

PART 2 ESG management as a foundation for growth

The board of directors



(Back row)

Ikuro Takahashi
Director

Tatsumi Kawata
Director

Mitsue Kurihara
Outside Director

Junko Hirakawa
Outside Director

Izumi Yamashita
Outside Director

Tatsuru Satoh
Representative Director

Atsushi Kawamura
Director

(Front row)

Akira Ichikawa
Representative Director,
Chairman of the Board

Toshiro Mitsuyoshi
Representative Director,
President

The Sumitomo Forestry Group seeks to ensure management transparency as well as the appropriateness and legality of its business and strives to promote expeditious decision-making and business execution based on its corporate philosophy. Through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to the expectations of the various stakeholders of the

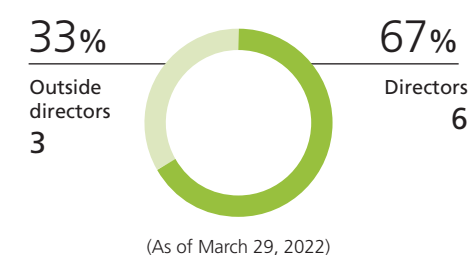
Sumitomo Forestry Group by enhancing and strengthening corporate governance.

Furthermore, we adjusted the ratio of outside directors on the Board of Directors to one-third, and we will carry out a self-analysis and self-evaluation of the effectiveness of the Board of Directors on a regular basis and strive continuously to resolve any recognized issues in order to further improve effectiveness.

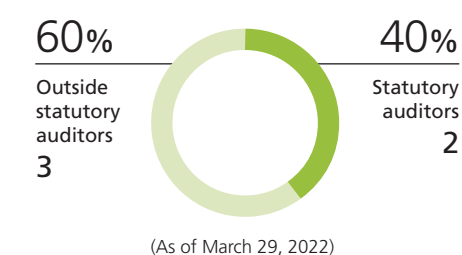
Outline of the corporate governance system

Organizational structure	Company with a board of statutory auditors
Number of independent officers	6
Number of board of directors ameetings (fiscal year ended December 2021)	16 times
Adoption of the executive officer system	Yes
Nomination and remuneration advisory committee	Yes
Accounting auditor	Ernst & Young ShinNihon LLC
Sumitomo Forestry basic policy on corporate governance	https://sfc.jp/english/ir/management/pdf/CorporateGovernance.pdf

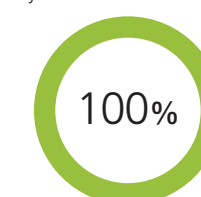
Number of directors and composition ratio



Number of statutory auditors and composition ratio



Outside directors' board of directors meeting attendance rate (Fiscal year ended December 2021)



Introducing the Board of Directors and Statutory Auditors (As of March 29, 2022)

Director * is an independent officer. “Attendance” is the number of Board of Directors meetings attended in the fiscal year ended December 2021. “Company shares held” is current as of December 31, 2021.



Akira Ichikawa
Representative Director, Chairman of the Board (Born Nov. 12, 1954)

Career history
Apr. 1978 - Joined the Company
Jun. 2007 - Executive Officer
Jun. 2008 - Director
Managing Executive Officer
Apr. 2010 - Representative Director (current position)
President/Director
President and Executive Officer
Apr. 2020 - Chairman of the Board (current position)

[Important concurrent jobs] Outside director at KONICA MINOLTA, INC .

Attendance: 16/16 Company shares held: 77,000

Reason for appointment
Akira Ichikawa has abundant experience and achievements related to the Sumitomo Forestry Group's business, serving as President and Director as well as Chairman of the Board.



Ikuro Takahashi
Director (Born Oct. 4, 1959)

Career history
Apr. 1984 - Joined the Company
Dec. 2013 - Deputy Divisional Manager of Housing Division
Apr. 2016 - Director and Managing Executive Officer of Sumitomo Forestry Home Tech Co., Ltd.
Oct. 2017 - Deputy Divisional Manager of Housing Division
Jun. 2018 - Executive Officer and Deputy Divisional Manager of Housing and Construction Division
Apr. 2020 - Managing Executive Officer (current position), Divisional Manager of Housing and Construction Division (current position)
March 2022 – Director (current position)

Attendance: - Company shares held: 12,000

Reason for appointment
Ikuro Takahashi has abundant experience related to the Sumitomo Forestry Group's business, having served as the General Manager of the Engineering Department of the Housing Division and Deputy Divisional Manager in the same division. He was appointed an Executive Officer in 2018 and currently serves as Managing Executive Officer and Divisional Manager of the Housing and Construction Division.



Toshiro Mitsuyoshi
Representative Director, President (Born May 23, 1962)

Career history
Apr. 1985 - Joined the Company
Jun. 2010 - Executive Officer
Apr. 2011 - Managing Executive Officer
June2014 - Director
Apr. 2018 - Senior Managing Executive Officer
Apr. 2020 - Representative Director (current position)
President/Director (current position)
President and Executive Officer (current position)

Attendance: 16/16 Company shares held: 20,000

Reason for appointment
Toshiro Mitsuyoshi has abundant knowledge and management experience related to the Sumitomo Forestry Group's business. He was appointed to a leading management position of the Group as President and Director in April 2020.



Junko Hirakawa*
Outside Director (Born Oct. 9, 1947)

Career history
Apr. 1973 - Registered as Attorney at Law admitted in Japan
Feb. 1979 - Registered as Attorney at Law admitted in the State of New York, U.S.A.
Oct. 1983 - Partner of Yuasa and Hara
Jul. 1997 - Established Hirakawa, Sato & Kobayashi (currently City-Yuwa Partners)
Partner of Hirakawa, Sato & Kobayashi
Feb. 2003 - Partner of City-Yuwa Partners (current position)
Jun. 2012 - Outside Statutory Auditor of the Company
Jun. 2014 - Outside Director of the Company (current position)

Attendance: 16/16 Company shares held: 0

Reason for appointment and overview of expected role
As an attorney, she has practical knowledge of corporate law in Japan and abroad, and has been judged to be playing an appropriate role in strengthening the Company's corporate governance based on her experience and insight. The Company expects her to contribute to strengthening the supervisory functions of management by making recommendations to management from an expert's viewpoint.

[Important concurrent jobs] Lawyer / Outside Director of Tokyo Financial Exchange Inc.



Tatsuru Satoh
Representative Director (Born Dec. 14, 1955)

Career history
Apr. 1978 - Joined the Company
Jun. 2012 - Executive Officer
Apr. 2013 - Managing Executive Officer
Jun. 2013 - Director
Apr. 2016 - Senior Managing Executive Officer
Apr. 2018 - Representative Director (current position)
Executive Vice President and Executive Officer (current position)

[Important concurrent jobs] Statutory Auditor at Kumagai Gumi Co., Ltd.

Attendance: 16/16 Company shares held: 38,000

Reason for appointment
Tatsuru Satoh has abundant experience and achievements related to the Sumitomo Forestry Group's business and management. He was appointed as Director in 2013, serving as an Executive Officer who oversees General Administration, Personnel, and other departments. He currently serves as Executive Vice President and Executive Officer.



Izumi Yamashita*
Outside Director (Born Feb. 1, 1948)

Career history
Jul. 1971 - Joined the Bank of Japan
Apr. 1998 - Director-General of Financial Markets Department, Bank of Japan
Mar. 2002 - General Manager of Financial Marketing Division, Accenture Japan Ltd.
Apr. 2003 - Executive Director of Japan Post
Apr. 2005 - Deputy Governor of Japan Post
Oct. 2007 - President, CEO, Representative Executive Officer of JAPAN POST INSURANCE Co., Ltd.
Jun. 2012 - Chairman, Representative Executive Officer of JAPAN POST INSURANCE Co., Ltd.
Jun. 2013 - Resigned as Chairman, Representative Executive Officer of JAPAN POST INSURANCE Co., Ltd.
Jun. 2016 - Outside Director of the Company (current position)

Attendance: 16/16 Company shares held: 0

Reason for appointment and overview of expected role
Izumi Yamashita has abundant experience in the finance industry and deep insight as a corporate manager, based on which he has been judged to play an appropriate role in strengthening the Company's corporate governance. The Company expects him to contribute to strengthening the supervisory functions of management by using his experience and insight to make recommendations to management.

[Important concurrent jobs] Outside Director of AEON Bank, Ltd.



Tatsumi Kawata
Director (Born Oct. 4, 1962)

Career history
Apr. 1986 - Joined the Company
Jun. 2016 - Executive Officer
General Manager of Corporate Planning Department
Apr. 2017 - Managing Executive Officer, General Manager of Corporate Planning Department
Apr. 2018 - Managing Executive Officer
June2018 - Director (current position)
Jan. 2022 - Senior Managing Executive Officer (current position)

Attendance: 16/16 Company shares held: 12,000

Reason for appointment
Tatsumi Kawata has abundant experience related to the Sumitomo Forestry Group's business. After successively serving as the General Manager of the Personnel Department, General Manager of the Corporate Planning Department and other roles, he was appointed as Director in June 2018. He currently serves as Senior Managing Executive Officer.



Atsushi Kawamura
Director (Born Feb. 24, 1965)

Career history
Apr. 1987 - Joined the Company
Jun. 2016 - Executive Officer
Deputy Divisional Manager of Overseas Business Division
Apr. 2017 - Managing Executive Officer (current position)
Apr. 2018 - Deputy Divisional Manager of Overseas Housing and Real Estate Division
Apr. 2020 - Divisional Manager of Overseas Housing and Real Estate Division (current position)
June2020 - Director (current position)

Attendance: 16/16 Company shares held: 17,000

Reason for appointment
Atsushi Kawamura has abundant experience related to the Sumitomo Forestry Group's business. After serving as Divisional Manager of the Overseas Housing and Real Estate Department and Deputy Divisional Manager of the Overseas Business Division, he was appointed Director in 2020. He currently serves as Managing Executive Officer and Divisional Manager of the Overseas Housing and Real Estate Division.



Mitsue Kurihara*
Outside Director (Born Apr. 7, 1964)

Career history
Apr. 1987 - Joined the Japan Development Bank (now Development Bank of Japan Inc.)
Jun. 2008 - Visiting fellow at the Freeman Spogli Institute for International Studies, Stanford University, U.S.A.
Jun. 2010 - Assistant Director of Finance, Development Bank of Japan Inc.
May 2011 - Section chief in Corporate Finance 4th Medical & Lifestyle Office, Development Bank of Japan Inc.
Apr. 2013 - 6th Divisional Manager of Corporate Finance, Development Bank of Japan Inc.
Feb. 2015 - Full-time Statutory Auditor, Development Bank of Japan Inc.
Jun. 2020 - Chairman and Representative Director, Value Management Institute, Inc. (current position)
Mar. 2021 - Outside Director of the Company (current position)

Attendance: 13/13 (after assuming office in March 2021)
Company shares held: 0

Reason for appointment and overview of expected role
Mitsue Kurihara is playing an appropriate role in strengthening the Company's corporate governance based on her deep insight and abundant experience in the field of finance. Based on this experience and insight, the Company expects her to help strengthen the supervisory functions of management by making recommendations to management from an expert point of view.

[Important concurrent jobs] Chairman and Representative Director of Value Management Institute, Inc., Outside Director of Chubu Electric Power Co., Inc., Outside Director of Japan Finance Corporation

Introducing the Board of Directors and Statutory Auditors (As of March 29, 2022)

Statutory Auditors * is an independent officer. "Attendance" is the number of Board of Directors meetings (left), and Board of Statutory Auditors meetings (right) attended in the fiscal year ended December 2021.

Akihisa Fukuda Senior Statutory Auditor (full-time) (Born Apr. 16, 1957) Career history Apr. 1981 - Joined the Company Jun. 2010 - Executive Officer Apr. 2011 - Managing Executive Officer June 2014 - Director Oct. 2015 - Divisional Manager of Timber and Building Materials Division Apr. 2020 - Executive Officer Jun. 2020 - Senior Statutory Auditor (current position)	Attendance: 16/16, 14/14 Reason for appointment Akihisa Fukuda has abundant experience related to the Sumitomo Forestry Group's business, having served as Director, as an Executive Officer who oversees Corporate Planning, Finance and Information Systems, and as Divisional Manager of Timber and Building Materials Division among other positions.
--	--

Noriaki Toi Statutory Auditor (full-time) (Born Feb. 22, 1956) Career history Apr. 1979 - Joined the Company Jun. 2009 - General Manager of Internal Audit Department Apr. 2015 - Executive Officer in charge of internal audits Jun. 2015 - Statutory Auditor (current position)	Attendance: 16/16, 14/14 Reason for appointment Noriaki Toi has served as a statutory auditor since 2015 and has a wealth of experience in financial and accounting matters.
---	---

Yoshitsugu Minagawa* Outside Statutory Auditor (Born Apr. 27, 1954) Career history Apr. 1978 - Joined Ministry of Agriculture and Forestry (currently Ministry of Agriculture, Forestry and Fisheries) Jul. 2010 - Director-General of Forestry Agency, Ministry of Agriculture, Forestry and Fisheries Sep. 2012 - Vice-Minister, Ministry of Agriculture, Forestry and Fisheries Aug. 2015 - Adviser, Ministry of Agriculture, Forestry and Fisheries Mar. 2016 - Resigned as Adviser to Ministry of Agriculture, Forestry and Fisheries Jun. 2016 - Outside Statutory Auditor of the Company (current position)	Attendance: 15/16, 13/14 Reason for appointment Yoshitsugu Minagawa has abundant experience and deep insight in the agricultural, forestry and fishing sectors, and the Company believes that he is utilizing these assets in his auditing duties.
--	---

Yoshimasa Tetsu* Outside Statutory Auditor (Born Dec. 23, 1948) Career history Nov. 1976 - Joined Dailichi Audit Corporation (currently Ernst & Young ShinNihon LLC) Aug. 1981 - Registered as a Certified Public Accountant May 1987 - Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC) Aug. 1997 - Representative partner of Century Audit Corporation (currently Ernst & Young ShinNihon LLC) Jun. 2011 - Resigned from ShinNihon LLC (currently Ernst & Young ShinNihon LLC) Jun. 2018 - Outside Statutory Auditor of the Company (current position)	Attendance: 16/16, 14/14 Reason for appointment As a certified public accountant, Yoshimasa Tetsu has a high level of specialized knowledge and a wealth of experience in financial and accounting matters, which we have determined is being utilized in the Company's audit operations.
--	--

Makoto Matsuo* Outside Statutory Auditor (Born May 28, 1949) Career history Apr. 1975 - Registered as Attorney at Law admitted in Japan Mar. 1979 - Registered as Attorney at Law admitted in the State of New York, U.S.A. Sep. 1980 - Partner of Ozaki & Momo-o Apr. 1989 - Established Momo-o, Matsuo & Namba Partner of Momo-o, Matsuo & Namba (current position) Jun. 2018 - Outside Statutory Auditor of the Company (current position)	Attendance: 16/16, 14/14 Reason for appointment As a lawyer with extensive experience in corporate legal affairs both in Japan and abroad, he is expected to appropriately execute the Company's audit operations with his specialized perspective.
---	--

Executive Officers * Doubles as Director and Executive Officer

Position	Name	Responsibility
President	Toshiro Mitsuyoshi*	
Executive Vice Presidents	Tatsuru Satoh*	Administering Lifestyle Services Division, in charge of General Administration, Secretary, External Relations, Personnel, IT Solutions, Intellectual Property and Internal Audit
Managing Executive Officers	Tatsumi Kawata*	Administering Environment and Resources Division, in charge of Corporate Planning, Finance, Corporate Communications and Sustainability
Managing Executive Officers	Atsushi Kawamura*	Administering Timber and Building Materials Division, in charge of the Tsukuba Research Institute, Divisional Manager of Overseas Housing and Real Estate Division
	Ikuro Takahashi*	Divisional Manager of Housing and Construction Division
	Kanpei Tokunaga	President and Director of Sumitomo Forestry Home Engineering Co., Ltd.
	Takahisa Higaki	Deputy Divisional Manager of Housing and Construction Division (Oversees Customer Relations Department and Production Process Innovation Department, Construction Materials Development Department)
	Kunihiko Takagiri	Divisional Manager of Lifestyle Service Division
	Koji Tanaka	Divisional Manager of Timber and Building Materials Division
	Masanobu Nishikawa	Divisional Manager of Environment and Resources Division

Position	Name	Responsibility
Executive Officers	Junko Saishu	In charge of Empowerment of Woman and Diversity, General Manager of Intellectual Property Department
	Kazutaka Horita	President and Director of Sumitomo Forestry Crest Co., Ltd.
	Yoichi Hosoya	Deputy Divisional Manager of Timber and Building Materials Division (Oversees new business)
	Yutaka Kamiya	President and Director of Sumitomo Forestry Landscaping Co., Ltd.
	Atsushi Iwasaki	Deputy Divisional Manager of Overseas Housing and Real Estate Division (In charge of North American Business) and Sumitomo Forestry America, Inc. (President and General Manager of Housing Department)
	Takumi Shimahara	President and Director of Sumitomo Forestry Home Tech Co., Ltd.
	Tomio Tozaki	General Manager of IT Solutions Department
	Nobuyuki Otani	General Manager of Corporate Planning Department and Productivity Enhancement Department
	Yuko Iizuka	General Manager of Sustainability Department
	Kenji Inui	Deputy Divisional Manager of Overseas Housing and Real Estate Division (Oversees Design and Construction Department), General Manager of Asia and Oceania Business Department

Experience and expertise of directors and statutory auditors

The table below shows the expertise and experience expected of directors and auditors in particular.

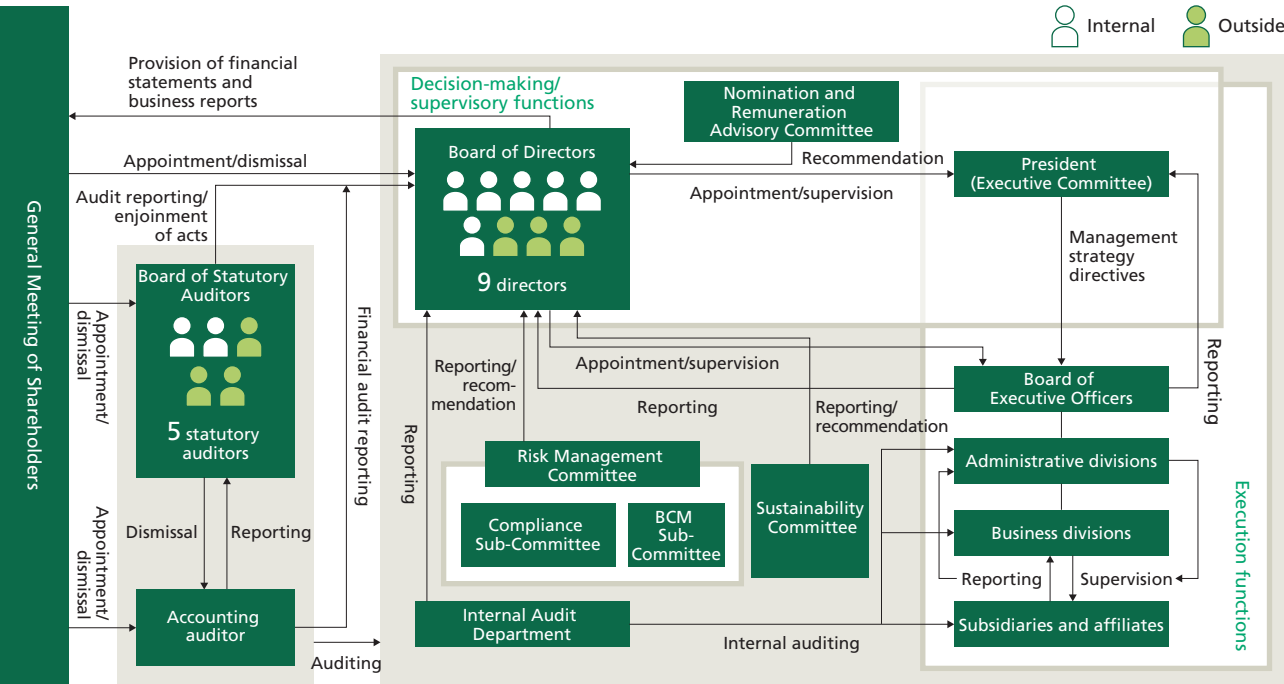
	Name	Title	Expertise and experience							
			Corporate management	ESG, sustainability	Global	Real estate development, construction	Finance, accounting	Law, risk management, internal auditing	IT, DX	Industrial policy
Directors	Akira Ichikawa	Representative Director, Chairman of the Board	●	●	●		●	●	●	●
	Toshiro Mitsuyoshi	Representative Director, President, and Executive Officer	●	●	●	●				
	Tatsuru Satoh	Representative Director, Executive Vice President	●	●			●	●	●	
	Tatsumi Kawata	Representative Director, Executive Vice President	●	●	●		●			
	Atsushi Kawamura	Director, Managing Executive Officer	●	●	●	●				
	Ikuro Takahashi	Director, Managing Executive Officer		●		●				
	Junko Hirakawa	Outside Director		●	●			●		
	Izumi Yamashita	Outside Director	●	●	●		●		●	●
Statutory Auditors	Mitsue Kurihara	Outside Director	●	●	●		●			●
	Akihisa Fukuda	Senior Statutory Auditor	●	●	●	●	●		●	
	Noriaki Toi	Statutory Auditor		●	●			●		
	Yoshitsugu Minagawa	Outside Statutory Auditor		●						●
	Yoshimasa Tetsu	Outside Statutory Auditor		●			●			
	Makoto Matsuo	Outside Statutory Auditor		●	●			●		

Corporate governance system

The Company has adopted the structure of a company with a board of statutory auditors and has a Board of Directors comprising 9 directors (7 male and 2 female), including 3 Outside Directors (1 male and 2 female), and a Board of Statutory Auditors comprising 5

statutory auditors (5 male), including 3 Outside Statutory Auditors (3 male). Under this organizational structure, we have introduced an executive officer system to separate decision-making and supervisory functions from execution functions.

Corporate governance system



Reforms to corporate governance (from 2014)

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Corporate Philosophy				• Added a Code of Conduct	• Revised current corporate policies				
Director	• Appointed a woman as a director • Total set at 12 or fewer people (Articles of Incorporation)							• Increased the number of female directors to 2	
Outside Director	• 1 person appointed		• Increased to 2 people					• Increased to 3 people, making outside directors comprise 1/3 of the Board of Directors	
Executive remuneration/personnel		• Established Nomination and Remuneration Advisory Committee • Introduced stock-based compensation stock option system			• Changed stock option to a remuneration plan for shares with restriction on transfer		• Terms of directors shortened to 1 year		
Various committees					• Established Sustainability Committee				• Revised executive remuneration system

Board of Directors and Executive Committee

The Board of Directors usually meets once a month, making decisions on important issues, checking up on performance and other matters, and carrying out its supervisory functions. Prior to the Board of Directors meetings, the Executive Committee, an advisory body for the president, generally holds a meeting twice a month to ensure that important issues have been sufficiently discussed in advance. Executive Committee meetings are attended by those directors who also serve as executive officers, as well as the full-time statutory auditors.

The Board of Directors met 16 times and the Executive Committee met 26 times in the fiscal year ended December 2021. Directors and statutory auditors strive to maintain a Board of Directors meeting attendance rate of at least 75%.

Statutory Audit System

Each statutory auditor audits the directors' execution of duties utilizing the deep insights and diverse perspectives they have acquired from their various backgrounds.

As assistants to the statutory auditors, ten auditing inspectors, who double as senior managers of major departments, are assigned particularly to enhance the function of audits from a practical perspective. Under this system, the statutory auditors attend important meetings such as Board of Directors and Executive Committee meetings, and are able to obtain accurate information regarding the managerial decision-making process at appropriate times. To enhance the effectiveness of audits, the statutory auditors strive to cooperate with the accounting auditor as well as the Internal Audit Department. They also receive reports regularly from the divisions responsible for risk management and compliance, accounting and labor, and monitor and verify that internal controls are functioning effectively.

The statutory auditors are also provided with opportunities to express their opinions regarding the directors' execution of operations whenever needed. In addition, the Group Board of Statutory Auditors, attended by the Company's full-time statutory auditors and the statutory auditors of major subsidiaries, meets regularly in an effort to strengthen the monitoring functions regarding the status of execution of Group management. Furthermore, in line with the monthly Board of Statutory Auditors meeting, opportunities are provided for the assigned executive officers to explain matters discussed at the Executive Committee meeting so that all statutory auditors and outside directors can understand important matters in detail. The statutory auditors and representative directors also exchange opinions regularly.

This system ensures that the statutory auditors can provide adequate monitoring functions of the directors' execution of operations from the perspective of shareholders. The Board of Statutory Auditors met 14 times and the Group Board of Statutory Auditors met 5 times in the fiscal year ended December 2021.

Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors to ensure transparency and fairness, and solicit opinions, in the nomination of director and statutory auditor candidates and executive officers; the removal of directors, statutory auditors and executive officers; the evaluation of the Chief Executive Officer and other executive officers; and decisions about remuneration for directors and executive officers. The committee is comprised of the Chairman of the Board, the President, and all of the outside executives (3 outside directors and 3 outside statutory auditors) so that the majority of members are outside executives. An outside director serves as the committee chair.

Nomination and Remuneration Advisory Committee members

	Position ^{*1}	Name	Nomination and Remuneration Advisory Committee ^{*2}	
			Number of meetings attended (times)	Attendance rate (%)
Committee Chairperson	Director (Outside)	Junko Hirakawa	2	100
	Director (Outside)	Izumi Yamashita	2	100
	Director (Outside)	Mitsue Kurihara	1 ^{*3}	100 ^{*3}
Committee members	Statutory Auditor (Outside)	Yoshitsugu Minagawa	2	100
	Statutory Auditor (Outside)	Yoshimasa Tetsu	2	100
	Statutory Auditor (Outside)	Makoto Matsuo	2	100
	Representative Director, Chairman of the Board	Akira Ichikawa	2	100
	Representative Director, President	Toshiro Mitsuyoshi	2	100

^{*1} Positions are current as of March 29, 2022.
^{*2} The number of Nomination and Remuneration Advisory Committee meetings attended and the attendance rate for FY 2021 is listed.
^{*3} The person's status is listed since becoming a director on March 30, 2021.

Analysis/evaluation and its results on the effectiveness of the Board of Directors

The Company carries out regular self-analysis and self-evaluation of the effectiveness of the Board of Directors. We strive to further enhance the effectiveness of the Board of Directors by making continuous efforts to improve any issues identified.

Main Issues in the Effectiveness Evaluation performed in the fiscal year ended December 2020

- Strengthening collaboration between the Internal Audit Department and outside executives
- Improving materials of the Board of Directors meeting
- Establishing rules for the reappointment of outside directors

Effectiveness Evaluation and its Results for the fiscal year ended December 2021

Evaluation method

- Questionnaire for all directors and statutory auditors (response method: anonymous format, answers were sent directly to an external party to protect anonymity) and external party assessment of questionnaire results
- Confirmation by the Board of Directors as to the status of implementation of the role of the Board of Directors as designated by the Sumitomo Forestry Basic Policy on Corporate Governance.
- Exchanging opinions with directors and statutory auditors

Results of evaluation

- The Company's Board of Directors was found to be functioning effectively.

<Efforts to address matters recognized as issues during the evaluation for the fiscal year ended December 2020>

- Established a reporting line for the Internal Audit Department to report directly to the Board of Directors on issues pertaining to internal audits and held discussion sessions between the Internal Audit Department and outside officers to strengthen cooperation between the two parties
- Established criteria for the reappointment of outside executives

<Future issues>

- Optimize the management of the Board of Directors by means such as further improving materials of the Board of Directors meeting
- Regular monitoring of progress on the medium-term management plan by the Board of Directors

Executive remuneration

Along with formulating Sumitomo Forestry Group's "Mission TREEING 2030" long-term vision and a new three-year medium-term management plan that started from January 2022, "Mission TREEING 2030 Phase 1," we also revised the executive remuneration system at the Board of Directors' meeting held on February 14, 2022 with the aim of establishing an executive remuneration system that could further heighten the motivation of every executive to achieve the medium-term management plan.

From the perspective of ensuring objectivity and appropriateness of the executive remuneration, the level of remuneration for directors of the Company will be set with

reference to the levels of other companies as surveyed by outside professional organizations, with the aim of achieving the mid-to-high level of remuneration in companies of similar size. The Company will revise the remuneration levels as necessary in response to changes in the external environment.

Remuneration for directors (excluding outside directors) and executive officers

Remuneration for directors, excluding outside directors, is comprised of basic remuneration and performance-based remuneration. Basic remuneration comprises monthly remuneration

and remuneration paid as restricted stocks (referred to below as "restricted stocks").

The remuneration for directors and executive officers of the Company, excluding outside directors, comprises fixed remuneration commensurate with the director's responsibilities and roles, an annual performance-based bonus as a short-term incentive, and performance-based restricted stock remuneration as a medium- to long-term incentive.

The Company will determine the amount of fixed remuneration for each position of directors and executive officers in accordance with their responsibilities and roles and pay the fixed remuneration as a monthly remuneration. The amount of the annual performance-based bonus will be determined through comprehensive judgment based on the amount obtained by multiplying the standard bonus amount determined for each position by the payment rate which varies in proportion to the base

profit for each business year.

The performance-based restricted stock remuneration is structured to reflect the Company's performance during each period of the medium-term management plan in the level of vesting. The standard stock remuneration amount prescribed for each position consists of 'a portion linked to the growth rate of the Company's market capitalization relative to TOPIX (two-thirds of the Standard Stock Remuneration Amount by Position)', and 'a portion linked to the achievement rate of the greenhouse gas emission reduction target based on SBTs (Science Based Targets) (one-third of the Standard Stock Remuneration Amount by Position)', each during the subject period.

Outside director remuneration

The amount of remuneration for outside directors, consisting only of monthly remuneration as fixed remuneration, will be determined in accordance with their responsibilities and roles.

Statutory auditor remuneration

Statutory auditor remuneration consists solely of monthly remuneration as basic remuneration. A resolution was approved by the 74th Ordinary General Meeting of Shareholders on June 20, 2014, that limits this monthly remuneration to no more than ¥8 million per month.

At the 65th Ordinary General Meeting of Shareholders held on June 29, 2005, the Company abolished the executive retirement bonus system. We reference the results of a third-party assessment of executive remuneration at Japanese companies to ensure the objectivity and fairness of executive remuneration including for outside executives and set an appropriate level of remuneration.

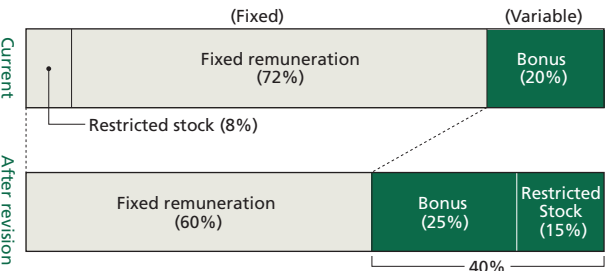
Remuneration (fiscal year ended December 2021)

* Excluding outside directors and outside statutory auditors (¥ million)

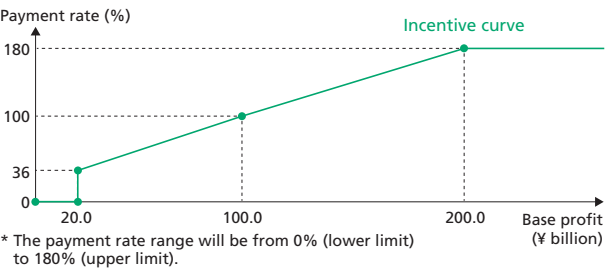
Category	Total remuneration	Basic remuneration			Number of eligible executives
		Monthly remuneration	Non-monetary remuneration (restricted stock)	Performance-linked remuneration (bonuses)	
Directors*	463	267	31	165	6
Statutory auditors*	48	48	—	—	2
Outside directors	35	35	—	—	3
Outside statutory auditors	30	30	—	—	3

* The total remuneration for directors does not include compensation as an employee or a compensation for the execution of other duties.
* The total amount of performance-based bonus resolved for directors at the 82nd Ordinary General Meeting of Shareholders held on March 29, 2022 was ¥165 million.
* The total amount of non-monetary remuneration represents a cost of ¥31 million paid to six directors excluding outside directors in the form of restricted stock.

Remuneration composition ratio of directors at the time of standard remuneration payment (image)



Formula for calculating annual performance-based bonus



Strategically held shares

Article 5 of the Sumitomo Forestry Basic Policy on Corporate Governance states the following concerning strategically-held shares:

- 1. The Company may acquire and hold shares in its business partners and counterparties when the Company determines that such shareholdings will contribute to mid- to long-term enhancement of the Company’s corporate value from the perspective of, among others, maintenance and reinforcement of long-term and stable business relationships with those partners and counterparties as well as expansion of the Company’s business as a result of such closer ties with those parties.
- 2. At meetings of the Board of Directors, the Company will regularly examine whether the holdings of the shares under the preceding paragraph (the “strategically held shares”) lead to the improvement of its corporate value through analyzing the relationship between the profits/risks associated with such holdings and the cost of capital, and will verify the purpose and rationale of such holdings. When

the Company judges that the rationale and necessity of such holdings cannot be confirmed, it will reduce the number of such strategically held shares.

3. The Company will appropriately exercise its voting rights pertaining to the strategically held shares in accordance with its voting criteria and based on its comprehensive judgment from the perspective of the improvement of its corporate value.

In addition, to verify the rationality and necessity of cross shareholdings, the Board of Directors compares the returns of each of the strategically held shares to the hurdle rates set by the Company and also confirmed whether the holdings of such shares led to higher corporate value by verifying the status of transactions with the companies of the strategically held shares.

If a business partner or counterparty of the strategically held shares company suffers a long-term slump in business performance or seriously violates laws or causes scandal, the Company will judge how to exercise its voting rights pertaining to the strategically held shares by gathering information through dialogue with such counterparties.

Risk management

Establishment of internal controls system
The Company has enacted a basic policy on the establishment of an internal controls system at the Board of Directors meeting and has instituted Our Values to embody our corporate philosophy as well as the Code of Conduct that all officers and employees of the Group should follow. The Company has also established a system to secure the soundness of our business in accordance with the Companies Act.

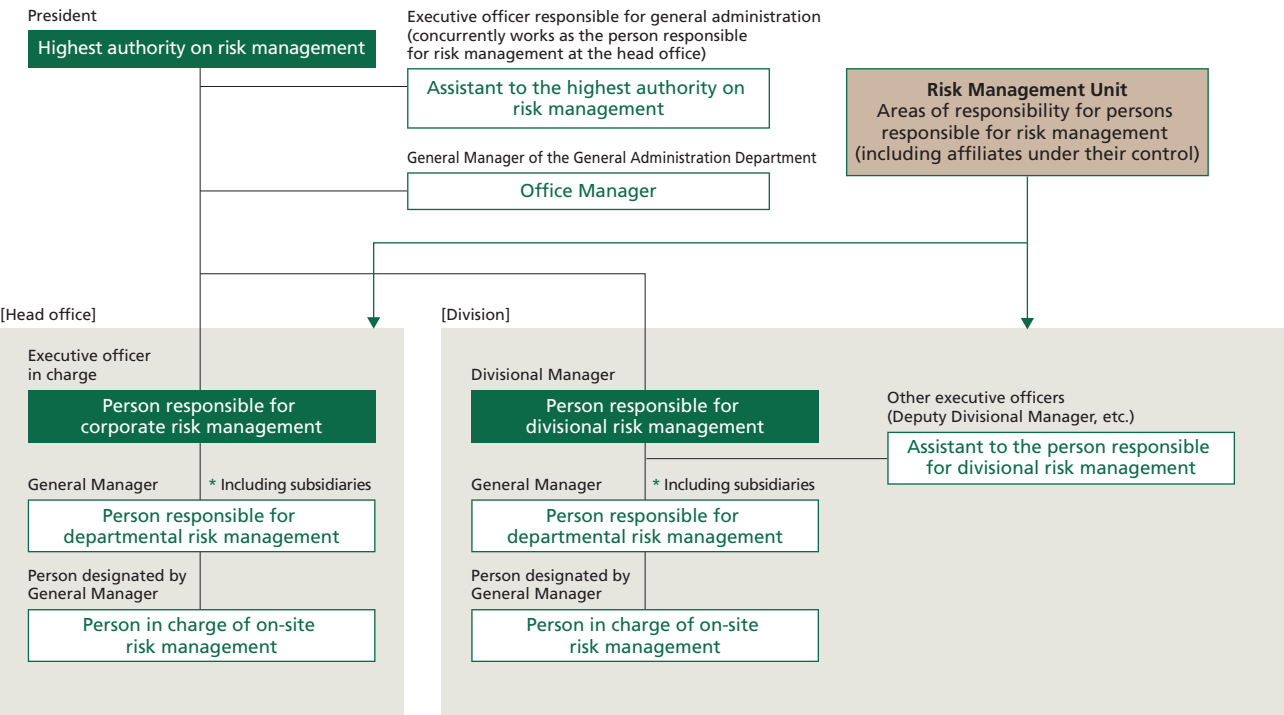
Risk management system
To strengthen the risk management system for the entire Group, the Company has laid down the Risk Management Basic Regulations. In accordance with the Regulations, the President has been appointed as the highest authority on risk management for the Sumitomo Forestry Group. Each executive officer in charge of a head office department or business division is appointed to the position responsible for risk management in the area of their own responsibility. Additionally each general manager is responsible for risk management in the department under their jurisdiction. The

regulation also comprehensively deals with risks from the aspect of ESG.

According to the Regulations, the Risk Management Committee, which is comprised of all executive officers, must meet once every quarter. The Committee identifies the risks the Company should be aware of, analyzes them, shares and discusses countermeasures, and assesses the status of execution. Under the umbrella of the Risk Management Committee, the Company has the Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee, which improve the effectiveness of risk management pertaining to Group-wide compliance risks and business interruption risks.

These activities are reported to the Board of Directors, and the findings are reflected in the execution of business, such as by the performance of management reviews. In the fiscal year ended December 2021, the Risk Management Committee convened four times, the Compliance Subcommittee twice, and the BCM Subcommittee twice, and the Board of Directors received reports from them four times.

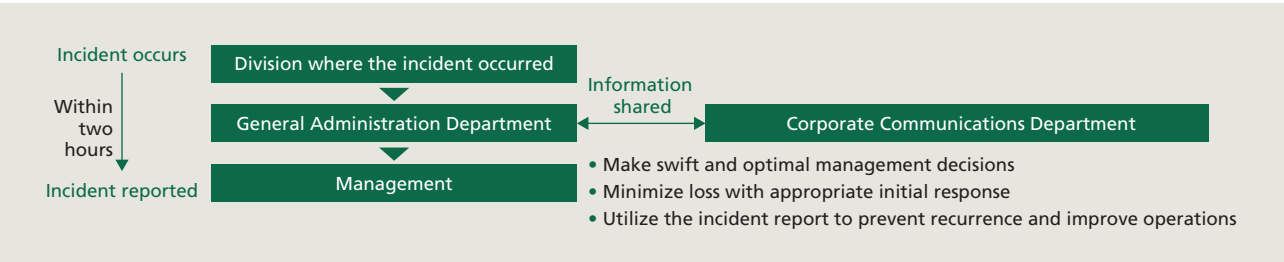
Risk management structure of the Sumitomo Forestry Group



Rapidly identifying and responding to risk
In addition to the normal reporting line, we have a “two-hours reporting rule,” which is a system designed to convey critical information promptly and properly to the management via the headquarters’ risk management division, in the event of an emergency situation that may cause a serious impact on the Company. This enables the Company to make swift and optimal

management decisions and take immediate action in order to avoid or minimize losses. The reported information is also collected and stored and studied for useful case studies , which are shared to prevent recurrence of the same incident and improve business operation. When a critical issue arises, the information is shared with the Corporate Communications Department and disclosed to stakeholders in a timely and appropriate manner.

Two-hours reporting rule and use of risk information



Managing business continuity

System for managing business continuity
The Sumitomo Forestry Group has established the BCM Subcommittee to address risks presented by events or emergency situations, such as major natural disasters or the spread of emerging infectious diseases, which are extremely difficult for a company to prevent on its own and which can have serious impacts on headquarters’ functions. The BCM Subcommittee is responsible for spreading awareness of and strengthening the business continuity management structure (BCM), formulating, revising and improving Business Continuity Plans (BCP), and conducting drills based on BCP. In the fiscal year ended December 2021, the committee met twice, encouraging each department and subsidiary to tackle BCM proactively and voluntarily by explaining to each organization through the committee members that a Group-wide coordinated effort has a great impact on the effectiveness of BCPs .

In response to the global spread of the COVID-19, the Sumitomo Forestry Group has established a task force headed by the President and has made efforts to tackle the pandemic since March 2020. After the state of emergency declared on all prefectures was lifted, the task force was dissolved on March 31, 2021. The Company is continuing infection control measures in its normal business operations. For example, we have a one-stop consultation counter where employees can ask any questions about the Company’s infection control measures and leave of absence. We also store hygiene supplies such as non-woven masks and hand sanitizers. In addition these measures, in the summer of 2021, we held workplace vaccinations against COVID-19 in Tokyo, Nagoya and Osaka for officers and employees of the Group, their families and the employees of affiliated construction companies.

Ensuring employee safety
In an emergency situation, the Company gives the highest priority to the safety of employees and their families as a general rule. To that end, along with preparing emergency contact networks within each organization, all Group companies in Japan have introduced systems linked to disaster information that automatically issue safety confirmation messages in order to obtain as much information as possible about the safety of employees before communication lines become congested or interrupted due to the effects of the disaster.

Moreover, we regularly inform employees of what they should do and prepare for their safety through delivering an easily-understood Safety Confirmation Handbook. Safety confirmation drills are also conducted at domestic Group companies every year. In the fiscal year ended December 2021, a total of 15,332 people participated in these drills.

Additionally, in 2019 we introduced a safety confirmation system for employees stationed overseas so that they can quickly confirm their safety in emergency situations, such as major earthquakes, acts of terrorism or volcanic eruptions, in the country they are in. We also have a crisis management portal website for

employees and their families where they can find all kinds of information about the disaster or the Company’s ongoing countermeasures. The website is accessible from outside of the company’s private network. Through these measures, we endeavor to prevent secondary disasters and other incidents.

Continuation of important duties
The Sumitomo Forestry Group established its BCM regulations in October 2019 and formulated a BCP based on the assumptions listed below.

- 1. Occurrence of an emergency situation which can have serious impacts on headquarters’ functions.
- 2. Occurrence of an emergency situation that may cause severe damage to a number of residences and buildings at the same time or/and on a regional scale.

In our BCPs, we identify the important duties, such as confirming the safety of employees and keeping up payments to our suppliers. We are able to perform these duties in Osaka instead of the headquarters in Tokyo so that we can minimize the impact even if the headquarters are disabled by damage from a crisis. Additionally, we have prepared remote backups of the data and the systems essential for the execution of the duties.

In each workplace, the person in charge on site needs to make decisions on case-by-case basis to make a right and speedy first response to the disaster. In emergency situation, the chain of command from the headquarters could be interrupted, making it difficult for those who are in charge on site to get instructions from the Company. Therefore we conduct “First response drills” to train them by sharpening their decision-making skills and abilities. This drill has been conducted since 2011 and although it was postponed in 2020 due to COVID-19 concerns, we re-conducted the drill on the web in 2021 and total of 81 persons in charge on site took part.

Additionally, in preparation for a major earthquake that requires employees to walk long distances back home or stay at the office because of difficulties returning home, each workplace stores emergency supplies such as water, foods and portable toilets according to the guidelines the Company determines. In the capital area and major cities, such as Osaka and Nagoya, where it is assumed that there will be many people with difficulty returning home, we have stockpiled emergency supplies with the assumption of a three-day stay in the office.

Apart from these, from the perspective of disaster prevention and mitigation, a person in charge of disaster prevention from the head office participates in the selection of a new office, and we also take measures to prevent business machinery from falling and to stop multifunction machines on casters from moving around.

Supply chain business continuity
In preparation for the potential disruption of its Housing and Construction Business supply chain following a disaster, Sumitomo Forestry shares the specifications and processes for property construction along with site progress statuses and other information with business partners, including component makers and building contractors. By enabling advanced procurement of materials and production, the Company is striving to reduce the risk of a disruption to operations.

When a natural disaster such as an earthquake or an accident such as a fire occurs at a supplier, we share the disaster status of the factory, distribution point or other location and help them to quickly plan and execute countermeasures aimed at ensuring supply. We are also endeavoring to build a structure where as a principle we can procure the same parts or material from two or more companies (including a structure where we can secure two or more production sites for the same component) as a way of guarding against a lack of supply.

However, due to complex factors such as the coronavirus pandemic that spread around the globe and the shortage of various parts, especially semiconductors, there are ongoing delays in the procurement of parts for water heaters and other items. As a result, Sumitomo Forestry has asked its suppliers to stockpile inventories of

materials that experienced delays, as a short-term preparation. For medium- to long-term preparations, Sumitomo Forestry will discuss with its suppliers how to reduce risk by geographically dispersing their production bases, moving from having them (including secondary suppliers) in a single country, toward establishing bases in other countries.

Sumitomo Forestry added items related to business continuity, such as whether there is a system in place to ensure alternate supply routes during an emergency, to the supplier evaluation it conducts every year to determine whether to continue transactions with each supplier. Through these efforts, the Company strives to further reduce the risk of business disruption.

Maintaining customer service
Sumitomo Forestry has set up call centers in Tokyo and Okinawa that are able to provide 24-hour after-sales services. We are also developing a mechanism whereby either call center can back up the functions of the other call center in the event of a disaster. We strive to enable a quick response to requests for repairs by managing information for each base through a unified emergency system which allows the Company to share disaster information pertaining to owners.

Obtained the “Resilience Certification”

In July 2021, Sumitomo Forestry obtained the Certificate for an Organization that Contributes to National Resilience (Resilience Certification) granted to a company that proactively works towards business continuation and social contributions.

Obtaining the Resilience Certification was one of the evaluation indicators of our medium-term sustainability targets to see the progress on reinforcing our risk management and compliance structures. Therefore, we have been working to review and improve our BCM structure since fiscal 2019.

Furthermore, since the Great East Japan Earthquake in 2011, we have been working towards building safe and secure towns, revitalizing regions and resolving regional social issues based on the agreements between local governments and the Wooden Home Builders Association of Japan, of which the Company is a major member. We received the certificate in recognition of these efforts.

To minimize the risks of stoppage or interruption of our business continuity caused by various emergency situations, we will continue to improve our business resilience going forward.

Compliance

Compliance promotion system

To respond to compliance risk across the Group, the Compliance Subcommittee was established as a sub-organization of the Risk Management Committee. Chaired by the general manager of the General Administration Department, the subcommittee is comprised of staff in charge of risk management, including those of the departments supervising Group companies. The subcommittee has set Group standards, including management systems and tools needed for legal compliance with the Construction Business Act and other laws and regulations, and efficiently responds to compliance risk.

The subcommittee was convened twice in the fiscal year ended December 2021 and undertook ongoing improvement of the compliance system through inspections and the activities listed below. Through these approaches, the subcommittee provides opportunities for individuals in charge of compliance on site to keep up with up-to date knowledge, improve their skills, work on the same level as others, and develop a shared awareness of risks.

- Across-the-board inspection of compliance with the Construction Business Act, Act on Architects and Building Engineers and Real Estate Brokerage Act
- Across-the-board inspection of on-site management systems to avoid traffic accidents and violations
- Across-the-board inspection of compliance with the Subcontract Act
- Across-the-board inspection of state of compliance on site with the requirements of various business licenses
- Explaining and sharing information about the Unfair Competition Prevention Act and Antimonopoly Act
- Explaining and sharing information about laws scheduled to be revised

These activities of the subcommittee are relayed and reported quarterly to the Board of Directors, putting a system in place to reflect the findings in business execution. The activities are also reported to the statutory auditors and the Internal Audit Department monthly. Critical Group-wide matters and risk information are shared with the statutory auditors of each Group company through the Group Board of Statutory Auditors. We maintain a compliance promotion framework through an approach on and off the business execution line.

Internal Auditing

The Internal Audit Department conducts an internal audit at around 60 of the approximately 200 business sites of the Group every year based on a risk assessment. These business sites are given priority and selected based on two perspectives: operational risks (performance, scale, business complexity) and risk control (management system for risks). In principle, the auditors travel to the site to check and evaluate the actual documents. However in the fiscal year ended December 2021, to prevent the spread of the COVID-19 pandemic, in addition to physical audits, we continued to perform remote web-based auditing and data auditing without the auditors visiting the site, as done the year before.

The internal audits are conducted to verify the status of each business site's business execution, including compliance, and management of administrative actions. The results of these assessments are reported to the president, executive officer in charge of internal audits and statutory auditors as well as managers, executive officers and directors in charge of the offices being audited. In the case that audit findings are made, the Internal Audit Department verifies that improvements are being implemented at the business site by requesting written reports and carrying out quarterly follow-up audits. These actions are reported to the president, the executive officer in charge of internal audits, and the statutory auditors. From the fiscal year ending December 2022, we are introducing a system where the Internal Audit Department will report directly to the Board of Directors every six months.

Ensuring management transparency

Basic policy on disclosure

To increase transparency in management, we actively disclose not only the information required to be disclosed by various laws and regulations, but also other items deemed useful to shareholders and investors, actively and in a swift and fair manner.

Initiatives to encourage execution of voting rights

The Company sends out notices three weeks prior to the General Meeting of Shareholders so that a greater number of shareholders can participate.

In addition, shareholders can use the Internet and other electronic means to exercise their voting rights. We also make use of the electronic proxy voting platform for institutional investors operated by ICJ, Inc. for proxy voting.

Disclosure of a wide range of information

At the General Meeting of Shareholders, we endeavor to provide reports and explanations that are easy to understand. Additionally, we display accounting-related information such as summaries of accounts, fact books and financial results overviews on our website, together with a wealth of IR information in Japanese and English such as information about monthly orders in the housing business. We also display detailed information about sustainability initiatives on the website in both English and Japanese.

Since the fiscal year ended March 2017, the Sumitomo Forestry Group has published the Integrated Report with the objective of improving the disclosure of financial information about its initiatives to increase corporate value, as well as non-financial information related to ESG. Apart from the Integrated Report, Sumitomo Forestry proactively offers information by publishing Japanese and English translations of its business activity reports and Notices of Convocation of the Ordinary General Meeting of Shareholders, among other documents, in print as well as on its website.

IR activities

The Company is enhancing its IR activities to communicate its management vision, the state of operations, financial position and other information timely and clearly with shareholders and investors.

Separate meetings

After the quarterly announcement of accounts, the Company holds separate meetings for securities analysts and institutional investors. We spoke with a total of 215 companies in Japan and abroad in the fiscal year ended December 2021. In addition to this, we will also hold small meetings and on-site briefings as appropriate.

Briefings for individual investors

We regularly hold briefings for individual investors. Due to the effects of the spread of COVID-19, briefings were not held in the fiscal year ended December 2021, but in the fiscal year ended March 2020, we held a briefing in Osaka and Nagoya which many individual investors participated in. At these briefings, in addition to giving details about the Group's businesses, we explain the Group's growth strategy, set up exhibition booths, and introduce the Group's custom-built detached houses, apartments, renovation services, private-pay elderly care facilities and overseas real estate to interested individual investors.

Activities for overseas institutional investors and shareholders

We issue English versions of accounting-related material for the benefit of overseas institutional investors and shareholders. Additionally, in the fiscal year ended December 2021, management held an online meeting with institutional investors and shareholders in North America, Europe and Asia. At these meetings, there was an exchange of opinions as well as explanations about business performance and strategy.

In order to provide further opportunities for dialog, we also participate in conferences organized by securities firms.

Visit our website for information about future IR activities and events organized.

 **IR calendar**
<https://sfc.jp/english/ir/calendar.html>