

Part 3

Sustainability Management to support our growth strategy

In the Sumitomo Forestry Group, we engage in business and ESG initiatives in a unified manner with the aim of improving our corporate value in ways that cannot be explained by economics alone, and as a natural outcome of fulfilling the expectations of society including the SDGs.

In the 2021 Medium-Term Management Plan of which fiscal 2021 is the final year, we defined the Mid-Term Sustainability Targets which incorporate our strategies and five material issues for sustainability. Based on these material issues, we have also established 15 qualitative targets, as well as evaluative

metrics (quantitative goals) that we are targeting for FY ending December 2021.

Each company and division within the Group is making steady progress toward achieving these numerical targets by incorporating them into their fiscal year budget plans, and repeating PDCA cycles. We also actively join and sponsor international initiatives geared toward achieving a sustainable society.

These initiatives in the Group have earned a certain level of external recognition, and Sumitomo Forestry has been added to multiple sustainability stock indexes.

Socially responsible investment (SRI) indices / ESG indices (as of March 2021)



2021 CONSTITUENT MSCI JAPAN *
EMPOWERING WOMEN INDEX (WIN)

2021 CONSTITUENT MSCI JAPAN *
ESG SELECT LEADERS INDEX

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External recognitions



Participation in initiatives



Sumitomo Forestry Group’s approach to sustainability management

Corporate philosophy and sustainability management

Operates under its Corporate Philosophy to utilize timber in a way that is friendly to people and the global environment and contribute to the realization of a sustainable and prosperous society through all types of lifestyle-related services according to Sumitomo's Business Spirit, which aims to be beneficial to society based on the principles of integrity and sound management. We have been operating based on this corporate philosophy and engaging in sustainability management. We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives.

We formulate various policies and guidelines according to these principles, such as our environmental, procurement and human rights policies, and endeavor to imbue these principles in each and every employee.

Through the monitoring of effectiveness and operational status by the Sustainability Committee, within the context of the Corporate Philosophy, Our Values and Code of Conduct, as well as proactive communications with stakeholders based on ISO 26000, Sumitomo Forestry will continue to engage in sustainability management with the ultimate aim of contributing to a sustainable society.

Formulation and management of Mid-Term Sustainability Targets

In 2015, the Sumitomo Forestry Group identified five material issues and established a Medium-Term Sustainability Management Plan that specified strategies and targets for each issue. With the fiscal year ended March 2021 set as the target year, each company and division within the Group has been engaged toward achieving those goals.

Interest in ESG has been higher than ever before, including moves to strengthen governance structures and to address risks related to climate change and human rights, amid technological innovation with advances in ICT and rapid changes in industry structures caused by accelerating globalization. Companies are expected to pursue growth while contributing to SDGs by solving these issues.

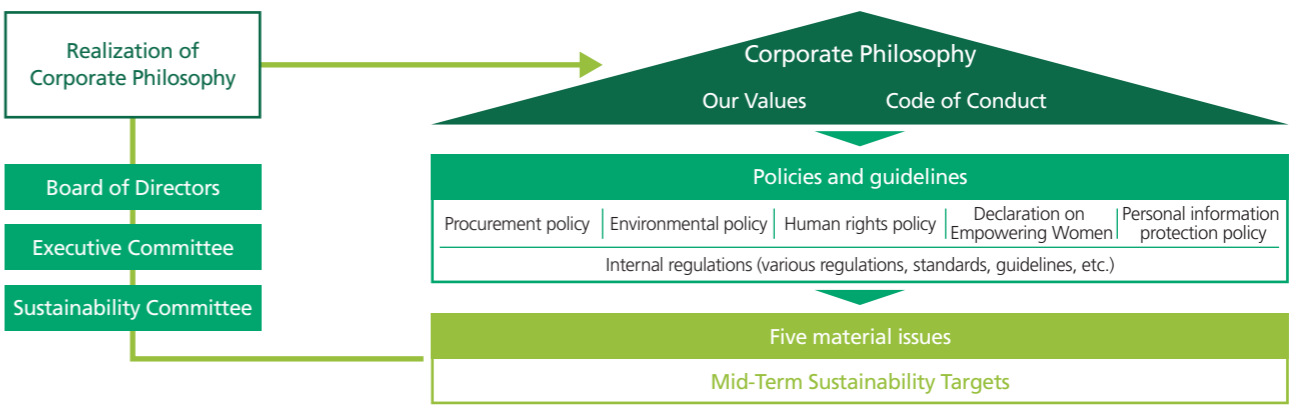
Affected by these changes to our business environment, we have determined that there is a need to work on promoting sustainability management to an even greater extent. In addition, “promote further integration of business operations and ESG initiatives” was advocated as a basic policy of the Sumitomo Forestry Group's 2021 Medium-Term Management Plan, and we also formulated the new Mid-Term Sustainability Targets which incorporate sustainability strategies and material issues, while also revising some of our five material issues.

In the Mid-Term Sustainability Targets, we establish 15 qualitative targets based on contributions to achieving SDGs and on our five material issues. In addition, we specified evaluative indices (quantitative goals) for each qualitative target item, which serve as

our targets for the fiscal year ending December 2021.

Each Group company and department has set a “Sustainability Budget” with numerical targets set for the fiscal year and is engaged in initiatives toward achieving these goals.

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



Sustainability Committee

In response to increased demand for medium- to long-term initiatives regarding Environment, Social, and Governance (ESG) and the disclosure of such information, and also in order to address SDGs, TCFD guidelines, and human rights issues, Sumitomo Forestry established a Sustainability Committee in the fiscal year ended March 2019.

The Sustainability Committee is comprised of executive officers and directors, as well as general managers, with the President and Executive Officer acting as the committee chairman. At committee meetings held four times a year, committee members monitor the Company's operational status and effectiveness within the context of Our Values and the Code of Conduct, along with the formulation and promotion of initiatives that address medium- to long-term ESG issues which concern the Sumitomo Forestry

Group's sustainability, starting with climate change. The meetings also analyze risks and opportunities, and manage progress on the Mid-Term Sustainability Targets, which incorporate business strategies that contribute to achieving SDGs.

For example, regarding climate change, the Company has been analyzing scenarios based on TCFD while coordinating with each business division since the fiscal year ended March 2019 (-> P.72). We evaluate risks and opportunities that could have a serious financial impact at the Company-wide and division level, based on the latest information and data gathered from each department. . Minutes of the committee's meetings are reported in their entirety to the Board of Directors with the aim of integrating business with solutions to social issues.

Risk check for new business plans by the Executive Committee

In addition to normal business risks, Sumitomo Forestry checks for risks throughout the entire supply chain that may affect the environment and society when the Executive Committee, which debates important matters, draws up plans for new businesses and projects.

If risks are identified in this process, details about each risk and countermeasures are compiled in a report that is referred to when business execution decisions are made.

Environment

1. Greenhouse gases, 2. Preservation of biodiversity (including protected lands), 3. Waste, 4. Water resources, 5. Soil pollution, 6. Noise, 7. Other

Society

1. Relationships with suppliers, 2. Prevention of corruption in various forms, including coercion and bribes, 3. Respect for human

- rights of workers and other stakeholders, 4. Diversity in workforce, 5. Prohibition of forced labor and child labor, 6. Appropriate work hours and wages, 7. Occupational health and safety, 8. Impact on local communities (including residents, residents' association, industry groups, NPOs, civic groups, and indigenous peoples)

By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management. At the same time, the Sumitomo Forestry Group will proactively continue with sustainability management.

Five material issues

Identifying material issues

Following the changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified new material issues.

The Group surveyed both internal and external stakeholders as well as outside experts, receiving responses from about 2,700 people. In preparing the questionnaire, 27 issues most closely related to the Sumitomo Forestry Group were specified, based on the Sumitomo Forestry Group's Corporate Philosophy and Our Values, and taking into account such matters as ISO 26000, the international standard on the social responsibility of organizations, and evaluation points linked to socially responsible investment (SRI). After incorporating management

perspectives, the survey results were mapped out against axes of "management" and "stakeholders," before determining the materiality of each issue. Twelve of these issues were identified as being highly material, and rearranged into five material issues.






In conjunction with the formulation of the Mid-Term Sustainability Targets in 2018, we also revised our material issues in light of new demands from society.

We are currently working in revising these material issues leading up to the formulation of our subsequent medium-term plan, for which work will commence in January 2022.

Material Issue

1

Ongoing timber and materials procurement that considers sustainability and biodiversity



With businesses centered on wood, the Sumitomo Forestry Group promotes sustainable forest management and timber procurement both domestically and abroad. In procuring wood and timber products, we engage in management under specified numerical targets, placing it as an important theme of sustainability that encompasses environmental aspects such as climate change measures and biodiversity conservation as well as social aspects such as human rights.






With the increase in concern about forest depletion as one of the causes of climate change, demand for sustainability in procurement of

timber is on the rise. Amid these circumstances, the Sumitomo Forestry Group has declared the goal of handling all of its timber and timber products to be sustainable by the end of the fiscal year ending December 2021. We have heightened our evaluation criteria for sustainable timber procurement as we work to step up our confirmation system. As we continue to contribute to solving social issues, we have defined KPIs to establish timber procurement that achieves both forest resource utilization and biodiversity conservation.

Material Issue

2

The development and sale of reliable and safe products and services that consider the environment and society



The Sumitomo Forestry Group offers a lineup of timber-centered products and services for our customer's lifestyles, mainly in the field of housing. While it goes without saying that we attend to customer's peace of mind and safety in providing products and services, we also believe that engaging in development and sales mindful of creating a sustainable society is a crucial role that our Group must fulfill.





One of the areas that we could contribute the most in reducing environmental impact is the reduction of greenhouse gas emissions

from housing. Net zero energy houses (ZEH) and other housing measures in Japan offer guidance to promote eco-products as well as advocate excellent long-term housing as an asset. We have set targets for the ratio of orders we receive for ZEH and other environmentally friendly products to contribute to a sustainable society while serving customers in keeping with their needs by reducing household energy consumption through recommending houses built to ZEH specifications.

Material Issue

3

The reduction of the environmental impact of our business activities



With the impact of climate change becoming increasingly problematic on a global scale, companies are being asked to reduce emission of greenhouse gases that cause global warming and to implement energy-saving initiatives. In consideration of the environmental impact of these operations, the Sumitomo Forestry Group fully recognizes the importance of reducing greenhouse gas emissions and taking other measures to combat climate change through the promotion of strict energy-saving activities, renewable energy use and other efforts. With a medium- to long-term perspective of the future, in 2018, we




* Science Based Targets: A request for corporations to set scientifically-matched reduction targets in order to limit global warming to below 2°C

established greenhouse gas emission reduction goals for 2030, and were certified as SBT* in July 2018. Furthermore, Sumitomo Forestry joined RE100, an international initiative that aims to achieve 100% renewable energy for electricity used in Group business activities and for fuel used to generate electric power in the power generation business by 2040. In addition, to reduce environmental burden and more effectively utilize natural resources, we are promoting the reduction, reuse and recycling of industrial waste.

Material Issue

4

A vibrant work environment where a diverse workforce can unharness their skills and individuality




The Group promotes a free and open-minded corporate culture that respects diversity in accordance with Our Values. We are also committed to securing an appropriate balance between work and individual commitments such as caring for children and the elderly, maintaining a safe and healthy work environment, and implementing regular educational and training programs to prepare for disasters,

accidents and so forth, as stipulated in the Sumitomo Forestry Group Code of Conduct established in 2017. Further, we are advancing development of a vibrant workplace where diverse human assets can be actively engaged without regard to gender, age, nationality, race, religion or disability.

Material Issue

5

Corporate ethics and governance structures



With the background of globalization, diversification and expansion of our business, the Group is reviewing its philosophy structure. Sustainability management based on the Corporate Philosophy, Our Values, and Code of Conduct complies with international codes, international initiatives, and other social demands. In addition, we are

working to reinforce the mechanism for managing business risk-which also encompasses Group companies-by constantly managing prioritized risks through the Risk Management Committee while strengthening the Business Continuity Management (BCM) system as a measure against disasters.

Participation in the United Nations Global Compact

We support the ten principles of the United Nations Global Compact and joined the compact in December 2008. The ten principles of the United Nations Global Compact are based on globally established agreements, including the Universal Declaration of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. They incorporate support of and respect for the protection of human rights and the eradication of forced labor and child labor.

World Business Council for Sustainable Development (WBCSD)

Sumitomo Forestry joined the WBCSD* in January 2020, and has moved ahead with initiatives to solve social issues through business, including contributions to SDGs, in order to realize a sustainable society.

* World Business Council for Sustainable Development: A CEO-led organization of over 200 international companies. It aims to achieve sustainable development and help with the transition to a sustainable society.



Mid-Term Sustainability Targets as part of the 2021 Medium-Term Management Plan & Results

The Sumitomo Forestry Group has changed the end of its fiscal year from March 31 to December 31, beginning from the fiscal year ended December 31, 2020. As a result of this change, fiscal 2020 refers to the irregular nine-month fiscal period that starts on April 1, 2020 and ends on December 31, 2020, and fiscal 2021 refers to the period from January 1 to December 31, 2021. In principle, ratios for our fiscal year 2020 results are calculated according to the 9-month period from April to December, while quantities were calculated over the 12-month period from January to December.

Material issue 1: Ongoing timber and materials procurement that considers sustainability and biodiversity

| Target | Specific steps based on issues and strategies | Indicators for evaluation (numerical targets) | Fiscal 2020 target | Fiscal 2020 results | Fiscal 2021 target |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------|--------------------|
| Management forests while mitigating climate change and protecting biodiversity | Maintain and expand certified forest area | Domestic and overseas certified forest area (ha) | 222,144 | 221,644 | 221,467 |
| Expanding the utilization of sustainable forest resources | Expand seedling reforestation area in Japan and overseas | Area of forest plantation with in-house produced seedlings (ha) | 7,456 | 3,263 ^{*1} | 7,920 |
| | | Number of seedlings supplied (ten thousand trees) | 509 | 213 ^{*1} | 726 |
| | Increase volume of fuel wood chips and pellets handled | Volume of fuel wood chips and pellets handled (t) ^{*3} | 1,217,541 | 1,465,901 ^{*1} | 1,363,930 |
| | Increase the amount of sustainable timber and wood products handled and used | Rate of sustainable timber and timber products handled (%) | 93.0 | 94.6 ^{*1} | 100 |
| | | Rate of sustainable timber used as primary building material (%) | 100 | 95.8 ^{*1} | 100 |
| Building sustainable supply chains | Update Sustainability Procurement Survey form and formulate survey plan | Sustainability Procurement Survey implementation rate in the supply chain of the domestic housing department (%) ^{*4} | 88.0 | 97.3 ^{*2} | 80.0 |
| | | Sustainability Procurement Survey implementation rate of suppliers of imported timber (%) ^{*5} | 100 | 100 ^{*2} | 100 |

Material issue 2: The development and sale of reliable and safe products and services that consider the environment and society

| Target | Specific steps based on issues and strategies | Indicators for evaluation (numerical targets) | Fiscal 2020 target | Fiscal 2020 results | Fiscal 2021 target |
|-----------------------------------------------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------|
| Increasing environmentally conscious products and services | Promote energy-saving and standards for energy generation and conservation | Percentage of orders for ZEH type houses out of new custom-built detached housings (%) | 80.0 | 52.1 ^{*2} | 80.0 |
| | | Rate of orders for eco-friendly renovation (%) | 55.0 | 62.2 ^{*2} | 60.0 |
| | | Sales of sashes, glass wool, and solar power generation systems in the building material business (millions of yen) | 22,980 | 21,362 | 24,040 |
| | | Carbon stock in wooden architecture in Japan (t-CO ₂) | 199,417 | 185,715 ^{*1} | 199,509 |
| | Increase added value by carbon stock from use of timber | Rate of orders (%) for eco-friendly products ^{*6} | 59.0 | 56.8 ^{*2} | 63.0 |
| Creating an environment that considers biodiversity | Propose products utilizing local saplings and natural cycles | Carbon stock in wooden architecture in Japan (t-CO ₂) | 199,417 | 185,715 ^{*1} | 199,509 |
| Expanding businesses that contribute to resolving social issues | Expand the Renewable Energy Business | Rate of orders (%) for eco-friendly products ^{*6} | 59.0 | 56.8 ^{*2} | 63.0 |
| Promoting sustainable and innovative technological development | Solve technical issues toward achieving the W350 Plan | Number of local species sold (trees) | 450,000 | 416,000 ^{*1} | 500,000 |
| | Increase the number of rooms through new facilities construction | Number of rooms for private-pay elderly care facilities (rooms) | 1,764 | 1,764 | 2,014 |
| | Expand the Renewable Energy Business | Amount of electricity supplied in the Renewable Energy Business (converted to number of households) ^{*7} | 220,486 | 215,768 ^{*1} | 373,826 |
| | Solve technical issues toward achieving the W350 Plan | Status of progress on the W350 Plan | Establish basic concepts towards realization of W30 Plan (plan to design using actual properties) | Complete basic plan | Develop materials and implement basic designs towards realization of the W70 Plan |

Material issue 3: The reduction of the environmental impact of our business activities

| Target | Specific steps based on issues and strategies | Indicators for evaluation (numerical targets) | Fiscal 2020 target | Fiscal 2020 results | Fiscal 2021 target |
|---------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------|--------------------|
| Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2) | Reduce greenhouse gas emissions | Reduce greenhouse gas emissions (t-CO ₂ e) (Percent of change compared to fiscal 2017) | 371,855 + 0.6% | 370,526 ^{*1} + 0.2% | 402,768 + 8.9% |
| | | Carbon efficiency (t-CO ₂ e/net sales (millions of yen)) | 0.331 | 0.324 | 0.318 |
| Protecting resources, reducing the generation of waste and achieving zero emissions | Promote industrial waste separation | Recycling ratio (%) | New housing construction sites ^{*8} | 97.7 | 95.2 ^{*1} |
| | | | Housing demolition work sites ^{*9} (Main section construction base) | 98.0 | 99.0 ^{*1} |
| | | | Renovation Business ^{*10} | 82.0 | 72.3 ^{*1} |
| | | | Power generation business | 79.3 | 91.0 ^{*1} |
| | | | Overseas manufacturing plants | 98.2 | 98.4 ^{*1} |
| | | | Domestic manufacturing plants | 99.2 | 99.1 ^{*1} |
| | | | Lifestyle Service Business ^{*11} | 93.1 | 83.7 ^{*1} |
| | Waste reduction Promote zero emissions | Final disposal volume of industrial waste (t) compared to fiscal 2017 | 56,632 -11.0% | 40,548 ^{*1} -36.3% | 54,087 -15.0% |
| | | | Total industrial waste emissions (amount of waste per detached home) (kg/building) compared to fiscal 2017 | 2,950 -11% | 2,977 -10% |
| | | | | 2,730 -18% | |
| Conserving and effectively utilizing water resources | Properly manage water resources | Water consumption (1,000 m ³) | Lower than 2,824 | 2,851 ^{*1} | Lower than 3,011 |

Material issue 4: A vibrant work environment where a diverse workforce can unharness their skills and individuality

| Target | Specific steps based on issues and strategies | Indicators for evaluation (numerical targets) | | Fiscal 2020 target | Fiscal 2020 results | Fiscal 2021 target |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------|--------------------|----------------------|-----------------------------|
| Creating a work environment that generates diverse ideas, job satisfaction and vibrancy | Promotion of women's participation and advancement in the workplace | Female employees in management positions (%) | Sumitomo Forestry | 5.0 | 4.8 | 5.5 |
| | | | Consolidated in Japan | 6.7 | 7.1 | 7.3 |
| | Improve employee satisfaction | Employee satisfaction level (%) | Sumitomo Forestry | 81.0 | 80.1 | 85.0 |
| | | Change in employee satisfaction compared to base year (%) | Consolidated in Japan | 61.5 | 63.0 | compared to fiscal 2019 110 |
| Securing human resources by training younger workers and utilizing older ones | Develop human resources from a long-term perspective according to the revision of the evaluation system (April 2019) and evaluator training | Three-year turnover rate among newly hired graduates (%) | Sumitomo Forestry | 15.6 | 17.7 | 15.0 |
| | | | Consolidated in Japan | 10.2 | 20.6 | 12.9 |
| | Enhance training programs | Training costs per employee (thousands of yen) | Sumitomo Forestry | 132 | 77 | 132 |
| | | | Consolidated in Japan | 66 | 27 | 66 |
| | | Total number of training participants (people) | Sumitomo Forestry | 13,000 | 9,105 ^{*1} | 13,000 |
| | | | Consolidated in Japan | 15,700 | 16,659 ^{*1} | 16,176 |
| | Training time per employee (hours) | Sumitomo Forestry | 14.4 | 13.0 | 15.5 | |
| | | Implementing interviews for retirees prior to full-term retirement at the beginning of the fiscal year | Employment rate over 60 (including rehires)(%) | Sumitomo Forestry | 82.0 | 91.9 ^{*13} |
| | Consolidated in Japan | | | 67.7 | 78.5 ^{*13} | 78.0 |
| | Reducing long work hours through workstyle reforms | Guidance for improvement to departments with low rates of paid leave use | Average paid leave taken by employees (days) | Sumitomo Forestry | 13.5 | 11.6 ^{*1} |
| Consolidated in Japan | | | | 10.6 | 10.3 ^{*1} | 11.3 |
| Expand departments using flextime and internal inspections | | Average reduction rate of overtime hours compared to fiscal 2013 (%) | Sumitomo Forestry | -30.0 | -38.7 | -32.0 |
| | | | Consolidated in Japan | -9.9 | -23.2 | -11.3 |
| Eliminating occupational injuries | Implement reciprocal safety audits and manufacturing department safety audits Share case studies and implement risk assessments | Number of serious occupational injuries (four or more days of work leave) | Manufacturing sites (contractors and subcontractors) | 0 | 14 ^{*1} | 0 |
| | | | Plantation sites (contractors) | 0 | 4 ^{*1} | 0 |
| | | | New Construction sites ^{*12} in Japan | 0 | 21 ^{*1} | 0 |
| | | | New Construction sites outside Japan | 0 | 5 ^{*1} | 0 |
| | | Number of occupational injuries (one to three days of work leave) | New Construction sites in Japan | 0 | 31 ^{*1} | 0 |

Material issue 5: Corporate ethics and governance structures

| Target | Specific steps based on issues and strategies | Indicators for evaluation (numerical targets) | Fiscal 2020 target | Fiscal 2020 results | Fiscal 2021 target |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Reinforcing risk management and compliance structures | Progress check of prioritized risk items set by the Risk Management Committee and share materialized risks | Progress of management for prioritized risks (conducted on a quarterly basis by the Risk Management Committee) (%) | 100 | 100 | 100 |
| | Understand the extent of compliance awareness and enhance channels for reporting misconduct and compliance violations | Regular implementation and phased deployment of compliance awareness surveys | Major Group companies in Japan | Implemented by Sumitomo Forestry alone | Implemented in alternate years; not planned |
| | Obtain external certification for Business Continuity Management (BCM) | Obtaining Resilience Certification | Sumitomo Forestry and all Group companies in Japan | Not conducted | Sumitomo Forestry and all Group companies in Japan |
| | Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization | Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD) | Re-examination of analysis results and expansion of scope of application for two sectors: domestic Housing Business and Timber and Building Materials Business | Improvement of information disclosed such as sustainability reports | Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent medium-term plan |

^{*1} "Fiscal 2020 results" applying to the period from January to December 2020.
^{*2} "Fiscal 2020 results" applying to the period from April to December 2020.
^{*3} Refers to Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, and Sumitomo Forestry's Timber and Building Materials Business.
^{*4} Implementation rate calculated as the percentage of the total annual purchase amount comprised by suppliers with whom transactions occurred the previous fiscal year.
^{*5} Percentage of suppliers which implemented the Sustainability Procurement Survey as part of the Timber Procurement Committee's commitment to due diligence in the relevant fiscal year.
^{*6} Eco-friendly products are (1) Local saplings (2) Permeable pavement materials (3) Wall greening (4) Rooftop greening (5) Biotopes (6) Use of recycled materials.
^{*7} The amount of electricity supplied by renewable energy business annually converted to the number of households as 3,120 kWh a year per household.
^{*8} For new housing construction sites of the Housing & Construction Division, Sumitomo Forestry Landscaping, and Sumitomo Forestry Home Engineering
^{*9} Applicable to specified construction materials (concrete, ascon, wood waste) under the Construction Material Recycling Law
^{*10} Applies to Sumitomo Forestry Home Tech renovation sites and excludes debris difficult to recycle and asbestos.
^{*11} Applies to emissions generated in the Lifestyle Services Business, housing-related materials sales, etc.
^{*12} The number includes sole proprietorships.
^{*13} As of March 31, 2021

Human rights initiatives

In July 2019, we formulated the Sumitomo Forestry Group Human Rights Policy based on respect for the International Bill of Human Rights (the Universal Declaration of Human Rights and the International Covenants on Human Rights), the International Labour Organization's (ILO) Core Labour Standards, the 10 Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. We also joined the United Nations Global Compact and World Business Council for Sustainability Development (WBCSD). Based on these international standards, the Sumitomo Forestry Group Code of Conduct advocates respect for human rights and the creation of healthy workplaces. With the aim of spreading acceptance of these policies at our business partners, we periodically conduct assessments of our partners. We also conduct due diligence of human rights, address risks related to human rights, and further engage in reducing risks related to human rights.

 Sumitomo Forestry Group Human Rights Policy <https://sfc.jp/english/corporate/philosophy/humanrights.html>

Due diligence and addressing significant risks

Through human rights due diligence, the Sumitomo Forestry Group identifies factors that may have a negative impact on human rights and works to prevent or reduce them.



Respect for human rights at overseas plantations

PT. Wana Subur Lestari and PT. Mayangkara Tanaman Industri operate with respect for human rights and the environment, conducting joint surveys with the International Finance Corporation (IFC), a member of the World Bank Group, and interviewing local residents to hear their opinions.

2012

Sumitomo Forestry signed an advisory agreement with the IFC. Along with the IFC, we conducted surveys of business locations to understand whether land usage plans at business sites were being properly implemented and adequate consideration is made for the livelihoods of local residents while respecting the rights of indigenous people and protecting cultural assets.

2013 and 2015

Public hearings were held with invitations sent to local residents, neighboring companies, academics, NGOs, government officials and other stakeholders.

2018

With help from the IFC, Sumitomo Forestry set up grievance mechanisms at WSL and MTI to collect information and opinions from local residents. With the Universitas Indonesia, Sumitomo Forestry launched a three-year social survey covering its business sites and surrounding areas.

Additionally, Open Bay Timber Ltd. (OBT) in Papua New Guinea has installed a suggestion box that anyone in the community, including people inside and outside the company, can post in. Being open to consultations from not only employees but also the residents of the surrounding area helps to increase the company's perceived trustworthiness by giving people a way to communicate their thoughts to the company.

Supply chain management

The Sumitomo Forestry Group is aware of its responsibility to respect human rights and solve environmental problems in its supply chain and is working to promote the spread of timber from certified forests in order to help create a sustainable society throughout its supply chain.

We are working even harder to implement these principles throughout the Group. In 2015 we revised our Timber Procurement Philosophy & Policy into the Sumitomo Forestry Group Procurement Policy, and then in 2017 we formulated the Sumitomo Forestry Group Code of Conduct which also applies to supply chains.

The Sumitomo Forestry Group Procurement Policy (Excerpt)

The Sumitomo Forestry Group utilizes wood as a renewable natural resource in its business operations. To contribute to a sustainable society, we are committed to procurement activities that take into account economic, environmental and societal interests and comply with the following policy:

- 1. Procurement based on legal and highly reliable supply chains**
- 2. Procurement based on fair opportunity and competition**
- 3. Procurement of sustainable timber and wood products**
- 4. Communication**

Timber procurement management

The Sumitomo Forestry Group established the Timber Procurement Committee, comprising managers from departments in charge of timber procurement, to promote Group-wide management of timber procurement through confirming legality of imported timber, setting procurement standards and risk assessments for illegal logging and such.

In the fiscal year ended December 2020, the committee met three times and confirmed legal compliance and conducted sustainability surveys at all 117 direct suppliers subject to inspections, as well as 19 suppliers for overseas Group companies (distributors). Sumitomo Forestry periodically checks legal compliance and sustainability at these suppliers, including new and existing suppliers, once a year-no more than two years from the current year.

Initiatives for enabling sustainable timber procurement

Based on the Sumitomo Forestry Group Procurement Policy, the Group carries out due diligence to ensure the legality of our timber procurement and to ensure that sustainable timber procurement is being put into practice, including considerations for human rights, labor practices, biodiversity preservation and local communities. Each division that procures timber reports to the Timber Procurement Committee on the progress with this due diligence, and works to promote continual improvement in the supply chain.

Access to information

The Timber & Building Materials Division, Housing & Construction Division, and the timber procurement divisions across the Group conduct due diligence to ensure suppliers supply timber and wood products that meet logging compliance requirements.

Procurement managers gather information in accordance with the due diligence manual for timber procurement.

Risk assessments and measures to reduce risk

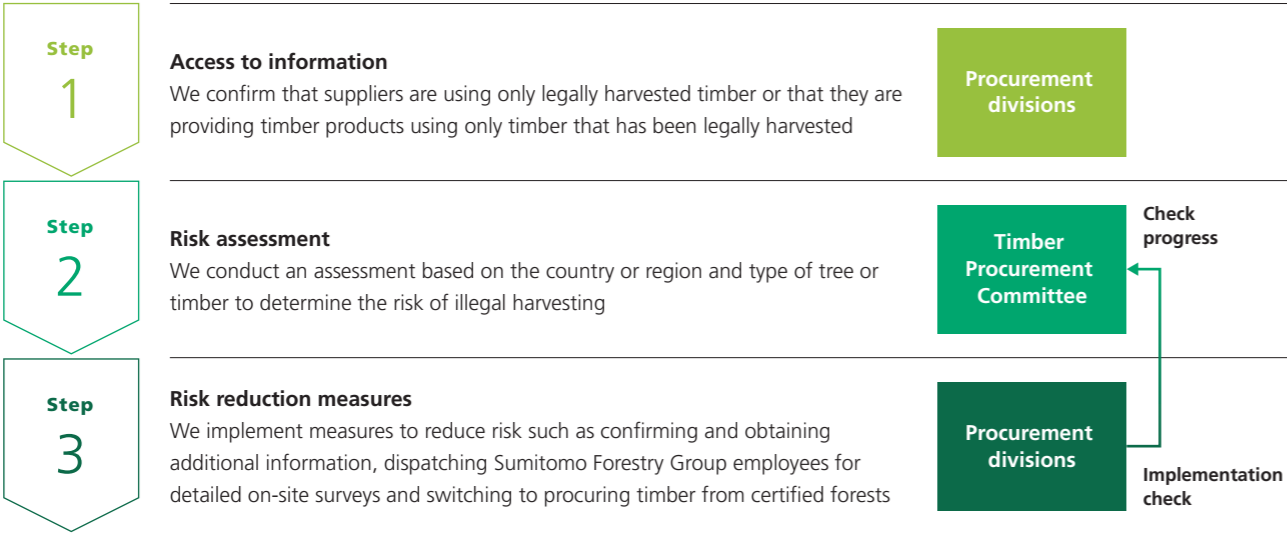
With this information sorted by country, region, wood species, and timber type, risk assessment on illegal logging or human rights violation is carried out based on procurement standards stipulated by the committee. Risk categories are A (low risk), B (medium risk) and C (high risk). Timber and wood products in the B (medium risk) and C (high risk) categories should not be solely evaluated with documentation to prove that they are legally harvested according to that country's laws and regulations. In addition, when necessary, company staff are sent for on-site inspections to ensure traceability back to the logging site.

Consideration for human rights, labor, biodiversity conservation and local communities

The following items are checked, through supplier surveys and local interviews for the products that are being procured:

- Whether the rights of workers, local and indigenous communities are abused in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration for these rights.
- Whether forests with high conservation value are included in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration to forests with high conservation value.

Each procurement division reports the status and progress of these initiatives to the Timber Procurement Committee, facilitating continuous improvements throughout the supply chain. In the fiscal year ended December 2020, we used a Sustainability Procurement Survey form that had been revised from the year before to add societal and environmental aspects. Based on suppliers’ responses, we then strengthened the management system with new scoring for survey outcomes to improve the visualization of suppliers’ sustainability initiatives.



* In addition, issues other than legality are verified via questionnaires and/or interviews

Strengthening sustainability initiatives for timber and wood products

Amid growing concerns over deforestation as a factor in climate change, the Sumitomo Forestry Group established a new Action Plan in May 2019, in addition to its own timber procurement due diligence mechanism. We have reinforced and newly implemented sustainability evaluation standards for timber procurement.

Policy on “Sustainable Timber and Wood Products”
In the Mid-Term Sustainability Targets as part of the 2021 Medium-Term Management Plan, we set a target of 100% procurement of sustainable timber and wood products by the end of the fiscal year ending December 2021. Even in situations where legality can be confirmed, we will promote the gradual increased use of alternative wood (natural timber from forest thinning or plantation timber) to stop the handling of items that do not fall under our definition of sustainable timber or timber products.

| Our thinking regarding “sustainable timber and wood products” | | | |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--------------------------------|
| 1 | Certified timber and pre-certified timber: FSC, PEFC, and SGEC (Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber) | 2 | Timber from plantation forests |
| 3 | Natural timber where forestry management and distribution can be assessed as sustainable (This does not include timber from conversion forests = timber harvested from natural forests that were converted to farmland such as palm oil plantations) | 4 | Recycled timber |

Engagement

In December 2020, a year and a half into our action plan aiming to achieve, “100% procurement of sustainable timber and wood products,” we organized the second stakeholder dialogue to meet with environmental NGOs and ESG experts and researchers. Experts from World Wildlife Fund (WWF) Japan, FoE Japan, Global Environment Forum, Institute for Global Environmental

Strategies, Rainforest Action Network, and Takasaki City University of Economics came to participate. After reflecting on the previous session, discussions touched on the implementation status of the Sustainability Procurement Survey, and updates on the rate of sustainable timber and timber products handled.

A smooth response to the Clean Wood Act

In May 2017, Japan implemented the “Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products,” commonly known as the “Clean Wood Act.” This law aims to encourage the use of timber made from trees harvested in conformity with the laws and ordinances of Japan and other

countries of origin, and to form markets that exclude illegally logged wood that leads to environmental destruction. At Sumitomo Forestry, each business division has been registered as a business operator under this law, and the entire Group makes every effort to procure legal timber.

Diversity & inclusion

Equal opportunity and diversity in employee hiring and compensation practices are respected based on international standards for the human rights of people from all walks of life. These principles are set out in the Sumitomo Forestry Group Code of Conduct.

Activities for diverse talent acquisition

In its recruitment activities, the Group emphasizes the ambition and volition of the applicant, and does not differentiate selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender.

If there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations.

Unfair dismissals are not allowed.

Sumitomo Forestry strives for talent acquisition, a major issue for management, by properly reflecting these employment and treatment policies in our recruitment activities. The Workstyle Diversification Department, an independent organization within the Personnel Department, takes the lead in supporting the activities of our diverse workforce, including female employees, re-employed retirees, and employees with disabilities.

Employment and promotion of women (non-consolidated)

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 |
|-----------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Ratio of female employees ^{*1} | 20.0% | 20.4% | 21.0% | 21.6% | 22.0% |
| Ratio of female employees in management positions ^{*1} | 2.8% | 3.2% | 3.7% | 4.2% | 4.8% |
| Ratio of newly graduated female recruits ² | 22.8% | 18.0% | 24.8% | 26.9% | 30.2% |

Status of female recruitment / Employment (domestic subsidiaries)

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 |
|-----------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Ratio of female employees ^{*1} | 30.7% | 31.6% | 32.0% | 32.7% | 32.4% |
| Ratio of female employees in management positions ^{*1} | 4.2% | 4.6% | 6.0% | 6.1% | 7.1% |
| Ratio of newly graduated female recruits ² | 40.3% | 40.2% | 43.5% | 45.7% | 43.4% |

^{*1} The ratio of female employees and the ratio of female employees in management positions between fiscal 2016 and fiscal 2019 are calculated based on the number of employees as of March 31 each year. Calculated based on the number of employees as of December 31 due to the change in accounting period in fiscal 2020. Includes individuals on loan to affiliated companies, does not include officers, hosted from other companies or exchange dispatches.

^{*2} The ratio of newly graduated female recruits is calculated based on the number of employees as of April 1 each year.

Employment of persons with disabilities (non-consolidated)^{*1}

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 |
|-----------------------------------------------|-------------|---------------------|---------------------|---------------------|---------------------|
| Employment ratio of persons with disabilities | 2.12% | 2.26% ^{*2} | 2.32% ^{*3} | 2.40% ^{*3} | 2.25% ^{*3} |

^{*1} Calculated as of March 31 for the fiscal years from 2016 to 2019, and as of December 31 for fiscal 2020 due to a change in the accounting period.

^{*2} For fiscal 2017 the calculation includes special subsidiary company Sumirin Wood Peace Co., Ltd.

^{*3} For fiscal 2018 and onward, the calculation includes special subsidiary company Sumirin Wood Peace Co., Ltd. and Group affiliate Sumirin Business Service Co., Ltd.

Promoting health management

To maintain and improve the health of individual employees, we promote the creation of workplaces where employees will be able to work with enthusiasm.

Initiatives to maintain and improve employee health

The Healthcare Promotion Team in the Workstyle Diversification Department of the Personnel Department employs one clinical psychologist and two public health nurses and the team undertakes a variety of initiatives aimed at maintaining and improving employee health, starting with health management self-care training during new employee training and including publishing articles and information about health-related events on the Workstyle Diversification Department intranet.

Sumitomo Forestry use an appointment system for regular physical examinations which are crucial for disease prevention, and we maintain a medical examination rate of 100%. Furthermore, we ensure that business sites with a small number of workers also have a system where they can consult occupational physicians and public health nurses for regular checkups, or consult them about overwork and follow-up measures for stress checks. For example, business sites with 50 or fewer employees have an assigned occupational physician.

Additionally, when staff are posted abroad, we check their health examination results before they leave and after they return, discuss the results with the persons in question, listen to their thoughts on the status of their health and offer advice.

Practicing mental healthcare

Based on the Guideline on Maintaining and Improving Mental Health of Workers formulated by the Ministry of Health, Labour and Welfare, Sumitomo Forestry offers four different kinds of care for mental health: self-care, care provided by line managers, care provided by occupational health staff within the workplace, and care using resources from outside the workplace.

Since April 2013, an employee who is a qualified clinical psychologist has cooperated with an external provider of the Employee Assistance Program (EAP)^{*} to provide follow-up support and help in returning to work for individuals with mental disorders.

^{*} Employee Assistance Program (EAP) : A workplace mental healthcare service

Using stress checks

We use websites and other resources designed to help all employees (excluding employees on long-term leaves of absence from work such as those undergoing medical treatment or on childcare leave) to prevent mental disorders.

In the fiscal year ended December 2020, to further encourage active healthy living, we added items that measure presenteeism and absenteeism to the stress check and analyzed them. Moreover, as a follow-up measure for stress checks, we distributed the organizational analysis results sheet for individual business sites and organized stress check results feedback training for general managers to help raise their awareness about creating livelier workplaces. Apart from that, we also conducted online self-care training and line care training to match the issues faced by different departments. We follow up on training conducted by sharing the contents with the whole company through e-learning.

Results of mental disorder prevention measures

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Stress check response rate (%) | 88.2 | 92.1 | 91.6 | 93.3 | 96.4 |

Identification and measures for environmental risk

We recognize that changes in the environment, such as climate change or biodiversity, may have an impact on our business activities. We therefore collect relevant information, conduct analyses when necessary, and make use of the results in business risk assessments.

Depending on the degree of risk, each department decides on specific measures and assessment indicators for risks that arise in day-to-day operations and delivers a progress report every quarter to the Risk Management Committee, while for longer-term risks, countermeasures are formulated by the Sustainability Committee.

Moreover, risks with the potential to have a major impact on

operations are reported to the Board of Directors for discussion on countermeasures. In the fiscal year ended December 2020, the Sustainability Committee invited an outside instructor to lead a study group on the topic, “Forest policy and issues facing the world’s forests: Matters arising from climate change and COVID-19.” Speaking on expectations for private enterprises of the future, the instructor stressed the need for business stories tailored for post-corona societies that are also coping with climate change, as well as the importance of making changes and commitments aimed at fulfilling the SDGs.

Risks and strategies related to changes in climate and biodiversity

Risks related to natural disasters
Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases arising from interrupted operations at facilities or verification of safety in our housing sales, delays in the completion of construction contracts, or other events. A significant increase in costs caused by a natural disaster could influence the Group’s operating results and financial position.

Strategies
Sumitomo Forestry promotes sales of homes using its BF (Big-Frame) construction method, which offers high earthquake resistance, as well as disaster-resilient homes with functions that allow people to stay for a certain period of time even if lifeline services are disrupted. The Company is also creating services that offer rapid assistance in the event of a natural disaster by using IoT technology to remotely look for damage.

Risks related to changes in timber resources and procurement restrictions
Given that timber is our main material and the source of our products, depletion of timber resources or changes in vegetation as a result of climate change and the loss of biodiversity may mean that Sumitomo Forestry will incur costs and be forced to change suppliers if restrictions are put in place.

Strategies
Sumitomo Forestry imports timber from over 20 countries as a measure to mitigate the risk of changes in forest conditions and new regulations on timber procurement, and has dispatched employees to key countries in order to gather information and check the legality of timber procurement by headquarters staff.

Also, Sumitomo Forestry was the first company in Japan to be registered as a Type 1 Wood-Related Entity under the Clean Wood Act that came into effect in May 2017, and makes a concerted effort to procure legally harvested timber for the entire Group.

Risks related to mandatory emission reductions
As the movement to reduce greenhouse gas (GHG) emissions gains momentum globally, there is the possibility that reduction of GHG emissions will be imposed upon businesses in countries where the Sumitomo Forestry Group has a presence. If Group companies with bases in these countries are unable to meet reduction targets, they will be required to purchase carbon emission credits, a risk that will increase business costs. In Japan as well, introduction of a new carbon tax could influence business activities and costs.

Strategies
We have set greenhouse gas emission reduction targets for each Group company and business division, and work to reduce emissions in line with targets set each fiscal year.

Risk related to energy supply shortages
In countries such as New Zealand for example, which consumes electricity generated by hydropower plants, operations at our Group’s plants that use hydroelectric power could come to a halt if dam levels fall as a result of less rainfall and hydroelectric power transmission is suspended.

Strategies
We have set greenhouse gas emissions reduction targets for each Group company and business division, and work to reduce emissions in line with targets set each fiscal year. In addition to the actions, we have promoted reduction of electricity consumption.

Risks related to reputational damage
If Sumitomo Forestry makes mistakes when addressing risks, such as climate change and the preservation of biodiversity, the Company’s reputation may be damaged and earnings, such as sales, would be directly affected.

Strategies
The Risk Management Committee and the Sustainability Committee take a comprehensive approach to analyzing and responding to risks related to the environment, society and corporate governance from short-, medium- and long-term perspectives.

Addressing climate change

In December 2015, COP21 (2015 United Nations Climate Change Conference) negotiated and adopted the Paris Agreement, the new framework for addressing climate change starting in the year 2020. The global aim of the agreement, which entered into force in November 2016, is to maintain global average temperature levels that do not rise more than 2°C from what they were before the Industrial Revolution.

Energy conservation and reductions in greenhouse gas emissions in business activities

As the impact of climate change becomes more imminent globally, companies are required to reduce greenhouse gas emissions as a measure against global warming. The Sumitomo Forestry Group declared in June 2017 that it would set Science Based Targets (SBT) under the SBT initiative*1 and establish new greenhouse gas emission reduction targets for the entire Group. Subsequently, those targets were officially approved as SBT in July 2018. The SBT for the Sumitomo Forestry Group are as follows.

SBT (Science Based Targets)

① Scope 1 and 2*2: Total 21% reduction (Target year 2030; Base year 2017).

② Scope 3*2: Total 16% reduction in categories 1*3 and 11*3 (Target year 2030; Base year 2017)

*1 The SBT initiative was established in 2015 by four organizations (The United Nations Global Compact (UNGC), CDP, World Resources Institute (WRI), World Wide Fund for Nature (WWF)) for the purpose of promoting GHG emission reduction targets based on scientific data in order to keep global warming to below 2°C compared to pre-industrial levels. In Japan, the Ministry of the Environment encourages companies to adopt SBT in their initiatives.

*2 Scope 1: Direct GHG emissions of a company, including those from fuel consumption. For example, CO₂ emissions from using gasoline in company vehicles.
Scope 2: Indirect GHG emissions (including CH₄ and N₂O) from purchased electricity and heat. For example, CO₂ emissions from using electricity in office buildings.
Scope 3: GHG emissions occurring in the supply chain. For example, CO₂ emissions when sold products are used.

*3 Category 1 (in Scope 3): GHG emissions when harvesting, manufacturing, or transporting purchased (or acquired) goods and services.
Category 11 (in Scope 3): GHG emissions when using sold goods and services.

In October 2018, The Intergovernmental Panel on Climate Change (IPCC) which reports the latest in scientific knowledge on global warming published its Special Report on Global Warming of 1.5°C. This report showed just how large of a difference the impact on the global environment would be between keeping temperature increases below 2°C and below 1.5°C.

Following the awareness amplified by the Special Report on Global Warming of 1.5°C, the SBT initiative updated its target validation criteria in April 2019 to only accept targets along two different pathways, those that are consistent with limiting warming to “well below” 2°C, and those that limit warming to 1.5 °C above pre-industrial levels (applied starting in October 2019). The Sumitomo Forestry Group is currently coordinating internally to make further reductions to the greenhouse gas emissions from our business activities in line with this revision by the SBT initiative.

State of progress of SBT

| | Fiscal 2017 (reference year)*1,2 | Fiscal 2020*1 |
|----------------------------------------------------------------------------------------|----------------------------------|-----------------------------|
| Scope 1 and 2: Total 21% reduction (Target year 2030; Base year 2017) | 369,785 t-CO ₂ e | 370,526 t-CO ₂ e |
| Scope 3: Total 16% reduction in categories 1 and 11 (Target year 2030; Base year 2017) | 8,895 thousand | 8,311 thousand |

*1 The calculation period for emissions in fiscal 2017, was April 2017 to March 2018, and the calculation period for total emissions in fiscal 2020 was January to December 2020.

*2 Revised Scope 3 Category 1 calculation method since the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) went into effect starting in fiscal 2019

Participation in RE100, targeting 100% renewable energy

At the Sumitomo Forestry Group, we have positioned the “reduction of the environmental impact of our business activities” as a material issue, and endeavor to conserve energy and utilize renewable energy. As a part of these efforts, in March 2020,

Sumitomo Forestry joined RE100*, an international initiative that aims for 100% renewable energy for electricity used, and accelerated its efforts to reduce greenhouse gases.

* RE100 is an international initiative that collaborates with international environmental NGOs The Climate Group and CDP. As of February 2021, it had 290 member companies from around the world, including 50 Japanese firms.

By 2040, we aim to utilize 100% renewable energy for the electricity used for our Group business activities and for the fuel for our power generation operations.

State of Progress of RE100 Targets

Sumitomo Forestry Group's implementation of renewable energy includes solar power generation panels installed at our housing exhibition sites and generated power for our own use (including an adjacent wood fuel chip factory) from our biomass power generation sites. In the fiscal year ended December 2020, renewable energy accounted for about 17% of our total group electricity usage. Additionally, the percentage of biomass-derived fuel in the amount of fuel consumed by power generation businesses is 88%. To accelerate the implementation of renewable energy, we plan to have each business division set its own targets and tackle the issue as a company-wide initiative.

Approaches to the 100% Use of Renewable Energy

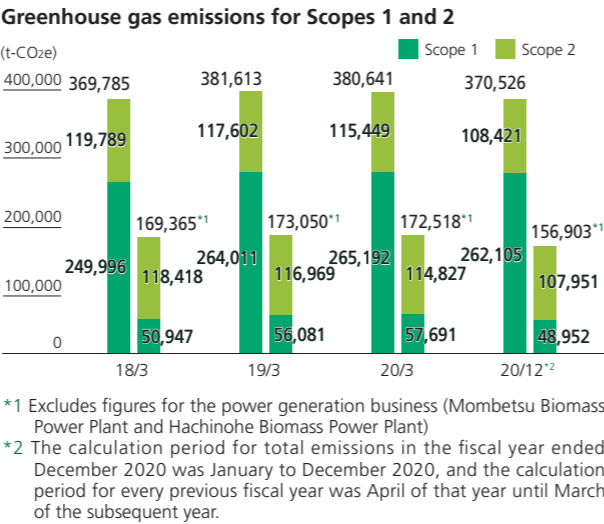
In order to derive 100% of the electric power used in our business activities from renewable energy, we are examining the use of “Sumirin Denki,” a service where we purchase surplus power as well as supply electricity generated from solar power systems of Sumitomo Forestry Home houses, and installing solar power generation systems in our plants inside and outside Japan. Furthermore, we will consider a diverse range of procurement methods that take advantage of programs in each country we operate.

Greenhouse gas emissions by Scope, based on the GHG Protocol

Since the fiscal year ended March 2013, we have obtained quantitative data for each scope that conforms to the GHG Protocol, the widely used global greenhouse gas measurement standard. In light of increasing demand for renewable energy in recent years, the Group made entry into the biomass power generation business in 2011 and has invested in six of these power plants as of the fiscal year ended December 2020. Mombetsu Biomass Power Plant which is a consolidated subsidiary uses coal as a supplementary fuel to ensure smooth operation and maintenance.

For that reason, Scope 1 and Scope 2 emissions have increased significantly since the fiscal year ended March 2017 in which the Mombetsu Biomass Power Plant went into operation. Due mainly to revised methods for estimating emissions resulting in a decrease in emissions (8,879 t-CO₂) at overseas subsidiaries in the Overseas Housing and Real Estate Business, and decreased production at overseas manufacturing plants due to the COVID-19 pandemic, Scope 1 and Scope 2 emissions in January through December 2020 decreased 2.7% compared to the fiscal year ended March 2020. Of the total for Scope 1 and 2 greenhouse gas emissions recognized under the GHG Protocol, overseas plants emitted 27.7%, while domestic plants and the power generation business accounted for 60.1%. We started measuring Scope 3 emissions in


the fiscal year ended March 2014 and significantly broadened the scope of our measurements in the fiscal years ended March 2016 and March 2018.



Response to TCFD

The Sumitomo Forestry Group understands that climate change poses great risks. We announced our support for the TCFD* in July 2018. In the same year, we began to analyze scenarios based on TCFD guidelines. The Group envisioned conditions in the Company's core Timber and Building Materials Business and Housing and

Construction Business in 2030 according to two scenarios. In one scenario, the average global temperature would be 2°C higher than prior to the industrial revolution; the alternative scenario analysis entailed a 4°C increase. The results of these analyses were reported to the Sustainability Committee and Board of Directors.



* Task Force on Climate-related Financial Disclosures (TCFD): The Financial Stability Board directed the creation of a task force for disclosing financial information related to climate in December 2015, which led to a framework for companies to voluntarily disclose information on climate-related risks and opportunities.

Climate change initiatives

Governance

- Chaired by the President and Executive Officer, the Sustainability Committee meets four times a year. The committee works to promote integration of businesses and ESG initiatives and all discussions are reported to the Board of Directors.
- The committee addresses medium- to long-term ESG issues including analysis of climate change-related risks and opportunities.

Strategies

Scenario analysis

Risks, opportunities and strategies related to climate change and biodiversity (examples based on opportunities)

- Expand sales of homes in tune with government's net zero energy house promotion
- Expand the need for renewable energy

Improve strategic resilience to be prepared for uncertain future conditions

Risk management system


Based on experts' reports and analysis from business divisions, climate change-related risks are discussed by the Sustainability Committee. Medium- to long-term risks and, opportunities and countermeasures are evaluated

Report and submit to the Board of Directors

Reflect in business execution

* The Risk Management Committee discusses and responds to short-term risks and risks that have become apparent.

KPIs and targets



▶ Please see page 70 for SBT initiatives targeting 2030.