

## Sumitomo Forestry Group's Sustainability Management

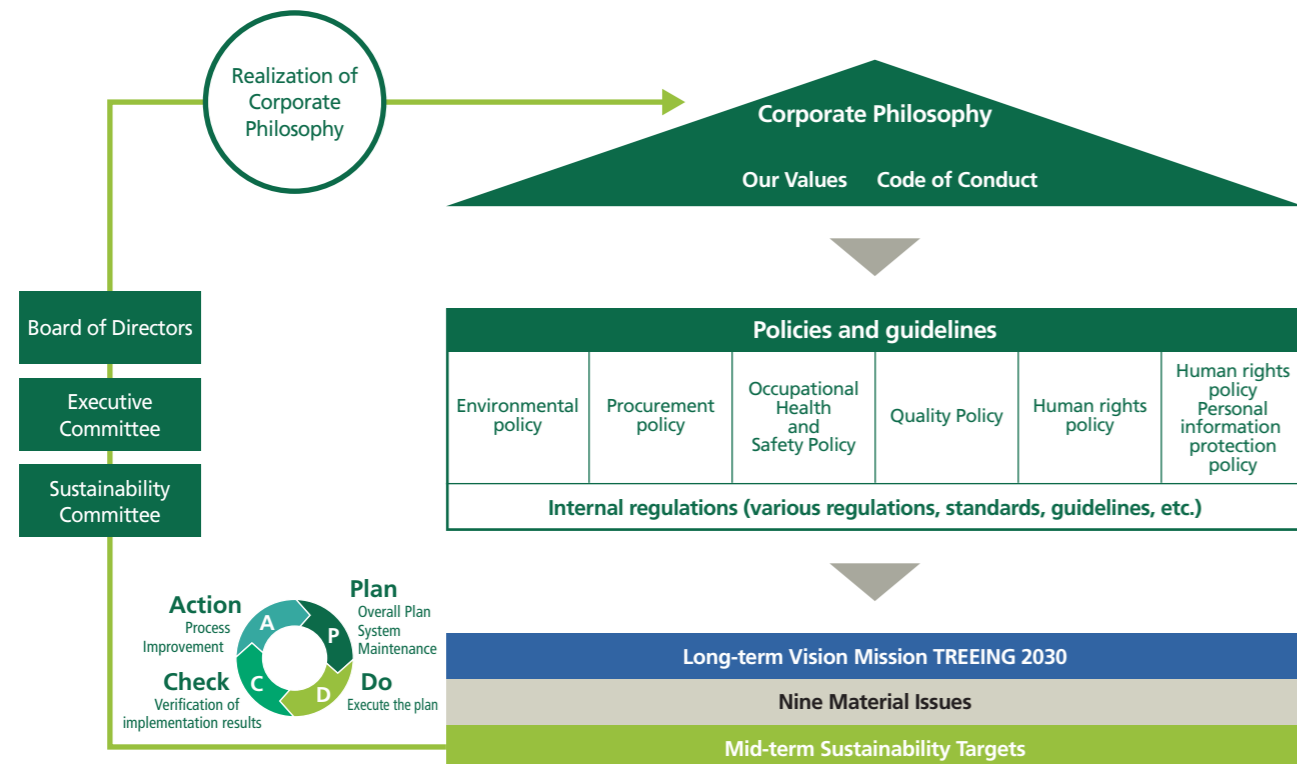
### Sumitomo Forestry Group Corporate Philosophy and Sustainability Management

Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy of "Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society." All our efforts are based on Sumitomo Spirit, which places prime importance on fairness and integrity for the good of society. In addition, Sumitomo Forestry Group Code of Conduct has been established to emulate the Sumitomo business spirit that has been passed down since the company's establishment and to meet with global social needs such as international conventions and initiatives. Sumitomo Forestry Group is seeking to disseminate and implement the Code of Conduct throughout its supply chain as a global standard, in addition to the Group and its partners, including suppliers and subcontractors. To guarantee that Sumitomo Forestry Group Code of Conduct is widely known, Sumitomo Forestry Group Code of

Conduct Guidebook is issued to each employee at Group companies in Japan, translated into English and other languages, and implemented at abroad affiliates as well as through e-learning. This information has also been disclosed on our website to our business partners and other stakeholders. In addition, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct, etc. at the ESG Promotion Committee convened four times a year.

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

### Sumitomo Forestry Group's Sustainability Management



### Formulation and management of Mid-Term Sustainability Targets

Sumitomo Forestry Group has announced "Mission TREEING 2030 Phase 1" (2022-2024), the first phase of its long-term vision "Mission TREEING 2030," a three-year medium-term management plan that provides the groundwork for future growth and contribution to decarbonization. One of the five basic policies is "Further Integration of Business and ESG," and the Group has established "Sustainability Targets as part of Mid-term Management Plan in fiscal 2024," which incorporates the Group's sustainability strategy and material issues. "Mid-term Sustainability Targets in fiscal 2024" is a revision of the specific ESG-related goals in the Medium-Term Management Plan that has been in operation since fiscal 2019, with the goal of better aligning our business and ESG strategies in accordance with the new policies of the Mid-term Management Plan. Under the long-term vision "Mission TREEING 2030", the value created by the Group was organized from the perspectives of providing "Value for our planet", "Value for people and society", and "Value for the market economy", and nine new material issues were identified. Specific numerical targets have been defined for each business unit in more detail until 2024 in order to realize these nine material issues.

We believe that it will not only meet the expectations of society, including the SDGs, but also lead to an increase in corporate value that cannot be judged only from the economic perspective.

### 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 April 2018.

The Sustainability Committee is comprised of executive officers and directors, as well as general managers, with the President and Executive Officers 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. 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

All new business and project plans that are brought for deliberation to the Board of Directors and the Executive Committee, which is the advisory body to the president, Sumitomo Forestry conducts risk assessment for the following categories, taking into account the entire supply chain. If a risk is confirmed, a report is made regarding the risk and measures to deal with it, which is used to determine implementation. In addition, the same risk assessment is recommended for new business projects that are not brought for deliberation to these meetings because they can be implemented under the jurisdiction of the respective division or affiliated company. In fiscal year 2021, 15 new businesses and projects were discussed.

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.

### Main risk assessment List

Environmental Aspects	1. Greenhouse Gases 2. Biodiversity Conservation (Including Verification of Protected Regions) 3. Waste 4. Water Resources 5. Soil Contamination 6. Noise 7. Other
Social Aspects	1. Relationships with Companies We Do Business With 2. Anti-Corruption in All Its Forms, Including Extortion and Bribery. 3. Human Rights Considerations for Workers and Other Stakeholders 4. Promotion of Employee Diversity 5. Prohibition of Forced Labor and Child Labor 6. Appropriate Working Hours and Wages 7. Occupational Health and Safety 8. Impact on Local Communities (Including Concern for Local Residents and Administrations, Industry Organizations, NPOs, Municipal Citizens' Groups and Indigenous People)
Legal and Regulatory Compliance	-
Overall	Recognition of Indications from External Organization About Business Models, Products, Services and the Related Business Entities

### Major recognitions and awards in FY 2021

The Sumitomo Forestry Group's initiatives concerning the environment, social issues and governance have been highly evaluated by organizations in Japan and overseas. (As of end of March 2022)

#### External recognitions



#### Included as a constituent company in five ESG indices selected by the GPIF



2022 CONSTITUENT MSCI JAPAN \* ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN \* EMPOWERING WOMEN INDEX (WIN)

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#### Participation in initiatives



## Nine Material Issues

### Identifying material issues

Following on from 2008, Sumitomo Forestry Group identified important CSR issues in March 2015. Since then, major changes have occurred around the world, including adoption of the SDGs (Sustainable Development Goals) and the conclusion and entry into force of the Paris Agreement, and in Japan, the GPIF (Government Pension Investment Fund) signing of the PRI (United Nations Principles for Responsible Investment) has accelerated the trend toward ESG investment. In response to these trends, Sumitomo Forestry Group developed its long-term vision "Mission TREEING 2030" in February 2022, which identified nine new material issues. In addition to analyzing geopolitical changes, technological innovations such as digitalization, and changes in the stakeholder preferences such as employees and customers' choices, we've also used Sumitomo Forestry Group's strengths, which have grown significantly through M&A and capital and business alliances, to identify areas where the Group can make a unique contribution, not just to sustainability, but also as material issues of the Group's overall business.

In order to formulate our mission, we conducted a questionnaire survey of all stakeholders, including customers, business partners, shareholders and investors, outside experts, and employees, and received responses from approximately 6,000 people. Based on external changes (Megatrends), we identified matters that would impact on Sumitomo Forestry Group and set 35 issues while classifying into 5 categories of "Environmental Issues (Climate change)," "Environmental Issues (Resources and Biodiversity)" "Social Issues," "Governance," and "Economic Issues" and let respondents select what they think was important. Individual interviews with young employees and management-level personnel were also conducted.

We narrowed down the material issues for Sumitomo Forestry Group based on the results of these questionnaires and interviews. Furthermore, we incorporated management's opinions and performed materiality assessments in consideration of risks and opportunities through a series of discussion among management ranks. Finally, we selected nine material issues from three perspectives: "Value for our planet," "Value for people and society" and "Value for the market economy."

### Nine Material Issues

Categories		Nine material issues	related SDGs
Value for our planet	1	To enhance the value of forests and wood through sustainable forest management	13, 15
	2	To realize carbon neutrality by leveraging forests and wood resources	7, 13
	3	To realize a circular bioeconomy by leveraging forests and wood resources	11, 12, 13, 15
Value for people and society	4	To provide comfortable and secure spaces for society at large	3, 8, 11, 13
	5	To improve the livelihood of the local communities where we operate	3, 8, 11, 13
	6	To create a vibrant environment for all workers	3, 5, 8, 11
Value for the market economy	7	To create new markets with forests and wood	8, 11
	8	To transform markets through DX and innovation	8, 9
	9	To establish a robust business structure	16

## Value for our planet

※All indicators relate to FY2021 (actual) → FY2024 (target)

### Material issues 1



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

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

Number of seedlings supplied  
Domestic forestry (number of shipments)  
**1,460,000 ▶ 2,530,000**

Volume of fuel wood chips and pellets handled  
**1,863,870t ▶ 2,482,964t**

As global environmental problems such as climate change, resource depletion, and biodiversity loss become more serious, expectations for wood and forests that produce natural resources and biological resources to solve these problems are rising. Forests not only have functions of absorbing and store CO<sub>2</sub>, conserving biodiversity, and producing wood building materials, fuel materials, or the like, but also have various public welfare functions such as water source recharge, soil conservation, and sediment disaster prevention.

Sumitomo Forestry Group has developed various businesses centered on wood, such as forestry business, timber and building material distribution and manufacturing business, housing and building business, and renewable energy business. "Sumitomo Forestry Group contributes to realization of a sustainable and prosperous society through all kinds of services related to people's lives, utilizing "trees" that are friendly to people and the global environment based on "Sumitomo Business Spirit" that emphasizes fairness and trust and benefits society." In order to realize our management philosophy, we intend to enhance value of forest resources by promoting further integration of business and ESG and by conducting sustainable forest management and the use of wood.

### Material issues 2



#### To realize carbon neutrality by leveraging forests and wood resources

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

Energy tax credits\*<sup>1</sup>  
Number of units covered  
(United States)  
**8,993units ▶ 15,574units**

Initiatives towards achieving RE100\*<sup>2</sup>  
(Renewable energy installation rate)  
**2.6% ▶ 35.1%**

\*1 Tax deductions for residences that meet the criteria (\$2,000 USD per unit). Heating and cooling energy volumes are 50% or less of 2006 values.

\*2 Excludes on-site consumption by biomass generation businesses and offices in New Zealand where the whole country is expected to use 100% renewable energy from 2030 onwards.

Since founding, Sumitomo Forestry Group has been developing its business centered on wood, and will continue to propose further utilization of wood in the fields of forest, wood, and architecture. With respect to forest, we will promote zoning forest management to expand protected forests that absorb carbon dioxide and accelerate logging and replanting of economic forests that promote carbon storage. Carbon offset contributes to decarbonization of other companies and society, and realizes sustainable business. Regarding timber, we will promote long-term carbon storage value of timber, enhance competitiveness of domestic timber, and promote wooden construction and wood conversion of buildings. In architecture, we will contribute to decarbonization of society as a whole by promoting decarbonized architecture by establishing and standardizing decarbonization design methods such as promoting LCCM housing and net-zero carbon buildings in Japan and overseas.

Sumitomo Forestry Group which provides the value of wood, will steadily implement SBTs based greenhouse gas emissions reduction targets, including the achievement of the RE100.

### Material issues 3



#### To realize a circular bioeconomy by leveraging forests and wood resources

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

Recycling ratio  
New housing construction sites **95.1% ▶ 98%**  
Housing demolition work sites **94.6% ▶ 100%**

Number of EPD acquisition proposals to suppliers  
A total of **65 suppliers / 71%\***

\* Percentage of purchase amount

Against the background of concerns about resource depletion, biodiversity loss, and environmental pollution caused by harmful substances and marine plastics, it is necessary to build a circular economy that thoroughly recycles resources and makes effective use of resources. Circular economy is an economic model that aims to design products and services that reduce environmental burdens such as disposal and pollution, and to continue to circulate the raw materials and products at a high level.

Sumitomo Forestry Group realizes a circular bio-economy centered on wood in Japan by running a wood cycle that cascades wood, which is a renewable and sustainable natural resource, in the forest, wood, architecture, and the field of energy such as biomass power generation and increasing the value of wood resources. For resources other than wood, we will strive to control, reuse, and recycle waste. We will also continue to investigate sustainability of the supply chain for the sustainable use of resources.

## Value for people and Society

### Material issues 4



#### To provide comfortable and secure spaces for society at large

Providing safe, comfortable and secure spaces to society at large.

Surveys conducted when owners move in (NPS score\*)  
**50.9% ▶ 53.0%**

\* NPS (Net Promoter Score). A new indicator used to measure customer loyalty (trust and attachment to a company or brand).

As various social issues such as human rights issues such as discrimination and poverty, intensification of disasters, and the spread of infection with the new coronavirus become apparent, the tendency toward well-being has increased, and people's living spaces, especially homes, are required to be safe, secure, comfortable and warm.

Sumitomo Forestry Group strives to improve customer satisfaction by setting "We provide high-quality products and services that bring joy to our customers." in the Code of Conducts, and focusing on providing high-quality products that give a sense of security, safety, comfort and warmth to many customers, focusing on newly built detached houses and remodeling.

### Material issues 5



#### To improve the livelihood of the local communities where we operate

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

OBT Ltd.\* Recruitment of local human resources to increase volume of logs produced  
**57 people (total)**

\* Open Bay Timber Ltd.

Both in Japan and abroad, regions where forest businesses are operated are far away from major urban areas, and economic and cultural disparities are often seen even within each country. Especially in developing countries, infrastructure such as roads, hospitals, schools and markets may not even be in place. In Japan, even in urban areas, super-aging is progressing, and there are concerns that quality of life of the elderly will decline, along with inactivation of the entire city due to shrinking household size and increase in vacant lands and vacant houses.

Sumitomo Forestry Group is actively contributing to development of social infrastructure required in each region, in addition to hiring local human resources and increasing employment, particularly in the forest business in developing countries. In Japan, first of all, in urban areas, we will expand provision of high-quality elderly care facilities and nursing care facilities where the warmth of wood can be felt, for the elderly who are also socially vulnerable. In rural areas, we will develop businesses that contribute to regional revitalization while emphasizing communication with local stakeholders.

### Material issues 6



#### To create a vibrant environment for all workers

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

Ratio of female executives (Sumitomo Forestry alone) **10.7% ▶ 19.4%**

Percentage of men taking childcare leave (Sumitomo Forestry alone) **50.4% ▶ 100%**

In order to achieve sustainable business growth, it is important to create an environment where people involved can thrive. Foundation of a fair work environment is that everyone in the supply chain accepts diversity, including race, religion, ethnicity, nationality, and gender, and respects human rights without discrimination. We must also respect work-life balance, which emphasizes lifestyle of each individual. In addition, there is a possibility that serious occupational accidents may occur in the forest business or Housing and Construction Business, and sufficient measures are necessary.

Sumitomo Forestry Group sets "We promote a free and open-minded corporate culture that respects diversity" as one of Code of Conduct, and also make Declaration on Health Management that it strives to maintain and improves physical and mental health of all employees and their families so that they can work healthily and actively. In the future, with the utmost emphasis on continuous improvement of employee satisfaction, we will work on multi-faceted and concrete targets such as realization of diversity, prevention of harassment, elimination of occupational injuries, and improvement of retention rate and number of obtained qualifications.

## Value for the market economy

### Material issues 7

#### To create new markets with forests and wood

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

Number of contracts with joint research partners  
(Number of contracts, percentage of all topics)  
35 contracts, 48.6% ▶ 38 contracts, 54.0%



Utilization of forests and wood is emphasized in order to enrich the economy while solving various environmental and social issues such as realization of a decarbonization society and a circular economy, conservation of biodiversity, and respect for human rights. In order to deepen and expand utilization of wood and activate functions of forests, creation of new markets that utilize them is also the key.

Sumitomo Forestry Group will expand its medium- and large-scale wooden construction business globally while challenging many issues such as technology, legal regulations, and cost relating to construction such as structure, fire resistance, production, and environment. In addition, in order to develop various new technologies, new products, and new markets that utilize "wood" and "forests," we will promote research and development that emphasizes collaboration with the outside world without being bound by our own technology.

### Material issues 8

#### To transform markets through DX and innovation

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

Number of facilities in the elderly care business where sensor devices have been installed  
18 facilities ▶ 19 facilities



In the fields of forestry and wooden construction business, where tradition and experience have been emphasized, it is necessary to raise economic efficiency and increase added value through market reforms such as DX and innovation, in view of the situation such as decrease and aging of main players, technological advancement and globalization, and future demand expansion.

Sumitomo Forestry Group aims to ensure quality and quantity of wood resources and provide them with high added value by improving efficiency of sales activities and supply chains through DX and innovation. In the field of elderly care business, which faces similar challenges, we will introduce innovations to create added value and improve operational efficiency, such as user safety and security for users.

### Material issues 9

#### To establish a robust business structure

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

TCFD\* scenario analysis and disclosure  
Implemented for two divisions:  
domestic housing business and timber and building materials business

▼  
We will consider reflecting Group countermeasures in the strategies for each business division in the next medium-term management plan.

\* TCFD stands for Task Force on Climate-related Financial Disclosures. It is a task force created at the direction of the Financial Stability Board (FSB) for disclosing climate-related financial information, and it presents a framework for companies to voluntarily disclose information on climate-related risks and opportunities.



Building a strong business system is important for a company to carry out sustainable business as the crisis that has a great impact on the economy such as intensification of natural disasters, spread of unknown infectious diseases such as the new coronavirus, and financial and geopolitical risks continues worldwide. Continuing business even in the face of unexpected events also contributes to stability of the industry and market as a whole.

Sumitomo Forestry Group will not only build a Business Continuity Management (BCM) system to provide stable value even in the event of unexpected events, but will also aim to strengthen supervisory function of the Board of Directors during normal times, and prompt strengthening of the governance and information security of expanding overseas affiliated companies. With respect to climate change and natural disasters, we will continue to analyze scenarios based on TCFD Proposal to build a strong business.

Visit our website for further details about the nine material issues and other indicators.

<https://sfc.net/english/sustainability/management/materiality1.html>



## Mitigation of Climate Change

As the impact of climate change becomes more urgent globally, companies are being asked to reduce their emissions of greenhouse gases as a measure to counter global warming. The Sumitomo Forestry Group submitted a commitment letter to SBTi\* to establish an SBT for the entire Group in June 2017. The new set of long-term greenhouse gas reduction targets has been approved as SBT by SBTi in July 2018. In October 2018, the IPCC (Intergovernmental Panel on Climate Change) "1.5°C Special Report" was published, which reports the latest scientific findings on global warming. In the latter half of this century, it became clear that there is a big difference in the impact on the global environment between suppressing the rise in average temperature of the earth from before the Industrial Revolution to 2°C and 1.5°C. The SBT Initiative changed the SBT certification standard to two types of greenhouse gas emission

reduction targets in which the global average temperature rise becomes a level of 1.5°C, well below 2°C compared to that before the Industrial Revolution in April 2019 in response to the trend of the "1.5°C Special Report" (applicable from October 2019). In September 2021, we submitted an application to the SBT Secretariat to enhance our Scope 1 and 2 greenhouse gases emissions reduction targets from the previous 21% reduction to a 54.6% reduction, with 2030 as the target year, in order to expedite our initiatives. Our greenhouse gases emissions reduction targets (SBTs) are explained below.

\* 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.

### SBTs (Science Based Targets)



#### 2°C target (Approved)

Scope 1<sup>\*1</sup> · 2<sup>\*2</sup>  
21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.

Scope 3<sup>\*3</sup>  
16% reduction of total greenhouse gas emissions from Category 1 and Category 11<sup>\*4</sup> compared to 2017 (base year) by 2030.

#### 1.5°C target (submitted)

Scope 1 · 2  
54.6% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.

Scope 3  
16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.

\*1 Direct GHG emissions of a company, including those from fuel consumption.

For example, CO<sub>2</sub> emissions from using gasoline in company vehicles.

\*2 Indirect GHG emissions (including CH<sub>4</sub> and N<sub>2</sub>O) from purchased electricity and heat.

For example, CO<sub>2</sub> emissions from using electricity in office buildings.

\*3 GHG emissions occurring in the supply chain. For example, CO<sub>2</sub> emissions when sold products are used.

\*4 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.

### Progress on Reaching Our SBTs

	Fiscal 2017 (Base year) <sup>*1</sup>	Fiscal 2021 <sup>*1</sup>
Scope 1 · 2: 54.6% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.	369,785t-CO <sub>2</sub> e	370,772t-CO <sub>2</sub> e
Scope 3 <sup>*2</sup> : 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (Base year) by 2030.	8,895 thousand t-CO <sub>2</sub> e	8,992 thousand t-CO <sub>2</sub> e

\*1 The calculation period for emissions in fiscal 2017, was April 2017 to March 2018, and the calculation period for total emissions in fiscal 2021 was January to December 2021.

\*2 Scope 3 emissions increased due to a higher number of units sold and handed over in the overseas housing and real estate business and the addition of COHNAN KENSETSU INC. to the Sumitomo Forestry Group.

## Sustainability initiatives

### Aiming for 100% Renewable Energy used and Joining the RE100

The Sumitomo Forestry Group positions reduction of environmental impact of our business activities as one material issue that needs to be addressed and strives to engage in energy-saving activities and use of renewable energy. As part of these initiatives, we joined the

international RE100\* initiative that aims for 100% of electricity used to be from renewable energy in March 2020 to accelerate our efforts to reduce greenhouse gases.

\* RE100 is an international initiative run jointly by The Climate Group, a global environmental NGO, and the CDP. As of January 2022, 290 companies worldwide are members, of which 50 companies are Japanese.

**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.**

#### Toward to the RE100 targets

In fiscal 2021, amount of renewable energy introduced in the electricity used in Sumitomo Forestry Group's business activities resulted in 17.2% which is the total amount of electricity used by the entire Group such as solar panels installed in housing exhibition halls and for private use of power generated by biomass power plants (including adjacent wood chip manufacturing plants for fuel), etc. In addition, ratio of biomass-derived fuel to the fuel consumption of the power generation business is 88.5% (calorific value conversion). In the Medium-Term Management Plan Sustainability 2024 announced in February 2022, we have set a goal of reaching a renewable energy introduction rate of 35.1%\* in power consumption of the Group's business activities in fiscal 2024, with the aim of achieving the part of RE100, which could be achieved by our own efforts by 2030.

#### Progress on Reaching RE100

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 homes delivered by Sumitomo Forestry, 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 as we aim to use 100% renewable energy.

\* Excludes on-site consumption by biomass generation businesses and offices in New Zealand where the whole country is aiming to be RE100 by 2035 (FY 2021 results: 2.6%)



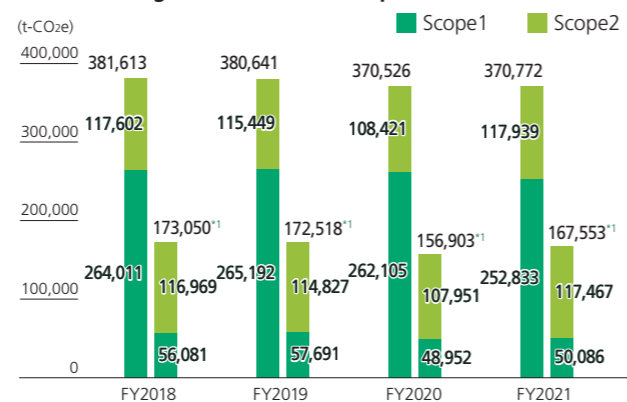
### Greenhouse gas emissions by Scope, based on the GHG Protocol

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. In fiscal 2021, Scope 1 and Scope 2 emissions remained at mostly unchanged year-on-year. Of the total for Scope 1 and 2 greenhouse gas emissions recognized under the GHG Protocol, overseas plants emitted 30.8%, while domestic plants and the power generation business accounted for 56.7%.

We also started to calculate Scope 3 in fiscal 2013 and the targets for this calculation largely expanded in fiscal 2015 and fiscal 2017. Among these results, the impact in category 11, "emissions during use of detached houses sold," is acknowledged to be a major factor, and the increase in residential and construction operations in fiscal 2020 of Net Zero Energy House (ZEH) projects is expected to reduce CO<sub>2</sub> emissions volumes while the homes are in use.

In the future, we will work to meet the SBTs in an effort to take greenhouse gas emissions reduction to another level.

#### Greenhouse gas emissions for Scopes 1 and 2 \*\*1,2



\*1 Excludes figures for the power generation business (Mombetsu Biomass Power Plant and Hachinohe Biomass Power Plant)

\*2 The calculation period for total emissions in the fiscal year ended December 2020 was January to December 2020, and the calculation period for every previous fiscal year was April of that year until March of the subsequent year.

## Response to TCFD

The Sumitomo Forestry Group is aware of the risks and opportunities that accompany climate change. In July 2018, we announced our support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) established by the Financial Stability Board. In that same year, we conducted our first scenario analysis, based on the recommendations of the TCFD. It covered the timber and building materials business and the housing and construction business, and it assessed the risks and opportunities posed to the Group by climate change issues, and the

resilience of its strategies. In 2019, we began disclosing information according to the TCFD's recommended framework.

Additionally, in 2021, we performed a scenario analysis for the environment and resources business and the overseas housing and real estate business, improving the level of the Sumitomo Forestry Group's scenario analysis disclosures.



### Information disclosure based on the TCFD framework

#### Governance

- The Sustainability Committee analyzes medium- to long-term ESG issues including climate change-related risks and opportunities. It also plans and advances initiatives related to these issues and manages the progress of medium-term sustainability targets.
- Chaired by the President and Executive Officer, the committee meets four times a year. It works to promote integration of businesses and ESG initiatives, and all discussions are reported to the Board of Directors.
- In February 2022, the executive remuneration system was partly revised. In addition to increasing the link between medium- to long-term performance and higher corporate value, we also introduced remuneration linked to the sustainability index achievement rate. The remuneration was specifically tied to the rate of achievement of greenhouse gas emissions reduction targets based on the SBTs.

#### Strategies

- In response to the "Global Warming of 1.5 °C" special report and the "Sixth Assessment Report" issued by the Intergovernmental Panel on Climate Change (IPCC), society's expectations are mounting about the function of forests as a way to absorb CO<sub>2</sub> and stock carbon, about timber production and wood construction as a way to stock carbon and reduce CO<sub>2</sub> emissions, and about the use of unused timber from forests as biomass power generation fuel.
- One of the business policies we established in the long-term vision we announced in February 2022 is "Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy," and we are pursuing opportunities to that end.
- The relevant division at headquarters and each division work together to expose risks and opportunities. In 2021, we performed a scenario analysis for the overseas housing and real estate business and the environment and resources business. (See page 83)
- Started working on countermeasures in the medium-term management plan, and further studies are ongoing.

#### Risk management

- Evaluate risks for climate change-related items such as greenhouse gas emissions, biodiversity and water for all matters deliberated on by the Board of Directors and the Executive Committee, an advisory body to the president.
- The progress of indicators incorporated in the medium-term sustainability targets is checked every quarter and reported and confirmed by the Sustainability Committee twice a year.
- For risks that may arise in the short-term in day-to-day operations, each department decides on specific measures and assessment indicators and delivers a progress report every quarter to the Risk Management Committee.

#### KPIs and targets

- Group companies and divisions set annual targets based on the medium-term sustainability targets that include SBTs and RE100. (See page 80-81)



## TCFD Scenario Analysis

### Identification and measures for environmental risk

The first scenario analysis, conducted in 2018, analyzed the business risks and opportunities posed by climate change for the wood building materials and housing and construction industries, using two scenarios in which average global temperature increases are less than 2°C and 4°C, respectively, compared to that of pre-industrial times, and disclosed relevant information. For 2021, we conducted scenario analysis for the resources and environment business, as well as the overseas housing and real estate business. We considered at the situation in 2030 using two scenarios: the 4°C scenario, in which no progress is made in tackling climate

change in order to enhance transparency, and the 1.5/2°C scenario, in which progress is made in transitioning the company toward decarbonization.

The relevant departments and each division of our Company collaborated to identify risks and opportunities, conducted financial impact assessments, and discussed countermeasures for items that were identified as significant risks and opportunities. In 2018 and 2021, the subject businesses for which scenario analysis was conducted accounted for approximately 98% (as of FY2021) of the net sales of Sumitomo Forestry Group. Results of the scenario analysis are presented to the ESG Promotion Committee and the Board of Directors, and additional initiatives are outlined in the Mid-term Sustainability Targets.

	Transition risks	Physical risks	Opportunities
Timber and building materials business	<ul style="list-style-type: none"> <li>Increased timber procurement costs due to the tightening of regulations such as forest protection policies and logging regulations in various countries</li> <li>Increased fuel (wood chip) costs as a result of higher demand for biomass power generation due to changes in the energy mix</li> </ul>	<ul style="list-style-type: none"> <li>Increased timber procurement costs caused by forest fires and tree disease-bearing pests accompanying a rise in average temperature</li> <li>Decreased sales due to the stoppage of operations at plants caused by intensified weather abnormalities</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for biomass power generation businesses and fuel chips as a result of tightening regulations on fossil fuels</li> <li>Increased demand for wood that does not require a lot of energy for manufacturing and processing and that can suppress the emission of greenhouse gases</li> </ul>
Housing and construction business	<ul style="list-style-type: none"> <li>Increased timber procurement costs due to the tightening of regulations such as forest protection policies and logging regulations in various countries</li> <li>Increased costs for complying with policies such as the Building Energy Efficiency Act</li> </ul>	<ul style="list-style-type: none"> <li>Increased construction costs if a large-scale natural disaster occurs due to construction time delays and reconstruction activities to restore facilities owned</li> <li>Decreased outdoor work efficiency due to an increase in extremely hot days, leading to increased costs due to construction time delays and maintaining and enhancing employee health management</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for environmentally-friendly homes such as ZEH due to tightened regulations aimed at decarbonization and greater market need for decarbonization products</li> </ul>
Overseas housing and real estate business	<ul style="list-style-type: none"> <li>Increased costs for complying with carbon taxes introduced</li> <li>Increased construction costs due to stricter building standards</li> </ul>	<ul style="list-style-type: none"> <li>Increased costs for land acquisition, construction and development due to intensified weather abnormalities. Change in demand to less-affected areas</li> <li>Increased construction costs due to construction time delays</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for environmentally-friendly homes and medium- and high-rise wooden construction due to tightening decarbonization regulations</li> </ul>
Environment and resources business	<ul style="list-style-type: none"> <li>Increased operating costs due to the introduction of carbon taxes and environmental regulations and the tightening of logging regulations</li> <li>Increased costs as a result of more efficient resource use and production, and the development and introduction of low-carbon technologies</li> </ul>	<ul style="list-style-type: none"> <li>Increased risk of lost sales opportunities due to damage to forests caused by an increase in pest and wild animal damage triggered by intensified weather abnormalities</li> <li>Increased risk of forest fires due to a rise in air temperature</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for timber that does not require a lot of energy for manufacturing and processing and that can suppress the emission of greenhouse gases</li> <li>Greater credit income due to growth in wood biomass power generation demand and more active forest carbon credit transactions</li> </ul>

 Response to TCFD <https://sfc.net/english/sustainability/environment/climate-change/>

### Opportunities and strategies related to climate change

#### Expand sales of homes in tune with government's net zero-energy house promotion

In response to the Japanese government's ZEH-promotion policies, the Sumitomo Forestry Group has set targets for receiving ZEH orders in our medium-term sustainability targets, and we are proceeding with ZEH sales. By advertising the special feature of Sumitomo Forestry's ZEH, which is the double generation of power using solar panels and ENE-FARM residential fuel cell units, we are creating a competitive advantage and increasing the ratio of ZEH. We have also adopted 360° TRIPLE Insulation as a standard to boost the insulation efficiency of our custom-built detached houses (excluding fire-resistance specifications). We provide highly energy-efficient homes by using highly insulating structural material and windows all-around in our buildings in addition to high-performance thermal insulators.

The 2030 scenario analysis predicts that in the case of the 4°C scenario, the ZEH ratio desired by the government will increase even further, while in the 2°C scenario, the even more energy-efficient ZEH+ will become standardized, and thus the competitiveness of Sumitomo Forestry, which has technological development skill in the housing market, will increase.

#### Expand the need for renewable energy

We can expect our earnings to grow as renewable energy needs increase, resulting in greater demand for fuel chips for biomass power generation. Furthermore, as of June 2021, the Sumitomo Forestry Group was operating five wood biomass power generation businesses in Japan. We also expect the Morinomiya Biomass Plant in Miyagi prefecture to begin operations in November 2023. Once it begins operation, the total power generating capacity of the Sumitomo Forestry Group will be approximately 251.6MW. When converted to power generation according to the equity ratio, this is equivalent to enough power to supply 274,366 households.

In light of the Agency of Natural Resources and Energy's overall policies to achieve the ideal energy mix for 2030, the scenario analysis estimates that the 1.7% rate currently occupied by biomass power generated in Japan's power source composition will rise to 3.7% for the 4°C scenario and 4.6% in the 2°C scenario by 2030. We predict that sales in the Sumitomo Forestry Group's fuel chip supply business will increase accordingly.

#### Promoting medium- and large- scale wooden construction development overseas

To realize a decarbonized society, the Sumitomo Forestry Group is involved in medium- and large- scale wooden construction development overseas. Our medium-term sustainability targets establish goals for expanding medium- and large-scale wooden construction projects (in the United States, Australia and Europe) with the aim of commercializing them in FY 2024.

In October 2021, we announced our participation in the development of a 15-story wooden office in Melbourne, Australia, followed in February 2022 by our participation in an environmentally-friendly six-story wooden office development project in London, UK. In the future, we will continue to be involved in advanced environmentally-related projects and deepen our knowledge of medium-scale wooden construction in Europe and Australia as we work to deploy Net Zero Carbon construction on a global level.

#### Building interest in forest carbon credit

Forests play an important role in achieving carbon neutrality. According to the scenario analysis, as the carbon credit market grows, forest-derived carbon credits will become a new source of revenue for forestry businesses.

In our long-term vision, Sumitomo Forestry has set the goal of contributing to carbon off-setting for society as a whole while establishing forestry funds aimed at securing forestry assets that include carbon credits and other types of new value and developing businesses through forest management and asset management. One of these initiatives will be combining the forest management technology Sumitomo Forestry has cultivated in Japan and overseas with IHI Corporation's observation technology that is used in artificial satellites to perform high-precision water-level management, resulting in advanced forest management that prevents peat fires. Using that knowledge, we plan to establish a consulting business aimed at companies and national and regional governmental organizations trying to stop deforestation or peatland destruction. In our medium-term management plan, we have also set goals to establish a method for calculating the amount of carbon absorbed by forests and work to improve its accuracy, and to increase the percentage of earnings from new forest value creation businesses.

## Human Rights Initiatives

The Sumitomo Forestry Group formulated the Sumitomo Forestry Group Human Rights Policy in July 2019, participates internationally such as in the UN Global Compact and the World Business Council for Sustainable Development (WBCSD), complies with international human rights bills (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Core Labour Standards, the Ten Principles of the UN Global Compact and the United Nations Guiding Principles on Business and Human Rights.

In addition, the "Sumitomo Forestry Group Code of Conduct", which is based on these international norms, states respect for human beings and the realization of a healthy workplace. Furthermore, the Sumitomo Forestry Group is permeating these policies and conducts proper assessments to ensure this same level of respect by business partners as well. We are also conducting human rights due diligence and respond to human rights risks in an effort to fully grasp and mitigate any risk to human rights.

 The Sumitomo Forestry Group Human Rights Policy <https://sfc.net/english/sustainability/social/human-rights/>

### Respect for Human Rights at Overseas forestry business

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.

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

### Initiatives in Indonesia

#### 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.

#### Since 2018

With help from the IFC, Sumitomo Forestry set up grievance mechanisms at WSL and MTI to collect information and opinions from local residents.

## Implementation of Due Diligence and Managing Important Risks

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

### Internal Sustainability Survey of the Sumitomo Forestry Group

Regarding the initiatives of each Group company, in fiscal 2021, a survey was conducted involving 59 Group companies around the world, confirming that 50 companies provided human rights training, 47 companies have systems to handle grievances, and 56 companies have risk mitigation plans in place. Furthermore, there were 0 violations of the Sumitomo Forestry Group Code of Conduct as pertains to human rights.

### Respect for Human Rights Through Sustainability Survey in supply chain.

Sumitomo Forestry Group is conducting fair and responsible procurement under the Sumitomo Forestry Group Procurement Policy. Specifically for timber procurement our group conducts sustainability surveys of all, to ensure that the procurement is performed in a sustainable manner with consideration of legal compliance, human rights, labor practices, biodiversity conservation, and local communities.

### Identifying and Managing Human Rights Risks

In order to strengthen initiatives in human rights due diligence, each business division maps risks associated with stakeholders in value chain and identifies important human rights risks for each group. We identified important risks as follows: The Environment and Resources Division - "Infringing indigenous or community land rights and managing related laws" as well as "Occupational safety and health management in mountain forests (dangerous work, etc.)." The Timber & Building Materials Division - "Infringing indigenous land rights," "Occupational safety and health management at factories (fires, dust explosions, etc.)," and "Child labor at timber plantations (including dangerous operations)." The Housing and Construction Division and the Overseas Housing and Real Estate Division - "Labor conditions of migrant workers (forced labor, etc.)." In addition, we reviewed the mapping in fiscal 2020, considering the impact of spread of new coronavirus infection as a new risk factor.

Regarding the identified risks, we take measures to reduce and correct risks for each business. For example, we have identified more risks in fiscal 2020, of which we have verified the condition of respect for human rights of foreign technical trainees which is the particular importance and of major social interest in Japan. Third-party agencies gathered feedback from partner building contractors and organizations supervising technical trainees, verified

materials, and interviewed technical trainees from overseas learning skills in Japan. As a result, we confirmed there were no major human rights violations. In fiscal 2021, regarding "respect for rights of indigenous peoples and communities," in order to further reduce risks and build better relationships with stakeholders in the business development areas, we confirmed the initiatives and identified places to be corrected regarding the operational status of grievance mechanism in the overseas resource environment business. As a result of online hearings conducted by a third-party organization, we verified that continuous consultations with government agencies and communities have been conducted by operating appropriate greenness mechanisms at three overseas tree planting sites in Indonesia, Papua New Guinea, and New Zealand. On the other hand, it was found that it is necessary to improve initiatives such as expanding external information disclosure and reflecting it in the mechanism through dialogue with rights holders.

We will further establish measures and implementation plans for prevention, avoidance, mitigation, and correction for each stakeholder, and will implement PDCA to improve our initiatives in the future.

\* A system for processing complaints and resolving issues that allows persons or regions that have been damaged to file claims and seek redress over negative impacts related to a company.

## Supply chain management

Sumitomo Forestry Group engage in responsible timber procurement activities in accordance with our Timber Procurement Basic Policy formulated in 2005 and our Timber Procurement Principles and Policies formulated in 2007. In 2015 with the Sumitomo Forestry Group Procurement Policy, we expanded our scope beyond timber to include a wide range of other procured products, such as metals, ceramics, resin and other building materials, and based on this policy, are engaged in procurement activities that take into consideration the economy, society and environment.

### 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

Sumitomo Forestry Group established the Timber Procurement Committee, chaired by the officer in charge of sustainability promotion at Sumitomo Forestry (director and managing executive officer) and comprising managers from departments in charge of timber procurement. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.

In fiscal 2021, the Timber Procurement Committee met four times to confirm the legality and conduct a "Sustainability Survey" for all 192 directly-imported suppliers subject to screening and

suppliers with whom overseas Group companies (distribution) do business. Regularly (once a year or once every two years), we confirm legality and sustainability of both new and ongoing parties we conduct business with.

### Initiatives for enabling sustainable timber procurement

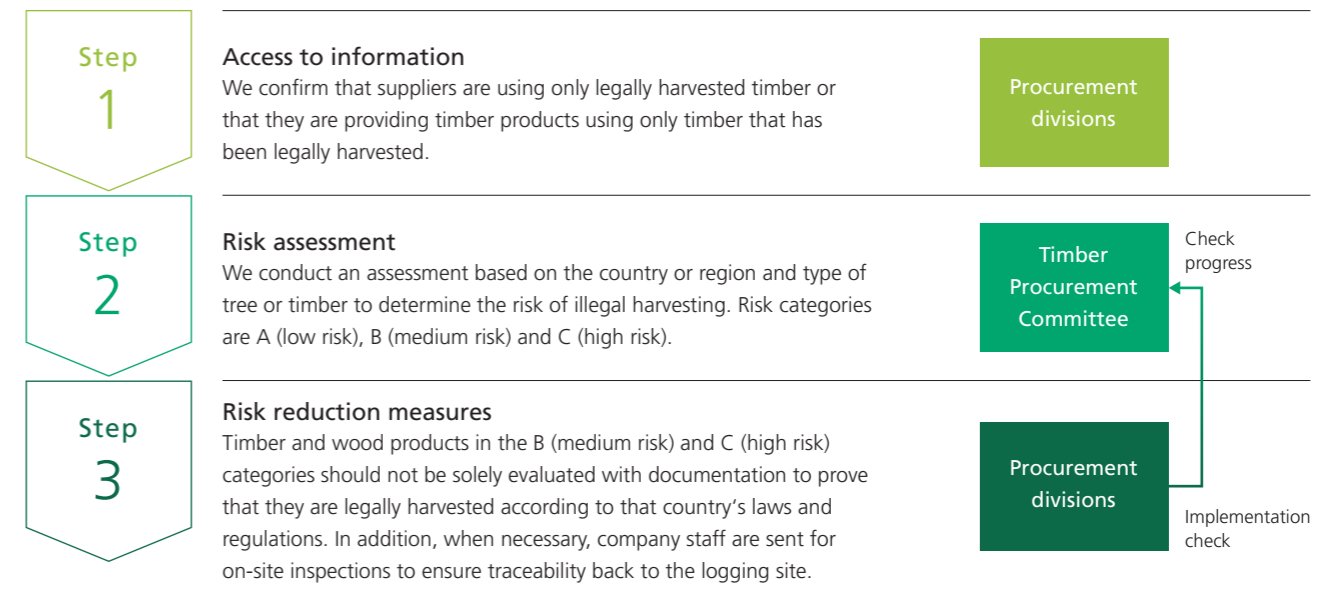
Based on the Sumitomo Forestry Group Procurement Policy, the Group carries out due diligence to ensure the legality of our timber procurement and to ensure that sustainable timber procurement is being put into practice, including considerations for human rights, labor practices, biodiversity preservation 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.

### Consideration for Biodiversity Conservation, Labor Practices and Human Rights, and Local Communities

Following items are checked, through Sustainability Procurement Surveys to suppliers and local interviews for the products that are being procured.

- Whether the rights of workers, local and indigenous community 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 take place with consideration for these rights.
- Whether the high conservation values forests 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.

In fiscal 2021, the final year of the Sustainability Chapter 2021 of the Medium-Term Management Plan, we strengthened our scrutiny of our suppliers' procurement to achieve 100% sustainable wood procurement, and developed due diligence on the sustainability of wood and biomass fuels such as PKS and pellets.



\* 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.

In FY 2021, the rate of sustainable timber and timber products we handled throughout the year was 97.8%, but after discussions with business partners that did not meet our procurement standards, we switched to certified timber, and in September 2021 we canceled our contracts with suppliers who could not guarantee sustainable timber, achieving a 100% rate of handling for sustainable timber and timber products on a contract basis. We will continue to ensure that we procure only sustainable timber.

### Policy on "Sustainable Timber and Wood Products"

To confirm the legality as precondition, we define timber and wood products as sustainable if they fulfill one of the following:

**Sustainable = Environmental: No contribution to deforestation  
Social: No violation of human rights such as occupational safety, forced labor, indigenous rights, etc.**

- 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 farm land such as oil palm plantations)
- 4 **Recycled wood**



## Diversity & inclusion

### Activities for diverse talent acquisition

The Sumitomo Forestry Group advocates the promotion of a free and open-minded corporate culture that respects diversity as one of the principles in Our Values. According to internationally accepted human rights norms, we shall of course respect equal opportunity and diversity as well as respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people in the employment and treatment of employees as stated in the Sumitomo Forestry Group Code of Conduct. We have also defined “a vibrant work environment where a diverse workforce can unharness their skills and individuality” as one material issue for sustainability. As part of the specific strategies and goals set in the Mid-Term Sustainability Targets, we aim to create a work environment that generates diverse ideas, job satisfaction and vibrancy as well as secure human resources by training younger workers and utilizing older ones, which we incorporate into our management practices through inclusion in annual activity policy

### Employment and promotion of women (non-consolidated)

	FY2018	FY2019	FY2020	FY2021
Ratio of female employees*1	21.0%	21.6%	22.0%	22.6%
Ratio of female employees in management positions*1	3.7%	4.2%	4.8%	5.6%
Ratio of newly graduated female recruit*2	24.8%	26.9%	30.2%	26.9%

\*1 The ratio of female employees and the ratio of female employees in management positions are calculated from the number of employees enrolled on March 31 of each year from fiscal 2018 to fiscal 2019. The rate is calculated based on the number of employees as of December 31 due to the change in the accounting period after fiscal 2020.

\*2 The rate of new female graduates is calculated based on the number of employees joining the Company as of April 1 each year.

### Status of female recruitment / Employment (domestic subsidiaries)

	FY2018	FY2019	FY2020	FY2021
Ratio of female employees*1	32.0%	32.7%	32.4%	34.4%
Ratio of female employees in management positions*1	6.0%	6.1%	7.1%	8.4%
Ratio of newly graduated female recruit*2	43.5%	45.7%	43.4%	35.1%

\*1 Based on the number of employees as of March 31 each year.

\*2 Based on the number of employees joining the Company as of April 1 each year.

and measures for each department. In recruitment activities, the Company emphasizes the ambition and volition of the applicant, and does not differentiate the 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, age, or gender.

As for the disciplinary punishment and dismissal of employees, if there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations. We have also put in place a system to prevent unfair dismissals.

Recently, talent acquisition has been recognized as one of the major management issues for management in Japan triggered mainly by low birth rate and thereby aging population. Sumitomo Forestry communicates this type of approach with potential employees during recruitment and expands supportive programs to foster diverse work styles and performance of female employees in effort of acquiring valuable, next-generation talent.

### Status of female recruitment / Employment (overseas subsidiaries)

	FY2018	FY2019	FY2020	FY2021
Ratio of female employees*1	32.0%	30.2%	30.8%	30.0%
Ratio of female employees in management positions*1	16.0%	17.1%	19.5%	20.9%
Ratio of newly graduated female recruit*2	—	—	38.7%	32.8%

\*1 Based on the number of employees as of December 31

\*2 Based on the number of employees joining the Company From January to December

### Employment of persons with disabilities\* (non-consolidated)

	FY2018	FY2019	FY2020	FY2021
Employment ratio of persons with disabilities	2.32%	2.40%	2.25%	2.38%

\* 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. Also the calculation includes special subsidiary company Sumirin Wood Peace Co., Ltd. and Group affiliate Sumirin Business Service Co., Ltd.

### Employment of persons with disabilities\* (domestic subsidiaries)

	FY2018	FY2019	FY2020	FY2021
Employment ratio of persons with disabilities	1.76%	1.77%	1.85%	2.04%

\* Calculated as of June for every fiscal years


## Promoting health management

### Initiatives to maintain and improve employee health

At the Sumitomo Forestry Group, we believe that maintaining and improving the health of employees in a company firstly contributes to the happiness of the employees as individuals and also leads to increased productivity and greater work efficiency. Based on that belief, on October 1st, 2021, we established the Sumitomo Forestry Group Declaration on Health Management. Sumitomo Forestry places and keeps clinical psychologists and public health nurses in the Healthcare Promotion Team in the Workstyle Diversification Department in the Personnel Department. We also undertake 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 intranet.

We 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.

 [Sumitomo Forestry Group Declaration on Health Management https://sfc.jp/english/corporate/philosophy/healthmanagement.html](https://sfc.jp/english/corporate/philosophy/healthmanagement.html)

### 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 to conduct stress checks and help all employees in Japan (excluding employees on long-term leaves of absence from work such as those undergoing medical treatment or on childcare leave) prevent mental disorders.

In FY 2021, to verify our strategic policy and improve the working environment, we added items that measure health reasons and psychological safety, such as illnesses and symptoms that affect work performance, to the stress check items. Moreover, as a follow-up measure, we distributed the individual organizational analysis results sheet to business sites and organized Stress Check Results Feedback Training for all general managers to help raise their awareness about creating livelier workplaces. Departments with issues received individual consultations to help them improve their working environments. Furthermore, we added a new “healthcare” category to e-learning, enriched the content intended to help each employee cultivate a healthier mind and body and are working to increase health literacy.

### Results of mental disorder prevention measures

	FY2018	FY2019	FY2020	FY2021
Stress check response rate (%)	91.6%	93.3%	96.4%	94.5%