal / unsustainable forest harvesting	Decreased revenues and increased restoration costs due to severe flood damage from severe rain and other factors, or due to a shutdown of operations	Increased revenues due to biorefinery technology and development of new products
	N	Increased costs due to litigation and stricter laws and regulations related to waste, water use, soil contamination, and land alteration of protected areas, etc.	Decreased revenues due to reduced water availability in surrounding areas	Reduced water procurement costs through water conservation in manufacturing processes, reduced and more efficient water use
Housing Business (custom-built housing in Japan, spec homes, greening)	C	Decreased sales of wooden buildings due to the long-term relative decline in the value of wood as a result of technological progress in the decarbonization of steel, concrete and other building materials	Decreased sales of wooden detached houses due to increased preference for robust buildings as a result of increasing severe disasters	Increased sales of environmentally conscious housing complexes and other due to changes in customer preferences, policies, etc.
	C•N	—	Increased costs of insurance premiums due to increased disaster risk	Increased revenues thanks to premium pricing for enhanced features that tout coexistence with nature (greening, water retention/permeable pavement, biodiversity initiatives, etc.) in housing and construction sites
	N	Increased costs due to compliance with stricter laws and regulations associated with negative impacts on surrounding communities and ecosystems due to waste, water use and soil contamination	—	Decreased costs through green space management (e.g., greenkeeping) with reduced ecological impacts (e.g., reduced use of pesticides and fertilizers, reduced pruning intensity, etc.)
Global Construction and Real Estate Business (overseas detached housing business, building materials manufacturing, real estate development in Japan and overseas)	C	Increased costs due to carbon taxes and stricter environmental regulations	Increased material procurement costs due to severe disaster damage, extended construction periods and supply chain disruptions	ESG demand from investors and financial institutions leading to market expansion for medium- to large-scale wooden constructions
	C•N	Increased costs due to higher wood procurement prices associated with increased demand for wood products to promote decarbonization, etc.	Increased costs of insurance premiums for properties under construction due to the increased risk of natural disasters	Sales increase owing to the acquisition of new customers who value the natural environment following enhanced natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites
	N	Increased pollution-control costs due to delays in the introduction of technologies that reduce environmental impact	—	Reduced costs through the promotion of efficient construction methods (panelization and trussing) during construction
Environment and Resources Business (forest management, biomass power generation)	C	Increased costs due to the introduction of carbon taxes and the installation of energy-efficient heavy equipment with stricter environmental regulations	Increased costs of timber procurement and reforestation due to higher average temperatures that increase the number of forest fires	Increased demand for renewable energy due to strengthened decarbonization policies, increased sales of biomass-derived energy businesses
	C•N	Increased costs due to stricter laws and regulations following the introduction of policies to promote certification of wood biomass raw materials and PKS	Decreased revenues due to a shutdown of operations as a result of forest fires and landslides	Increased revenues due to the generation of carbon credits in connection with the promotion of forest and peatland management and forest fund operations
	N	Decreased revenues due to unplanned shutdowns as a result of criticism by local communities and NGOs of timber production that violates the rights of indigenous and local communities	—	Increased revenues through the participation in rulemaking for biodiversity credits that promotes the credit market
Lifestyle Services Business (nursing home management, insurance, etc)	C	Decreased revenues of gasoline cards due to transition to electric vehicles	Increased costs for renovation of owned facilities and BCP response due to increasingly severe disasters	Increased revenues with a rise in insurance policyholders, shorter policy periods and higher renewal frequencies due to increasingly severe disasters

C Items identified in the TCFD scenario analysis only C•N Items identified in both the TCFD scenario analysis and TNFD LEAP analysis N Items identified in the TNFD LEAP analysis only

Opportunities and risks with quantifiable financial impacts using TNFD LEAP analysis

In our TCFD analysis conducted until 2023, of the risks and opportunities identified for each business division, items that affect multiple divisions and have significant financial impact are indicated in Table 1.

Furthermore, results of the qualitative assessment of the TNFD analysis identified 71 major residual risks that have not been addressed and 36 major opportunities that the Company has the relevant resources and a high likelihood of capturing. Of these, 30 risks were identified as high priority from the perspective of level of impact and probability of occurrence and 34 opportunities were identified as high priority from the perspective of business attractiveness and company strength.

Of the above, risks and opportunities with quantifiable financial impacts are indicated in Tables 2 and 3.

Table1 Items that affect multiple divisions and have significant financial impacts based on the TCFD scenario analysis

Items (risks)	Items of significant impact*	Related businesses
Transition risks		
Policy and regulations: Introduction of carbon pricing	Risk Increased business costs due to the introduction of carbon taxes and an emissions trading system (Timber and Building Materials, Environment and Resources)	Timber and Building Materials, Housing, Global Construction and Real Estate, Environment and Resources, Lifestyle Services
Policies and regulations: Forest protection policies	Risk Increased timber procurement costs due to logging taxes, logging fees, etc. (Timber and Building Materials, Environment and Resources) Increased domestic timber costs due to the transfer of reforestation costs resulting from mandatory reforestation, etc. (Timber and Building Materials)	Timber and Building Materials, Environment and Resources
Policies and regulations: Introduction of environmental regulations	Risk Increased costs of heavy equipment and trucks with government implementation of restrictions on used vehicles (Environment and Resources) Opportunities Increased revenues due to growing demand for renovations to make housing more environmentally conscious in line with stricter regulations on buildings (Housing) Increased revenues due to increased demand for construction of environmentally certified/low-carbon homes in line with stricter building regulations (overseas)	Timber and Building Materials, Housing, Global Construction and Real Estate, Environment and Resources, Lifestyle Services
Markets: Customers' shift in preference toward decarbonized products	Opportunities Increased revenues due to increased demand/applications for domestic timber from sawmills in timber industrial complexes (Timber and Building Materials) Increased revenues due to higher unit prices of logs and trees resulting from increased demand for renewable raw materials and products (Environment and Resources)	Timber and Building Materials, Housing, Global Construction and Real Estate, Environment and Resources, Lifestyle Services
Markets: Increased cost of raw materials	Risk Increased raw material costs due to higher energy costs (Timber and Building Materials)	Timber and Building Materials, Housing, Global Construction and Real Estate
Technology: Advances in next-generation technologies	Risk Decreased revenues due to lower demand for wood as a result of progress in research and development in the decarbonization of steel and concrete, which are competitors of wood (Timber and Building Materials)	Timber and Building Materials, Housing, Global Construction and Real Estate, Environment and Resources
Physical risks		
Acute: Severe weather-related disasters	Risk Decreased revenues due to rising demand for robust buildings that use building materials other than wood and declining demand for wooden buildings (Housing) Increased costs due to higher purchase prices resulting from supply chain disasters (overseas)	Timber and Building Materials, Housing, Global Construction and Real Estate, Environment and Resources, Lifestyle Services

*Impact amount of 10% of ordinary income of the business unit

Table2 Risks with quantifiable financial impacts

Items (risks)	Items with quantifiable financial impact		Business	Magnitude of impact	Probability of occurrence
Transition risks					
Legal liability: Introduction of environmental regulations	Increased costs due to stricter laws and regulations on wood use resulting from illegal and unsustainable logging	Short-term	Timber and Building Materials (manufacturing, distribution)	High	Medium
Markets: Changes in raw material procurement	Increased costs due to higher fuel costs as a result of increased demand and competition for wood biomass raw materials and PKS	Short- to medium-term	Environment and Resources (biomass power generation)		
Physical risks					
Acute: Disaster occurrence	Decreased revenues and increased restoration costs due to shutdown of operations caused by severe and frequent flood damage from heavy rains, etc.	Short- to long-term	Timber and Building Materials (manufacturing)	High	Medium
Chronic: Disaster occurrence	Increased insurance premium costs for properties under construction due to increased risk of natural disasters	Short- to medium-term	Housing (custom-built detached houses), Global Construction and Real Estate (detached spec homes)		
	Decreased revenues due to construction delays caused by increased risk of natural disasters and weakening of infrastructure resulting from land modification in the surrounding area	Long-term	Global Construction and Real Estate (multi-family housing for sale, real estate development)		

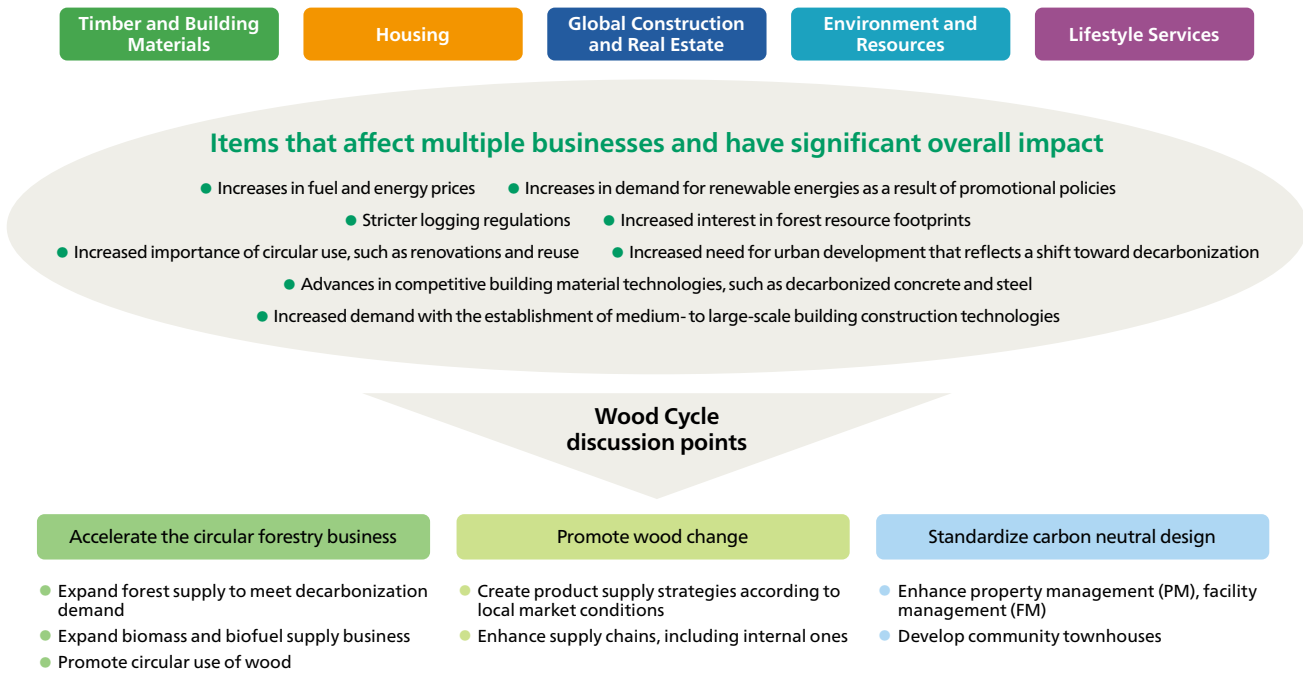
Table3 Opportunities with quantifiable financial impacts

Items (opportunities)	Items with quantifiable financial impact	Business	Business attractiveness	Company strengths	
Business performance					
Market: Credit market expansion	Increased revenues through the participation in rulemaking for biodiversity credits that promotes the credit market	Medium-to long-term	Environment and Resources (domestic company-owned forests, overseas forest management)	Medium High	
Market: Changes in the wood products market	Increased revenues due to the development of new products, such as biorefineries, CLT, and reuse of wastewood	Medium-to long-term	Timber and Building Materials (manufacturing)		
Products / services: Changes in the wood products market	Increased revenues due to sales of forest management technologies, such as remote sensing, drone surveys, satellite applications, etc.	Short-to medium-term	Environment and Resources (domestic company-owned forests, overseas forest management)		
Products / services: Popularization of NbS	Increased revenues due to industrial tourism and eco-tourism products	Medium-to long-term	Environment and Resources (domestic company-owned forests)	High	Medium
	Increased revenues through the development of payment programs (PES) from companies and municipalities that benefit from the forest's public benefit functions	Short-to medium-term	Environment and Resources (domestic company-owned forests, overseas forest management)	Medium High	
Resource efficiency: Shift to resource use efficiency	Reduced costs due to a shift from natural to working forest wood	Medium-to long-term	Timber and Building Materials (manufacturing)		
	Reduced costs through the promotion of efficient construction methods (panelization and trussing)	Medium-to long-term	Global Construction and Real Estate (real estate development)		
	Reduced industrial waste disposal costs through the promotion of converting incinerated ash into valuable resources	Short-term	Environment and Resources (biomass power generation)		
Reputation: Popularization of green infrastructures	Increased revenues due to the acquisition of new customers who value the natural environment and enhanced features that tout coexistence with nature (greening, water retention/permeable pavement, biodiversity initiatives, etc.) in housing and construction sites	Medium-to long-term	Global Construction and Real Estate (detached houses, spec houses, real estate development), housing (custom-built detached houses)		

Sumitomo Forestry Group’s response to TCFD and TNFD (Prepare)

LocateEvaluateAssessPrepare

Cross-organizational issues and countermeasures based on TCFD scenario analysis results



For the TNFD LEAP analysis, we utilized a portion of the TCFD physical risk scenario analysis to consider major policy proposals that address specific high-priority risks and opportunities. We plan to conduct a full-scale TNFD scenario analysis in the future.

Major policy proposals for specific high-priority risks and opportunities identified by the TNFD LEAP analysis

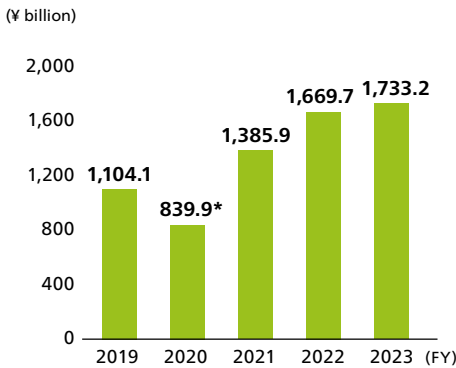
Business division	Risks / Opportunities		Policy proposals
Timber and Building Materials Buissness (manufacturing)	Risk	Decreased revenues and increased restoration costs when shutting down operations at four sites (SRP, ASTI, RPI, and VECO) that have a high risk of inland flooding from heavy rainfall and other severe flood damage	<ul style="list-style-type: none">Strengthen disaster prevention measures by taking flood risk into account when selecting sites for operationsEstablish a Business Continuity Plan (BCP) in the event of a major disaster and establish a rapid recovery system
Global Construction and Real Estate Buissness (FITP)	Opportunity	Increased revenues and decreased costs with the development of new products that recycle waste materials and technologies that efficiently use resources, etc.	Promote the development of products that make effective use of resources in cooperation with the recycling and waste management industry to differentiate ourselves in the market
Environment and Resources Buissness (domestic company-owned forests and overseas forest management)	Opportunity	Increased revenues with the sale of smart forestry technologies, such as remote sensing, drone surveys, satellite applications, etc.	<ul style="list-style-type: none">Develop a service package that supports an accurate understanding of forest health and resource quantity and proposes ways to improve the efficiency and accuracy of forest management through the utilization of the latest remote sensing, drone survey, and satellite technologiesDevelop marketing activities for service packages targeting local governments and companies with large company-owned forests
Environment and Resources Buissness (biomass power generation)	Risk	Increased costs due to higher fuel costs at Mombetsu Biomass Electric Power and Hachinohe Biomass Electric Power as a result of increased demand and competition for unused wood chips and imported PKS	<ul style="list-style-type: none">Diversify raw material procurement by developing alternative fuels and new supply sourcesManage the risk of fuel cost volatility by utilizing long-term and futures contracts

Corporate Information

Corporate ProfileAs of December 31, 2023

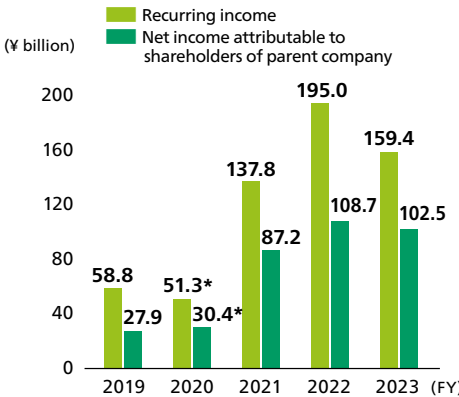
Company Name	Sumitomo Forestry Co., Ltd.
Address of Headquarters	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Paid-in Capital	¥55,088 million
Incorporated	February 20, 1948
Founded	1691
Number of Employees	Non-consolidated 5,235, Consolidated 24,815
Company-owned Forests	Japan: approx. 48,000 ha/Overseas: approx. 240,000 ha

Net sales

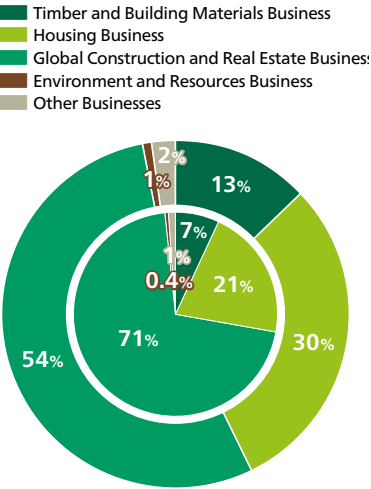


* The Sumitomo Forestry Group has changed its fiscal year end (the last day of the fiscal year) from March 31 to December 31 beginning with fiscal 2020, unifying the Group's fiscal year end to December 31. Fiscal year 2020, the transition period for the change in fiscal year end, is a nine-month period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

Recurring income/Net income attributable to shareholders of parent company



Composition by Segment (FY ended December 2023) (Outside: Net sales, inside: Recurring income)



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 Six ESG Indices Selected by GPIF

2024 CONSTITUENT MSCI NIHONKABU
ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



List of Major LocationsAs of January 1, 2024

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

- Domestic Forestry Business
- Renewable Energy Business
- Timber and Building Materials Distribution Business
- Manufacturing Business
- Custom-built Detached Housing Business
- Rental Housing and Community Development (Residential Houses for Sale) Business
- Greening Business
- Renovation Business
- Medium- to Large-scale Wooden Construction Business
- Elderly Care Business
- Accommodation Business

The United States

- Manufacturing Business
- Detached Housing and Real Estate Development Business
- Medium- to Large-scale Wooden Construction Business

United Kingdom

- Medium- to Large-scale Wooden Construction Business
- Real Estate Development Business
- Timber and Building Materials Distribution Business

China

- Timber and Building Materials Distribution Business

Vietnam

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

Thailand

- Manufacturing Business
- Condominium Development and Detached Housing Development Business

New Zealand

- Overseas Forestry Business
- Manufacturing Business

Singapore

- Timber and Building Materials Distribution Business

Australia

- Detached Housing Business
- Greening Business
- Medium- to Large-scale Wooden Construction Business

Papua New Guinea

- Overseas Forestry Business

Indonesia

- Overseas Forestry Business
- Timber and Building Materials Distribution Business
- Manufacturing Business
- Detached Housing Development Business

Canada

- 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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