

Happiness Grows from Trees



Sumitomo Forestry Group  
Sustainability Activity Highlights 2023

# The Origin of Sumitomo Forestry

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

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

This sustainable forest management is the starting point of Sumitomo Forestry’s business activities and the origin of our sustainability efforts.



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



Current Besshi mountain range

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# Sumitomo Forestry Group’s Business Activities



## Timber and Building Materials Business

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

In the manufacturing business, we manufacture doors and windows, wooden interior fittings, and staircase materials, and other materials in Japan. Overseas, we produce wooden board products such as plywood, medium-density fireboard (MDF) and particle board and various building materials such as flooring, furniture and kitchen cabinets at each location in South East Asia, Oceania, and North America. We supply them all over the world including Japan.



## Housing Business

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



## Global Housing, Construction and Real Estate Business

Since the start of our U.S. housing business in 2003, we have been actively entering new markets with promising growth potential. Currently, the housing, construction and real estate business is expanding in Australia, Asia, and other regions. In addition to offering housing and medium- to large-scale wooden constructions that matches the needs of the climate and natural features as well as markets in each region, we promote initiatives to create shared value through our business activities by respecting stakeholders, such as employees, local residents, corporate organizations and society.



## Environment and Resources Business

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

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

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

<sup>\*1</sup> SGE<sup>C</sup>-FM (Trademark License No. SGE<sup>C</sup>/31-21-1057) <sup>\*2</sup> FSC-CoC (Trademark License No. FSC-C113957)



## Lifestyle Services Business

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

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

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







## Addressing social issues with the Wood Cycle

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

### Urgent climate crisis measures

The Special Report on Global Warming of 1.5°C was released by the IPCC (Intergovernmental Panel on Climate Change) five years ago in 2018 and the IPPC Sixth Assessment Report was issued in March this year. While policies and environmental regulations in countries around the world have progressed, under current measures, it is highly likely that the global average temperature will soon exceed 1.5°C compared to pre-industrial levels. This underscores the need to achieve targets set out in the Paris Agreement, namely, to reduce global greenhouse gas (GHG) emissions 43% compared to 2019 levels by 2030 and 60% by 2035.

Disruptions in the supply chain triggered by the COVID-19 pandemic have cast a shadow on corporate management. In addition, the business environment has become increasingly uncertain due to soaring energy prices with Russia's invasion of Ukraine, food security issues and the collapse of US financial institutions on a scale not seen since 2008. Regardless, the IPPC Report warns that our actions over the next decade will have an irreversible impact on humanity and the planet that will last thousands of years. Even in these uncertain and difficult times, all actors must respond more boldly and quickly than ever before.

Last February, the Sumitomo Forestry Group announced its long-term vision, Mission TREEING 2030, to help us better respond to global challenges (such as climate crisis, nature loss and growing inequalities), technological advances (such as DX and AI) and changes in consumer preferences. One of the business policies of our long-term vision is maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy. Through our value chain, which we call the Wood Cycle, we are striving to contribute to the decarbonization of not only our own company, but of society as a whole, as well. Specifically, we are accelerating the cyclical forestry business in our forestry operations, promoting wood change in our timber operations and working to standardize decarbonized design in

our construction operations. And we are spreading the word about all these efforts both within and outside the company. Last year was the first year of our Mid-Term Sustainability Targets as part of our 2024 Mid-Term Management Plan. As you may have seen in our Sustainability Report 2023, we made progress on individual goals related to climate crisis initiatives, including a TCFD scenario analysis with a perspective that goes across the entire group and an SBT target of a 54.6% reduction of greenhouse gas emissions by 2030 compared to fiscal 2017 levels. All our efforts are generally proceeding as planned.

### Accelerating initiatives to reduce Scope 3 emissions

One after another, guidance on issues the world needs to address to realize a sustainable future and ways to quantify and target non-financial information are being proposed. The foundation for these guidelines is the GHG Protocol, the de facto standard for organizations to report their GHG emissions. In 2011, in addition to emissions from an organization's operations (Scope 1) and energy purchased (Scope 2), Scope 3 emissions in the value chain were added and the number of disclosing companies is increasing yearly.

At Sumitomo Forestry Group, 96 percent of our GHG emissions are Scope 3, of which more than 60 percent is Category 11 (Use of Sold Products), which in our case, comprises of emissions from air conditioning, lighting and other uses of energy during occupancy of a house. The key to reducing these emissions is the popularization of ZEH (net zero energy houses). In Japan, on a per month basis, we have currently reached our sales share target of 80 percent by the end of 2024. We have also begun offering LCCM (life cycle carbon minus) homes, which go beyond ZEH, and have opened a model house. In August last year, Henley Properties Group in Australia announced that it would become the first major builder to install solar panels on all its custom-built detached houses and make all-electric a standard specification, which would save up to 75 percent of energy consumption. In the United States where our annual number of buildings sold exceeds 10,000

units, 89 percent of our newly built properties in 2022 qualified for Energy Tax Credits (houses that consume 50 percent less energy for heating and cooling compared to 2006 standard levels). With increasing interest in reducing Scope 3 emissions, we are steadily responding in our core business of building and selling detached wooden houses.

### Promoting decarbonization with the construction of medium- to large-scale wooden buildings

Now we must place greater focus on embodied carbon, the GHG emissions that come from the raw material procurement, processing, transport, renovation and disposal of building materials. With the construction sector accounting for approximately 40 percent of the world's GHG emissions and demand for housing growing primarily in emerging countries, the key to decarbonization for the whole of society is reducing embodied carbon. As a first step in this initiative, in August of last year, we began sales of the Japanese edition of One Click LCA, a software that visualizes GHG emissions volume. We have concluded contracts with a wide range of clients, from developers and general contractors to architectural design offices, and from February of this year, we began offering calculation services on a commission basis. We are also promoting the acquisition and popularization of an environmental labeling system for building materials called Environmental Product Declaration (EPD) to support carbon neutral design across the entire construction industry.

Compared to other construction methods that require large amounts of energy to extract, manufacture, process and transport materials, wooden buildings have relatively low embodied carbon, and substituting wood for other materials to avoid emissions provides a reduction contribution effect. Furthermore, because trees absorb carbon dioxide during growth through photosynthesis and store this carbon dioxide even after being harvested, promoting the construction of wooden buildings contributes to the decarbonization of society.

Since 2010, Sumitomo Forestry has been working to promote wooden construction and the use of wood in non-residential buildings, as well. Through our business and capital alliance with Kumagai Group, the addition of Cohnan Kensetsu as a Sumitomo Forestry Group company and the development of Kigurumi CT, an original fire-resistant wooden material, we are focusing our efforts on the construction and development of medium- to large-scale wooden buildings. In May last year, we completed construction of Building 15, a three-story wooden building on the Yotsuya campus of Sophia University that is being enjoyed as a venue for adult education and community mingling. In Melbourne, we will begin construction in September this year of a 15-story wooden net zero carbon building, which has virtually zero CO<sub>2</sub> emissions during occupancy. We are also pursuing projects in the United States and the United Kingdom and plan to further promote the construction of medium- to large-scale wooden buildings both in Japan and abroad.

To increase the self-sufficiency ratio and utilization of Japanese timber, we are planning to build a timber industrial complex in Shibushi City, Kagoshima, among other areas. We believe these complexes will contribute significantly to the expansion and popularization of medium- to large-scale wooden buildings.

### Accurate visualization of the value of forests in carbon sequestration

Until now, companies have only reported GHG emissions from fossil fuel combustion. GHG emissions/removal from biological sources, such as land use management and conversion for agriculture, forestry and

other, have not been included. Emissions from this area account for one-quarter of total emissions, and the fact that they are not included in company reporting has been a concern. For the world to limit the global average temperature increase to within 1.5°C, CO<sub>2</sub> absorption and carbon fixation by forests, as well as technological innovations that remove carbon, are essential. However, there are no common tools to visualize, target and report these numbers. To enable the visualization of efforts being made by companies, a revision of the GHG Protocol that would add to the scope of the calculations is currently under discussion.

At Sumitomo Forestry, we are working to accurately measure the amount of CO<sub>2</sub> absorption and carbon fixation of forests to create high-quality carbon credits, which we want to offer widely through our forestry funds. To visualize these amounts, we are working with a wide range of stakeholders, such as local governments and universities, conducting joint verification tests and publishing papers. We are also participating in GHG Protocol revision pilot tests to contribute to the development of reporting guidelines. Through NeXT FOREST, a company we jointly established in February this year with IHI, we are providing consulting services to promote the appropriate management of tropical peatlands, such as water-level management techniques. It goes without saying that common rules for visualization are a prerequisite for the success of these efforts.

### Seeking both a nature-positive world and human rights initiatives

At COP15 held in Montreal last year, the concept of nature positive was presented as an approach to halt and reverse nature loss. At the same time, Nature-based Solutions (NbS) were similarly highlighted as an approach to address the climate crisis. Both concepts are in line and in strong agreement with Sumitomo Forestry's Wood Cycle, which promotes carbon neutral design through sustainable forest management and the utilization of forests resources that considers the value of natural capital, such as biodiversity and water cycles. Working with the Forest Solutions Group of the World Business Council for Sustainable Development (WBCSD), of which we are a member, we participated in the formulation a roadmap for the forestry sector.

Climate crisis and nature loss are correlated. Their impact is greatest on indigenous people and vulnerable populations that directly benefit from forests and nature. In April, Sumitomo Forestry, with a wide range of businesses centered on wood, revised and enhanced the Sumitomo Forestry Group Human Rights Policy formulated in 2019 to also require business partners and others in the value chain to respect human rights. In addition, we pledged to offer collaboration and support on an as-needed basis, and we established a grievance mechanism.

Ever since our establishment in 1691, Sumitomo Forestry has sought to provide value not only to the company but also to society as a whole in line with our thinking, "Benefit self and benefit others, private and public interests are one and the same." We consider our ESG initiatives and information disclosure efforts not as costs, but as strategic investments for the future. And we fully utilize various forms of ESG finance, including sustainability-linked loans and ESG funds, to support these initiatives. At Sumitomo Forestry, all our employees, working together with our many business partners and stakeholders both in Japan and overseas, are committed to contributing to the creation of a sustainable and prosperous society.

# Sumitomo Forestry Group's Sustainability Management

## Corporate Philosophy

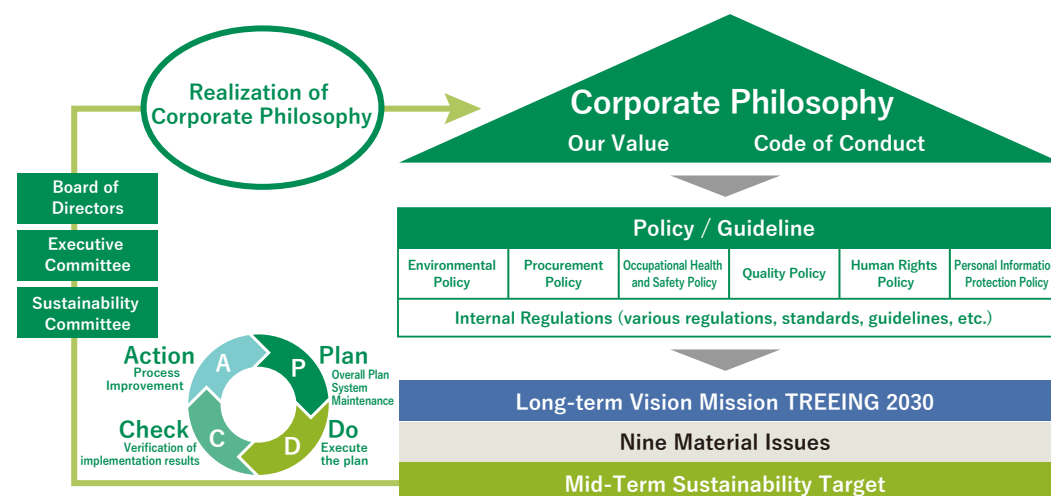
The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places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

## Corporate Philosophy and Sustainability Management

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

holders. In addition, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct, etc. at the Sustainability Committee convened four times a year. The results are also reported to the Board of Directors.

We have also established policies such as "Environmental Policy," "Procurement Policy," and "Occupational Health and Safety Policy," and various guidelines based on our Corporate Philosophy and Code of Conduct. We are dealing with ESG-related sustainability targets as a specific practice for the Medium-Term Management Plan. The Group aspires to realize a sustainable society by addressing the Nine Material Issues identified from both business and sustainability perspectives by providing values to the global environment, people's lives and society, and markets and economic activities, etc.



# Mission TREEING 2030

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

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



Value for our planet



Value for people and society



Value for the market economy

## Long-term Vision Mission TREEING 2030

In February 2022, aiming toward creating a decarbonized society by 2050 and with the 2030 target date for achieving the SDGs in mind, the Sumitomo Forestry Group formulated Mission TREEING 2030, our long-term vision, incorporates our ideal vision of the Sumitomo Forestry Group into our long-term business concept.

To achieve this long-term vision, we aim to simultaneously supply value for our planet, value for people and society, and value for the market economy, without compromising on any of these values and by enhancing value in each of these areas.

## Nine Material Issues

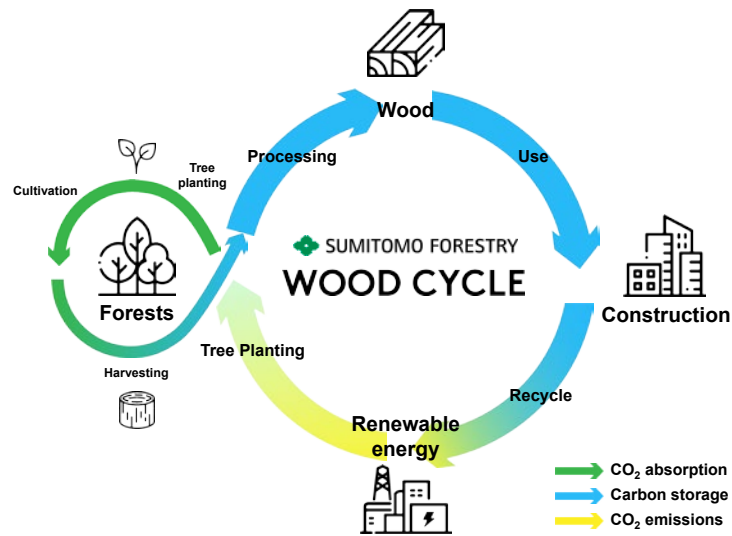
Value for our planet	Value for people and society	Value for the market economy
<ol style="list-style-type: none"> <li>To enhance the value of forests and wood through sustainable forest management</li> <li>To realize carbon neutrality by leveraging forests and wood resources</li> <li>To realize a circular bioeconomy by leveraging forests and wood resources</li> </ol>	<ol style="list-style-type: none"> <li>To provide comfortable and secure spaces for society at large</li> <li>To improve the livelihood of the local communities where we operate</li> <li>To create a vibrant environment for all workers</li> </ol>	<ol style="list-style-type: none"> <li>To create new markets with forests and wood</li> <li>Transform markets through DX and innovation</li> <li>To establish a robust business structure</li> </ol>

## Business Policy

<p><b>01</b> Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy</p> <ul style="list-style-type: none"> <li>In addition to reducing operational carbon in all areas domestically and abroad, we will pursue the CO<sub>2</sub> reduction effect of wood resources and contribute to the decarbonization of society through our businesses.</li> <li>By highlighting the CO<sub>2</sub> sequestration capabilities of forests and HWP (Harvested Wood Products), we will revitalize the Japanese forestry industry and expand our medium- to large-scale wooden architecture business to dramatically elevate the value of timber resources and realize a circular bioeconomy primarily for domestic timber.</li> </ul>	<p><b>02</b> Advancing globalization</p> <p>With our US, Australian and Asian operations as our core platform, we will expand the business areas and scale of our overseas group operations.</p>	<p><b>03</b> Striving for transformation and the creation of new value</p> <p>With business transformation and innovation, such as the promotion of digitalization, we will rebuild the revenue base of our domestic operations.</p>	<p><b>04</b> Transforming our business foundation for growth</p> <p>In addition to improving our ability to continually retain, nurture and engage human resources who can respond to globalization and the diversification of our businesses, we will reinforce our risk management system.</p>
<p>Performance Target FY2030 Recurring Income Target <b>250</b> billion yen</p>			



## WOOD CYCLE



The Sumitomo Forestry Group is developing business activities through the "WOOD CYCLE," a value chain based on wood, from forest management to wood processing and distribution, wooden buildings, and biomass power generation. We contribute to a decarbonized society by turning the "WOOD CYCLE" in other words, by planting and cultivation, increasing the amount of CO<sub>2</sub> absorbed by forests, promoting carbon storage inside wood, and using the wood in buildings and furniture to store carbon over a long period of time.

Biomass Power Generation is said to be carbon neutral because, even when wood products and wooden constructions are used as fuel for biomass power generation after they have become waste wood, the only CO<sub>2</sub> emitted is the carbon absorbed during the growth process.

Through this business as a whole, we will contribute to CO<sub>2</sub> absorption and fixation not only for ourselves but also for society as a whole.

## Sumitomo Forestry's decarbonization initiatives



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

**Forests** **Accelerate the circular forest business**

We will increase CO<sub>2</sub> absorption volume to contribute to carbon off-setting for other companies and society by establishing a forestry fund and expanding the forest area we own and manage around the world, primarily in Asia.

- Promoting the NeXT FOREST Project with IHI Corporation
- Establishing a global forestry fund
- Expanding owned and managed forest area

**Wood** **Promote wood change**

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

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

**Construction** **Standardize decarbonized design**

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

- Reducing two types of CO<sub>2</sub> emissions – operational carbon and embodied carbon
- Visualizing CO<sub>2</sub> emissions during construction with One Click LCA and working with the entire construction industry to establish decarbonized design
- Promoting the EPD environmental labeling system as a leader in the timber and building materials industry

## Mid-Term Management Plan "Mission TREEING 2030 Phase 1" (2022-2024)



**Basic policy**

- Striving for decarbonization through utilization of wood resources**
  - Develop new businesses that pursue the value of forests as a carbon dioxide sink
  - Promote initiatives that enhance the competitiveness of domestic wood
  - Expand our medium- and large-scale wooden construction business
- Enhancing our revenue base**
  - Recovery of profitability of our Housing & Construction business and Timber and Building Materials business, and promotion of reforms in anticipation of future market shifts
  - Improve resource efficiency
- Accelerating globalization**
  - Expand our Housing and Real Estate Business operations in the United States and Australia and create a revenue base in Asia
- Reinforcing our management foundation for sustainable growth**
  - Promote digitalization
  - Secure and nurture human resources and improve engagement with employees
  - Reinforce risk management
- Further integration of business and ESG**
  - Steadily implement initiatives to achieve RE100/SBT (Science Based Targets)

The world's markets and economic activities are based on the foundation of the global environment which ensures people's lives and societies. The Sumitomo Forestry Group has developed its long-term vision "Mission TREEING 2030", which identified nine new material issues. As for the first phase of this "Mission TREEING 2030", we have formulated a three-year Mission TREEING 2030 Phase 1

(2022-2024) of Mid-Term Management Plan, which provides the groundwork for our future growth and contribution to decarbonization. We will promote our business activities based on nine material issues to achieve our long-term vision.

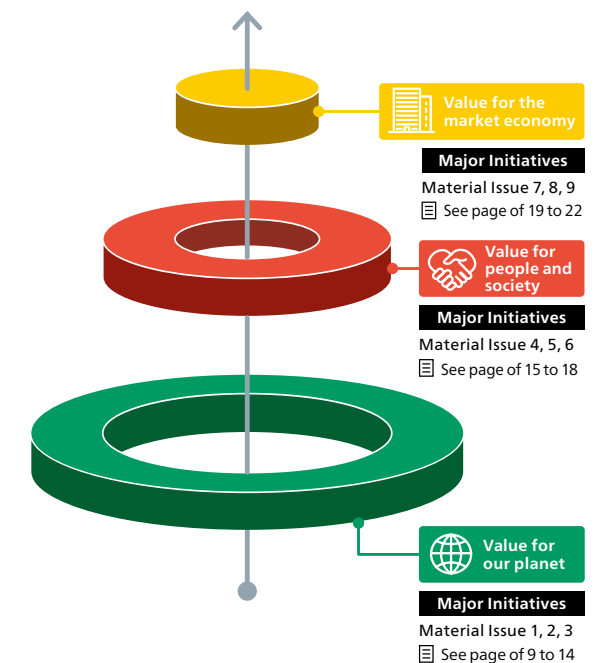
## Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan



One of the five basic policies of the "Mission TREEING 2030 Phase 1" (2022-2024) Mid-Term Management Plan is "further integration of business and ESG" and the "Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan" incorporating material issues is defined. We have set numerical targets for fiscal 2024 for the Mid-Term Sustainability Target of the Mid-Term Management Plan based on our contribution to the SDGs and the nine material issues that are directly linked to our business.

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

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



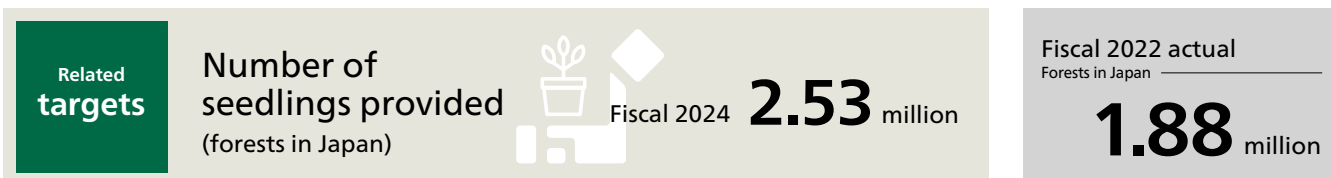
Click here for initiatives related to the "Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan"

<https://sfc.jp/english/sustainability/management/materiality2024.html>



**Material Issue**  
**1 To enhance the value of forests and wood through sustainable forest management**

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



**Initiatives to revitalize the Japanese forestry industry**

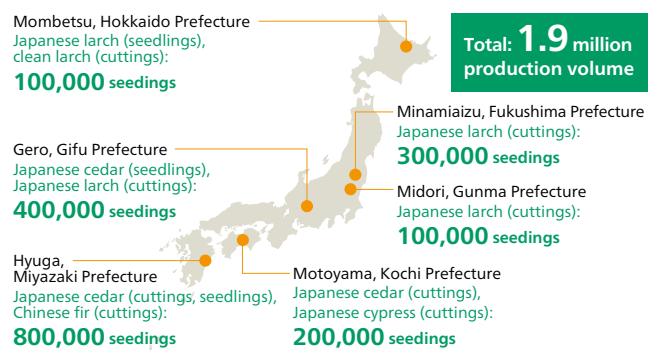
An increasing number of municipalities are working to revitalize their forestry industries as part of their regional development efforts. In addition, the clearcutting of Japanese cedar, Japanese cypress and Japanese larch planted after World War II is increasing with the approach of harvesting season, which will require a stable supply of seedlings for replanting. Sumitomo Forestry was one of the first companies to begin modernizing its nursery tree production. Utilizing its independently researched and developed container seedling production technologies and through the operation of facility-based nursery tree production, Sumitomo Forestry is contributing to the sustainability of forest resources and the active production of resources. Currently, we have six production facilities in Japan, including Miyazaki Prefecture and Gifu Prefecture, which have the capacity to produce 1.9 million seedlings annually. In addition to our own seedling production, Sumitomo Forestry began providing in fiscal 2021 technical assistance in Nichinan-cho, Tottori Prefecture. In fiscal 2022, we increased the number of seedlings produced on an outsourced basis to enhance the stability of our seedling supply.

In addition to the supply of seedlings, securing labor to plant these seedlings has been a challenge. To plant Japanese cedar and Japanese cypress seedlings, workers must carry approximately 10kg of seedlings on their backs, which is difficult especially given the wide extent of sloped terrain in Japan. In response, Sumitomo Forestry is working to develop drones for transporting seedlings in

collaboration with a drone manufacturer and sales company active in the agricultural field. We conducted repeated pilot testing in our Company-owned forests to ensure that drones can be used safely for unloading seedlings and for flying in areas with complex terrains and severe weather conditions. Based on pilot testing, we made improvements and in fiscal 2020, introduced in Japan Morito, a drone for transporting seedlings for forestry use. With sales of Japan Morito, we discovered that there is a growing need in this field for the transport of heavy items, such as materials for animal damage control. In fiscal 2022, we further developed a drone with a maximum loading capacity of 25kg, up from 8kg in the previous model, making it possible to transport heavy items.

Sumitomo Forestry will contribute to the revitalization of the domestic forestry industry by strengthening its supply system for seedlings and promoting smart forestry.

**Sumitomo Forestry's seedling production facilities nationwide**



Growing seedlings in six production facilities in Japan



Forestry transport drone, Morito

Please refer to these sites for more information about related targets and initiatives.

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



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



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

**Joint research in Indonesia on climate-resilient varieties**

In October 2022, the Climate Change Adaptive Varieties Breeding Project (Tropical Forest Resilience Project) for forests in Indonesia began full-scale operations. This is a joint project of Japanese and Indonesian industry, government and academia. As the only participating Japanese private-sector company, Sumitomo Forestry is working with universities and research institutes in both Japan and Indonesia to jointly research and develop varieties that are resilient to climate change with the aim to enhance the resilience of the forestry industry and achieve sustainable forestry.

In Indonesia, there are concerns that climate change will lead to the decline and degradation of forests, including tropical forests. This project aims to develop technologies that will select and propagate Indonesia's major tree species that can adapt to climate change. Sumitomo Forestry, using as its base the manufacturing subsidiary Kutai Timber Indonesia (KTI), will oversee the propagation of selected trees and the

production of seedlings utilizing tissue culture and other technologies. During the afforestation phase, we will conduct simulations of environmental change caused by climate change and plant the selected superior tree varieties to enhance the forest's ability to serve as a CO<sub>2</sub> removal and storage. We hope that these initiatives to promote the growth of forests that are highly adaptable to climate change will restore the ecosystem, create a positive regional and economic impact through future timber manufacturing and ultimately, build a social consensus that promotes afforestation in Indonesia. Through this project, we aim to achieve SDG Goal 13 (Climate Action: Regulating and reducing emissions and promoting renewable energy) and Goal 15 (Life on Land: Reversing man-made deforestation and desertification to sustain all life on earth).



Growing seedlings and planting trees at KTI



Please refer to these sites for more information about related targets and initiatives.

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





Material Issue  
**2**

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

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

**Related targets**

**Renewable energy implementation rate\***  
[Initiatives to achieve RE100]

Fiscal 2024 **35.1%**  
Sumirin Denki participation rate  
Fiscal 2024 post-FIT surplus power acquisition **45%**

**Fiscal 2022 actual**

Renewable energy implementation rate\* **3.9%**  
Sumirin Denki participation rate **50.3%**

\* Excluding offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as a whole nation.

**Related targets**

**ZEH order ratio (%) of new custom-built detached houses**

Fiscal 2024 **80.0%**

**Fiscal 2022 actual**

**77.2%**

### Utilizing "Sumirin Denki" renewable energy for power usage in Japan

With the intensification of the impact of climate change on global scale, companies are being tasked to reduce their greenhouse gas emissions. Sumitomo Forestry Group set out greenhouse gas emission reduction targets (Scope 1, 2 and 3), which were approved by the Science Based Targets Initiative as science-based targets in July 2018. Subsequently, to accelerate our decarbonization efforts with the view to achieve net zero emissions by 2050, the Group raised its 2030 greenhouse gas reduction targets (Scope 1 and 2) from the previous 21% reduction to a 54.6% reduction to align with the 1.5°C target and incorporated these goals in the Mid-Term Management Plan that started in 2022. To achieve these goals, in March 2020, we became a member of RE100\*, a global initiative to use 100% renewable energy for electricity.

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

In our Mid-Term Sustainability Targets as part of the 2024 Mid-Term Management Plan, to achieve RE100 by 2030 in areas where we can do so based on our own effort, we set a goal to have 35.1% of the electricity we use for our Group business

operations be from renewable energy by fiscal 2024. As one approach to achieve this, we use Sumirin Denki for our electricity consumption in Japan.

Sumirin Denki is a service that purchases surplus electricity and sells it on behalf of homeowners of Sumitomo Forestry Homes and customers who have installed Sumitomo Forestry Home Tech solar energy panels after the renewable energy FIT (feed-in tariff) purchase period has elapsed (post-FIT). By utilizing surplus electricity purchased from home solar power generation systems for our offices, exhibition sites and other areas, Sumitomo Forestry Group is working to increase the ratio of renewable energy of our total power consumption in Japan. Through activities to promote Sumirin Denki subscriptions conducted by our call centers, the 2022 post-FIT subscription rate of owners (Sumirin Denki purchases) rose 10.5 points from the previous year to 50.3%. We are also supplying renewable energy to 38 exhibition sites in the Kinki area and by fiscal 2023, we plan to switch to supplying power via Sumirin Denki to all exhibition sites where Sumitomo Forestry has supply contracts with power companies. To achieve RE100, we are working on initiatives to raise the subscription rate of post-FIT surplus power purchasing.

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

### Began sales of LCCM housing, which achieve negative CO<sub>2</sub> emissions throughout the house's entire life cycle.

The housing sector accounts for 14.7%<sup>\*1</sup> of Japan's CO<sub>2</sub> emissions. To reduce CO<sub>2</sub> emissions from housing, measures are being taken to promote ZEH (net zero energy houses) for newly built homes. ZEH combines high-performance insulation, energy-saving equipment and devices, and solar power and other energy generation systems to achieve an annual primary energy consumption balance of zero. Sumitomo Forestry homes use wood as a structural material, which has excellent heat insulation properties, and integrate energy-saving, energy-generating and energy-storing technologies to improve energy efficiency and reduce CO<sub>2</sub> emissions during occupancy. In fiscal 2022, the ZEH order ratio was 77.2%, up 9.8 points from the previous year.

In April 2022, we introduced LCCM (life cycle carbon minus) housing. These homes achieve negative CO<sub>2</sub> emissions over the entire life cycle of the house, not only during occupancy, but also through construction and demolition, through renewable energy generation systems, such as solar power. Sumitomo Forestry homes use wood as a structural material wood, which absorbs CO<sub>2</sub> during growth through photosynthesis and stores this as carbon even after being harvested. In addition, our proprietary BF (Big Frame) Structure allows for flexible floor plan changes, which

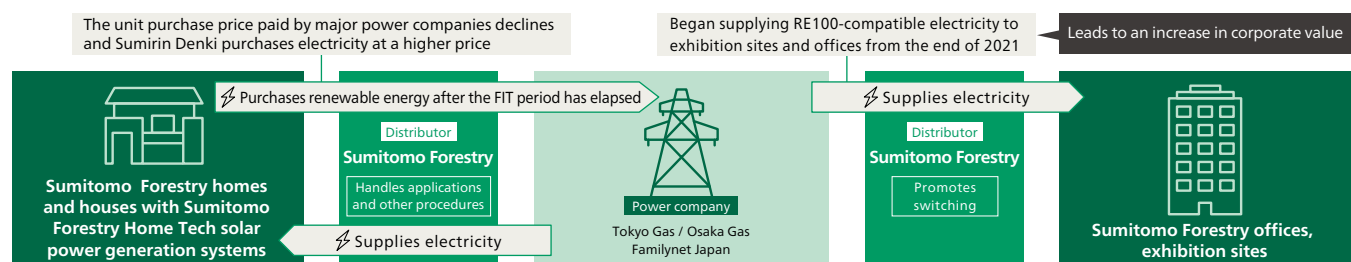
extends the life of the building and leads to long-term carbon fixation. Sumitomo Forestry's LCCM housing takes advantage of the benefits of wood to reduce total CO<sub>2</sub> emissions during construction, renovation and demolition, and to achieve LCCM through renewable energy generation systems, such as solar power, energy-saving equipment and innovative design. By offering LCCM and other types of homes, Sumitomo Forestry Group is contributing to the realization of a decarbonized society.

\*1 Source: "Summary of Fiscal 2021 Greenhouse Gas Emissions/Absorption Volume (factual data)," Ministry of the Environment

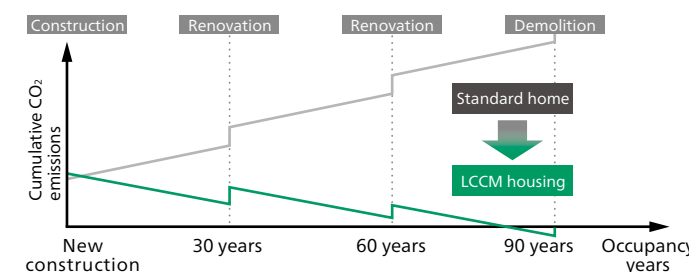


LCCM housing model home (Yonago model home)

#### How Sumirin Denki works



#### CO<sub>2</sub> balance\*2



\*2 Standard home refers to conventional wooden houses that do not have environmental equipment, such as solar panel generation systems. LCCM housing is based on the Company's model plan (BF structure, two stories, 114.18 m<sup>2</sup> total floor area).

**Standard home**

- CO<sub>2</sub> emissions increase with the length of occupancy

**LCCM housing**

- CO<sub>2</sub> emissions are reduced to negative figures every year with energy-saving and energy-generating systems
- Achieves a negative CO<sub>2</sub> balance, including demolition

Please refer to these sites for more information about related targets and initiatives.

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



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



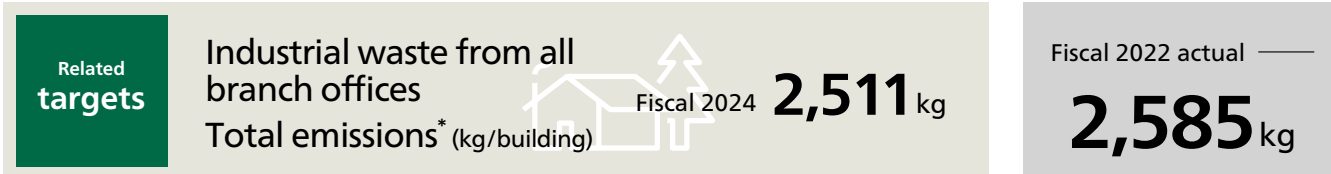
Please refer to these sites for more information about related targets and initiatives.

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



**Material Issue**  
**3 To realize a circular bioeconomy by leveraging forests and wood resources**

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



\* Excluding the Construction Business Sub-Division

**Reducing industrial waste at housing construction sites by promoting pre-cut processing of building materials**

Since 2020, Sumitomo Forestry has been expanding the use of pre-cut building materials to reduce industrial waste from housing construction sites. Pre-cutting refers to the processing of parts and materials at factories or at contractor sites instead of on-site. For our custom-built detached houses, we are pre-cutting our original structural panel called Kizure Panel\* and our exterior wall siding materials. In addition, in a first for the housing industry, Sumitomo Forestry is working in collaboration with the manufacturer to pre-cut roof slate materials (ColorBest roof materials),

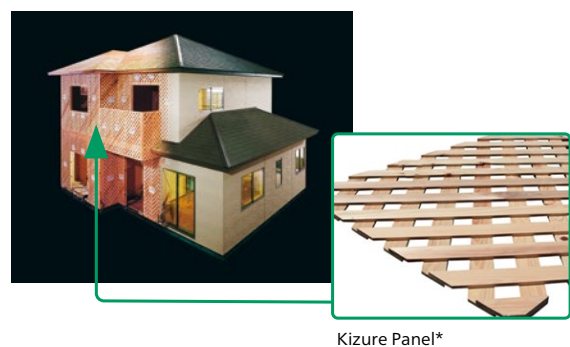


Roof slate

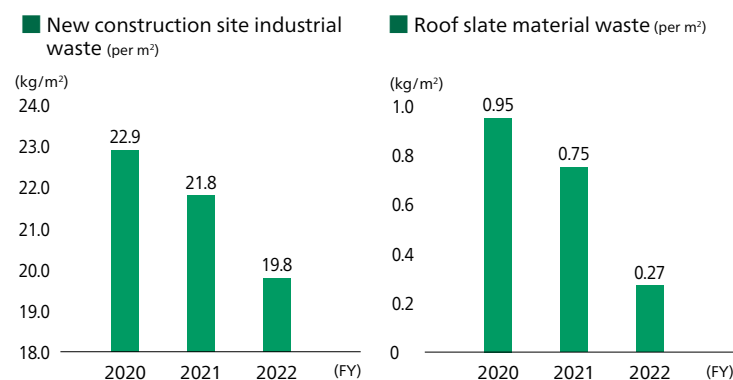
which account for approximately 80% of the roof materials used in our custom-built detached houses. By the end of 2022, the installation rate of pre-cut roof slate materials at target properties reached 100%, resulting in a 150kg reduction in waste per building. As for Kizure Panels, by the end of 2022, the installation rate at target properties reached 100%, resulting in a 70kg reduction in wood waste per building. Against the backdrop of a shortage of subcontractors with the necessary processing technologies and skills, we are developing a processing system to improve the installation rate of pre-cut exterior wall siding materials.

Sumitomo Forestry is working to promote pre-cut building materials not only to reduce industrial waste, but also to improve on-site work efficiency and construction safety. This also contributes to resolving housing construction site issues where labor shortages are becoming more serious with the declining birthrate, aging population and decrease in skilled workers. In the future, we will further promote the pre-cutting of exterior wall siding materials and other building materials.

\* Inspired by the traditional wooden latticework called Kirengoshi, an original structural panel with three functions – structural load-bearing material, ventilation layer and base for mortar coating



Kizure Panel\*



Please refer to these sites for more information about related targets and initiatives.

<https://sfc.jp/english/sustainability/management/materiality3.html>



<https://sfc.jp/english/sustainability/environment/resource/housing/>



\* Abbreviation of Environmental Product Declaration. An ISO-compliant environmental certification labeling system that visualizes CO<sub>2</sub> emissions over a product's entire life cycle, from resource extraction to disposal.

**Working to visualize CO<sub>2</sub> emissions across the entire supply chain**

As the sole distributor in Japan, Sumitomo Forestry introduced in August 2022 the Japanese version of One Click LCA, a software that enables the visualization of a building's CO<sub>2</sub> emissions.

The construction sector is said to account for 37%<sup>\*1</sup> of the world's CO<sub>2</sub> emissions. Of this amount, approximately 70% is from during the occupancy of buildings (operational carbon) and the remaining 30% is from raw material procurement to processing, transport, construction, renovation and demolition (embodied carbon). Operational carbon is being reduced with the popularization of ZEH and ZEB<sup>\*2</sup>. Reducing embodied carbon is an urgent issue for the future.

By using OCL, users can calculate embodied carbon and others with LCA<sup>\*3</sup>, which evaluates the environmental impact of a building throughout its life cycle based on data on individual materials used at construction sites.

In February 2023, Sumitomo Forestry launched businesses to promote among timber and building material manufacturers the acquisition of the EPD environmental labeling system, which

indicates the environmental impact of building materials. We also began commission-based One Click LCA calculation services for developers, general contractors and architectural design offices.

Promoting these throughout the construction industry will lead to the visualization of CO<sub>2</sub> emissions from buildings and carbon neutral design.

In Europe, regulations for the construction industry are becoming stricter, including those related to disclosure of CO<sub>2</sub> emissions reduction data. This trend is expected to spread to Japan as well, making it necessary to expand the acquisition of the environmental labeling system EPD, which is required for data disclosure. However, the high cost and workload involved in acquiring the labeling are hurdles.

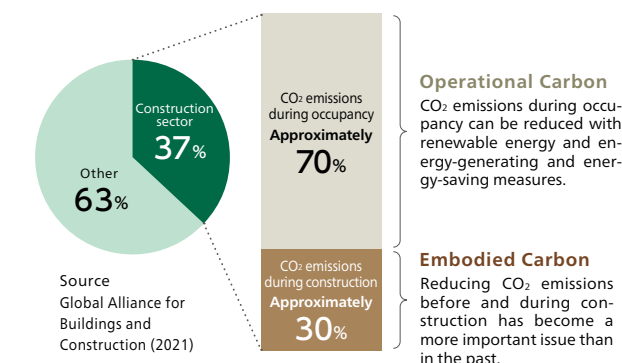
As a leader in the timber and building materials industry, Sumitomo Forestry will continue to work to popularize One Click LCA and EPD labeling to contribute to the decarbonization of the entire supply chain.

\*1 Source: Global Alliance for Buildings and Construction (2021)

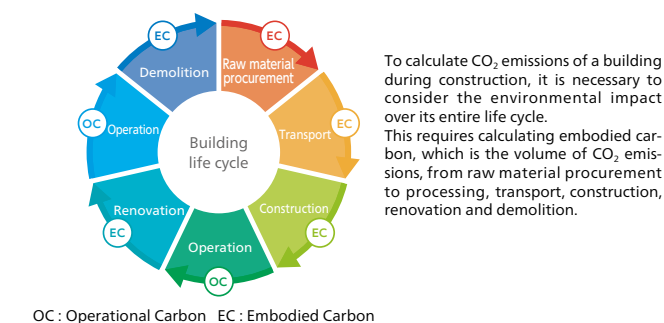
\*2 Abbreviation of Net Zero Energy Building

\*3 Abbreviation of Life Cycle Assessment

**Global CO<sub>2</sub> emissions by industry**



**One Click LCA efficiently calculates the environmental impact of a building over its lifetime.**



Please refer to these sites for more information about related targets and initiatives.

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



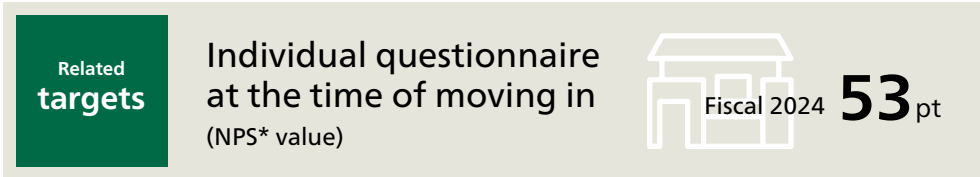




Material Issue  
**4**

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

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



\* Net Promoter Score. An index that measures customer loyalty (degree of trust and sense of attachment to a company or brand)

### Offering disaster-resistant, comfortable housing

There is a growing demand for high-quality housing that is safe, durable and environmentally sustainable. Sumitomo Forestry is promoting the popularization of ZEH, which aims to achieve an annual primary energy consumption balance of zero, thereby contributing to reduced environmental impact, and offering homes that are disaster-resistant and comfortable to live in throughout the year.

Sumitomo Forestry's wooden homes feature our proprietary BF (Big Frame) Structure. With the use of large, laminated engineered wood that are equivalent to about five ordinary columns and strong special metal hardware joints, it achieves high earthquake and wind resistance.

Seismic tests using a full-size, three-story model building confirmed that earthquake resistance was maintained even with a powerful magnitude 7 earthquake, such as the Great East Japan Earthquake, as well as with repeated aftershocks.

### Visualizing customers' honest feedback for continuous improvement

To provide spaces of value to society, it is important to listen closely to what the people who live in them are saying. Sumitomo For-

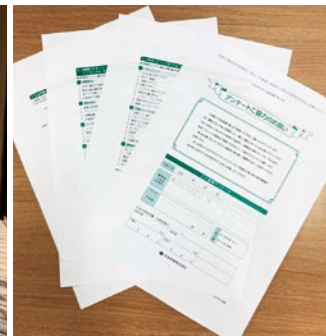
estry conducts surveys of homeowner customers when moving in and then at the second and tenth year of occupancy regarding the house, its various components, how well company representatives took care of them and other aspects. In addition, we adopted NPS as one indicator of customer satisfaction and added the question, "Would you recommend Sumitomo Forestry homes to your relatives, friends and acquaintances?" with 11 choices of graded answers. We set a goal to raise our NPS score to 53pt by fiscal 2024. In the fiscal 2022, our score rose 2.3pt from the previous year to 53.2pt.

Once a month, a cross-sectional working group within the Housing Division reviews results of NPS and other surveys to discuss ways to make improvements. Detailed survey results are also provided to the relevant divisions, such as the branch offices. A PDCA (plan-do-check-act) cycle has been put in place for ongoing continuity to share information on good practices and to report follow-up remedies on areas that need immediate improvement.

In fiscal 2022, to further accelerate our improvement efforts, we implemented a management tool that helps branch offices visualize survey results. We will continue to listen closely to customer feedback to provide society comfortable and secure spaces.



A comfortable and secure space of a Sumitomo Forestry home



Customer survey conducted after moving in (sample)

Please refer to these sites for more information about related targets and initiatives.

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



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



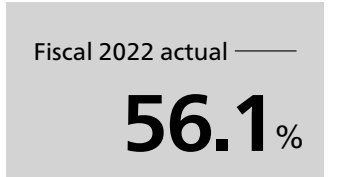
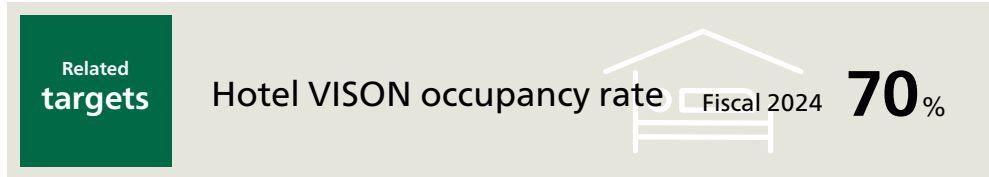
<https://sfc.jp/english/sustainability/social/customer/>



Material Issue  
**5**

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

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



### Regional revitalization through our businesses

Sumitomo Forestry Group is participating in the development of VISON, one of Japan's largest commercial facilities in Taki Town, Mie Prefecture, and launching an accommodation business through a joint industry-government-academia project that aims to promote industry and create employment utilizing local resources. VISON Hotel Management, jointly owned by Sumitomo Forestry, H.I.S. Hotel Holdings and Aquaignis, opened Hotel VISON and Hatago VISON in 2021. Hotel VISON has six villas and 155 guest rooms and Hatago VISON has 40 guest rooms for a total of 201 guest rooms.

VISON features 70 specialized and diverse restaurants, stores and hot spring bathing facilities centered on the themes of food and relaxation. Seasonal events are held on a regular basis to give visitors a sense of enjoyment of travel even within the facility. With a direct connection to the Seiwa-Taki Interchange on the Ise Expressway, VISON is conveniently located to nearby tourist sites. It is just 20 and 40 minutes by car, respectively, to Ise Grand Shrine and Kumano Kodo, a World Heritage site.

In addition to the accommodation business, Sumitomo Forestry actively participates in local events. In October 2022, Sumitomo Forestry sponsored the 8th Mie Chainsaw Technology Competition held at Kiond, a hands-on, experiential wood and

forest facility located in VISON, to promote and support the region's important forestry industry. In February 2023, Hotel VISON also participated in the Nyujuku Tekuteku Hina Tour, an event that has been held since 2016 to encourage residents to enjoy walking around the Nyu district of Taki Town. As part of the tour, local junior high school students were invited to participate as volunteers in the display of hina dolls within the Hotel VISON compound.

Through our operations at VISON, we are utilizing our comprehensive know-how of existing businesses to promote regional development initiatives that value interactions with residents and respect the unique resources and culture of the region.



Hina dolls displayed as part of the Niujuku Tekuteku Hina Tour



Honzo Spa hot springs bathing facility



Exterior view of a villa

Please refer to these sites for more information about related targets and initiatives.

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



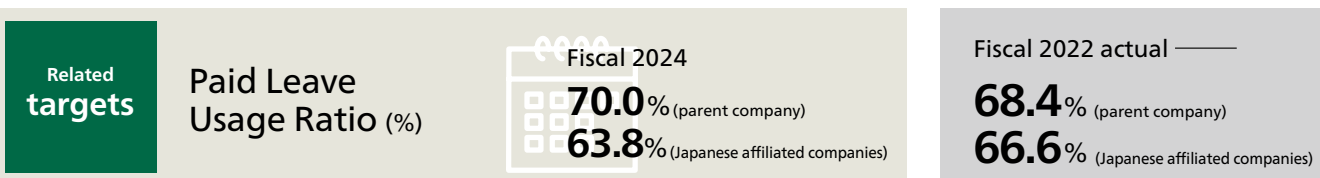
<https://sfc.jp/english/sustainability/social/social-issue/index.html>



Material Issue  
**6**

## To create a vibrant environment for all workers

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



### Creating a vibrant workplace where employees can thrive

At Sumitomo Forestry, we recognize diverse work styles and strive to create a workplace where employees can find fulfillment in their work. We seek to enhance the quality of life for each employee by increasing the rate of paid leave utilization, reducing overtime and other measures to create a vibrant workplace where employees can thrive.

Sumitomo Forestry encourages employees to take at least 70% of their annual paid leave. To promote annual paid leave, we disclose on the internal company website a list of those taking paid leave at each business location and other measures for transparency. To facilitate the use of paid leave, we created half-day or hourly increments and the planned use of summer vacation and refreshment leave. For the Housing Division, which is closed on Tuesdays and Wednesdays, we also established a four-day planned annual leave system. In addition, we recognize that long

work hours may lead to workplace accidents as well as future labor shortages and hence, are working to improve both work systems and workflow.

In health management, we are striving to reduce absenteeism from work due to injury or illness and to prevent a decline in productivity due to presenteeism.\* We organize walking events and hold live health seminars to improve lifestyle habits, such as sleep, diet and exercise.

In January 2022, we abolished existing telework rules and formulated new ones by expanding the number of employees eligible for telework and adding provisions for satellite and mobile work. Under these new telework rules, which aim to realize work/life balance and improve productivity, all employees can take advantage of the new system up to two days a week (for three or more days a week with prior application and approval). We will continue to strive to create a work environment where each employee can feel motivated.

\* A situation where a person goes to work despite an illness or other condition that reduces his or her ability to work productively.

### Actively recruiting and training non-Japanese employees and creating an environment where diverse human resources can thrive

In recent years, labor shortages due to Japan's declining birth-rate and aging population have become a social issue. To sustain business growth in such a society, we must create an organization where diverse human resources can unharness their capabilities. In 2019, the Japanese government established the specified skills foreign worker resident status that accepts certain foreign nationals as workers to address labor shortages in specific industries. Sumitomo Forestry Group's Sumirin Business Services Co., Ltd. established the Global Sales Department and began recruitment services for non-Japanese workers. Sumirin Fill Care, a Sumitomo Forestry Group company that operates nursing care services, has been utilizing Sumirin Business Services' recruitment services to employ non-Japanese as nursing care staff at its private nursing homes since 2020.

Due to the COVID-19 pandemic, we were unable to recruit people from abroad at the beginning of 2020. Instead, we approached and recruited foreign students who were unable to return to their home countries and others who had completed

their technical intern training program in Japan.\* After being hired, the employees underwent a month-long training program to learn about Sumirin Fill Care's philosophy, basic nursing care knowledge, Japanese etiquette and Japanese way of speech and communication. As of April 2023, 23 Vietnamese employees are working at the Company's facilities.

To create an environment where diverse human resources can thrive regardless of nationality, religion or other factors, it is important to raise the awareness of the Japanese employees who receive them, as well. We are actively working to do so by holding meetings for nursing home managers regarding the proper attitudes and differences in culture when working with non-Japanese employees. By clarifying work content and instructions, which are often expressed in vague terms, we hope to positively impact work styles of Japanese employees, as well. In the future, Sumitomo Forestry Group will share knowledge accumulated through these initiatives and promote the creation of workplaces where diverse human resources can thrive and feel motivated.

\* A resident status created to contribute to global development by enabling participants to acquire knowledge about Japanese technology through on-the-job training that they can later take back to their home country.

#### Major initiatives and systems to realize work/life balance

A safe environment Promoting health management	Health management promotion structure	In the Workstyle Diversification Department of Personnel Department, we have on staff two clinical psychologists and one public health nurse for disease prevention and to support employees who have lost time due to injury or illness. At offices with 50 or fewer employees, we have appointed an occupational physician and a health supervisor (person in charge of hygiene).
	Mental healthcare	Utilizing results of stress checks, we conduct self-care and mental healthcare seminars, which are available to a wide range of employees through e-learning. We have also established a consultation service through an affiliation with an external EAP organization to provide third-party advice and counseling.
	Initiatives to reduce long work hours	
	Implemented per hour productivity evaluations	Revised personnel evaluations based on conventional per employee performance to raise awareness of time-based costs and reduce long work hours.
	Flextime system	Stipulated the number of work hours per month and made daily work hours flexible to more evenly distribute overall work time.
	Work time interval system	Created a system that secures at least 11 hours of rest time between the end of the previous day's work and the start of the next day's work to prevent overwork.
	Telework	Created an environment that allows employees to telework. All employees are eligible to do so up to two days a week. With prior application and approval, three or more days a week is also possible.
	Promoting the use of paid annual leave	Encouraging employees to take at least 14 days of planned paid annual leave per year, including summer vacation and refreshment leave.
	Family Friendly Day	For the Housing Division, which is closed on Tuesdays and Thursdays, encouraging employees to take off Saturday or Sunday at least once a month.
	Work/life balance	Supporting both work and childcare
Supporting both work and nursing care		In addition to nursing care leave (up to 365 days in total), a three-day work week and other systems that exceed legal requirements, the Company seeks to create an environment where employees can continue working while providing nursing care by distributing handbooks about balancing work with nursing care, providing basic information about elderly care facilities and nursing care costs, and holding seminars on nursing care.
Workplace location request system		An employee may request a transfer to a location of his/her choice for reasons of marriage, a spouse's transfer, childcare or nursing care.
Voluntary early retirement system		While the retirement age is set at the end of the year in which the employee reaches 65 years of age, it may be moved up to the day before the employee's 60th birthday upon employee request.
Senior Human Resources Bank Center		Reemployment contracts are available after retirement with no age limit if needed by the company and desired by the individual.
Re-hiring request system	After an employee leaves the company for personal reasons, under certain conditions, he/she may be entitled to a continuation of benefits when re-hired.	

Please refer to these sites for more information about related targets and initiatives.

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



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



Please refer to these sites for more information about related targets and initiatives.

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



Group training for Vietnamese employees prior to workplace assignment



A meeting between Japanese and Vietnamese employees





Material Issue  
**7**

## To create new markets with forests and wood

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

**Related targets**

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

Wooden office building in Australia	Wooden office building in the US
Fiscal 2023 completion	Fiscal 2023 Southstone Yards project completed
Wooden office building in the UK	Fiscal 2024 The Garren Project completed
Fiscal 2024 completion	

Fiscal 2022 actual —

**Start of construction of wooden office buildings in the US and UK**

### Expanding medium- to large-scale wooden building projects to transform cities into forests

To realize a decarbonized society, Sumitomo Forestry Group is promoting the development of medium- to large-scale wooden buildings that achieve net zero carbon emissions. Compared to RC and other types of buildings, wooden buildings emit less CO<sub>2</sub> during raw material production and construction. In addition, because trees absorb CO<sub>2</sub> during growth and continue to store it as carbon even after being processed into wooden building materials, expanding the use of wood will contribute to the realization of a decarbonized society.

Currently, we are constructing a RC/wooden mixed structure building with 15 floors above ground and two basement floors in the suburbs of Melbourne. Completion is scheduled for September 2023.

In London, we are also planning to develop a six-story wooden, environmentally conscious office building, which received the World Architecture Festival Award 2021<sup>1</sup> and other awards for its advanced low-carbon design.

In the US, in addition to the development of a seven-story wooden office building in Dallas, Texas, and a three-story wooden

office building in the suburbs of Atlanta, Georgia, which we started in December 2022, we are moving forward with a project to renovate an existing building of historical and cultural significance to pass on its social value.

As part of these projects, we are working to obtain green building environmental certifications, such as the LEED<sup>2</sup> green building rating system and the WELL Building Standard<sup>3</sup> for healthy office buildings, to provide offices with high social and environmental added value.

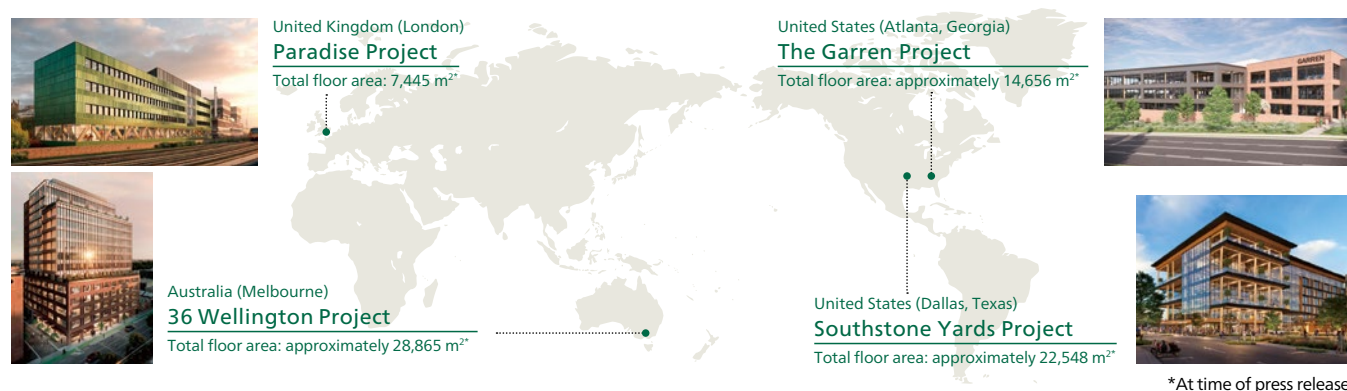
In Japan, we are working on several similar projects, such as a ten-story, fire-resistant wooden building we are constructing jointly with Kumagai Gumi in Sapporo under the "with TREE" brand of medium- to large-scale wooden buildings. Sumitomo Forestry Group will continue to expand projects in Japan and overseas and contribute to the decarbonization of society with the popularization of wooden buildings

<sup>1</sup> An architectural award program that recognizes outstanding buildings around the world.

<sup>2</sup> An environmental performance assessment system for buildings and sites developed and operated by USGBC (US Green Building Council).

<sup>3</sup> An evaluation system for buildings that focuses on people's health and well-being. Measures attributes of buildings that impact health by looking at ten factors or concepts. Certification is based on a review of documents and on-site inspections and given at four levels according to the score obtained.

#### Sumitomo Forestry Group medium- to large-scale wooden buildings overseas Examples



Please refer to these sites for more information about related targets and initiatives.

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

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

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

Material Issue  
**8**

## To transform markets through DX and innovation

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

**Related targets**

**Data linkage with customer (company)**

**Adoption rate (%)**

Fiscal 2024

**820** companies

**59%**

Fiscal 2022 actual —

**746** companies

**53%**

### Providing a service that digitally sends delivery slips and invoices

In October 2016, Sumitomo Forestry began offering a free service called Dennagon for its business partners to access and electronically receive delivery slips and invoices that were previously sent in paper form.

With Dennagon, data for delivery slips and invoices is updated every morning at 7:00am and made available for downloading. Dennagon also features a CSV output function for data processing with spreadsheet software, a search function for searches of delivery slips and invoices by order number or supplier name, data storage for ten years, and output as PDF files.

In the timber and building materials industry in Japan, many elements remain analog, such as telephone and fax communication with business partners. Analog processing often results in careless mistakes and loss of time. Dennagon can reduce such administrative burdens. In addition, because it can store data, it

is compatible with the Law on Book and Record Keeping through Electronic Methods of the Japanese government.

Business partners have commented that their work is smoother because they can quickly obtain information and easily find documents that are in data form. This has benefited our company, as well, by reducing the administrative burden and cost of sending out delivery slips and invoices.

Previously, we used an external system, making it difficult to change specifications on the site. However, the system was brought in-house in fiscal 2022 and we created an environment that allows specification changes based on user opinion. Sumitomo Forestry will strive to promote DX by raising awareness of Dennagon among its business partners, increasing the number of companies that use it and enabling two-way communication.

#### Dennagon



#### Number of companies using Dennagon (cumulative)



Please refer to these sites for more information about related targets and initiatives.

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

[https://sfc.jp/treecycle/mokuzai\\_distro/pdf/dennagon\\_pamphlet.pdf](https://sfc.jp/treecycle/mokuzai_distro/pdf/dennagon_pamphlet.pdf)

Material Issue  
**9**

## To establish a robust business structure

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

Related targets

### Implementation and disclosure of TCFD scenario analyses\*

**Fiscal 2024**  
Reflect Sumitomo Forestry Group's measures in each business division's strategy under the next Mid-Term Management Plan

### Fiscal 2022 achievements

Newly implement for two divisions – the Environment and Resources Division and the Overseas Housing Division (former name)

\* Conduct scenario analyses of all business divisions by March 2023 to study overall impact on the Group

## A strategic response to climate change

Sumitomo Forestry Group, in awareness of the risks and opportunities associated with climate change, declared in July 2018 its support of the TCFD\* (Task Force on Climate-Related Financial Disclosures) Recommendations established by the Financial Stability Board. In the same year, the Timber and Building Materials Division and the Housing Division conducted its first scenario analysis based on these TCFD recommendations to evaluate the risks and opportunities that climate change has on society and the company as well as the resilience of the company's strategy. In the following fiscal 2019, we began disclosing information using the framework outlined in the TCFD recommendations. We implemented scenario analyses of the Environment and Resources Division and the Overseas Housing and Real Estate Division (former name) in 2021. In addition, we conducted a company-wide, cross-organizational analysis for all divisions in the Group in 2022.

\* Abbreviation of the Task Force on Climate-Related Financial Disclosures, which was established in April 2015 by a directive from the Financial Stability Board. This initiative aims to encourage companies and organizations to disclose more information related to climate change in recognition of the increased risk to financial assets that climate change is causing in terms of natural disasters and stranded assets. As of April 28, 2023, 4,458 financial institutions, companies and organizations worldwide have declared their support, of which 1,306 companies and organizations are based in Japan

## Four areas of TCFD disclosure

The TCFD requires the disclosure of the following: 1) The organization's governance related to climate-related risks and opportunities; 2) The actual and potential impact of climate-related risks and opportunities on the organization's businesses, strategies and financial planning; 3) The method of selection, management and evaluation of climate-related risks and opportunities; 4) Indicators and targets related to the evaluation and management of climate-related risks and opportunities. Sumitomo Forestry is actively working on initiatives to improve the content of its disclosures.

## Identifying and evaluating risks and opportunities

Based on the results of scenario analyses conducted in the past for each business unit, Sumitomo Forestry Group implemented scenario analyses in 2022 for the Timber and Building Materials Division, the Housing Division, the Global Housing, Construction and Real Estate Division, the Environment and Resources Division, and the Lifestyle Service Division. We examined the circumstances of two scenarios for 2030 – a 4°C increase where no progress is made in addressing climate change and a 1.5°C/2°C increase where progress toward decarbonization is made. The main issues are as follows.

### Scenario analysis results by division

	Transition risks	Physical risks	Opportunities
Timber and Building Materials Business	Increased wood procurement costs due to stricter forest protection policies that raise logging taxes and reforestation costs	Decline in sales and lower wood procurement volume due to stricter forest protection policies that reduce areas available for forest operations	Rise in sales of timber and building materials with the development of environmentally conscious housing and medium-to large-scale constructions
Housing Business	A relative fall in the value of wood, leading to a decline in sales of wooden constructions, with the development of decarbonization technologies for steel, concrete and other building materials over the long term	Decline in sales of wooden detached houses due to the intensification of disasters that prompt a growing preference for more robust buildings	Rise in sales with entry into growing markets, such as environmentally conscious multi-family housing and other, with changes in customer preferences, policies, etc.
Global Housing, Construction and Real Estate Business	Loss of brand value, fall in share price, and decline in sales due to a delay in environmental regulation compliance	Intensifying competition to secure development sites due to a shift in demand to areas with lower disaster risk	Expanded market for medium- to large-scale wooden buildings in response to ESG demand from investors and financial institutions
Environment and Resources Business	Decrease in timber production due to stricter forest protection policies	Increased road damage and road repair costs due to changes in precipitation and weather patterns	Increase in forestry fund credit sales gains due to a credit market expansion
Lifestyle Service Business	Decline in sales of the gasoline card business due to a shift from gasoline to electric vehicles	Decrease in customers and increased safety consideration costs of company-owned facilities due to rising temperatures	Acquisition of customers with our safety and security measures in response to greater customer awareness of decarbonization and the intensification of disasters

## Consideration of measures to address cross-organizational issues

In our scenario analysis of all divisions conducted in 2022, we analyzed risks and opportunities by business operation and then identified issues that affect multiple operations. Among these,

we assigned particularly important issues as items for cross-organizational deliberation of countermeasures. The main issues are as follows.

### Relationship Between Cross-organizational Issues/Countermeasures and the Wood Cycle



### Acceleration of cyclical forest management

#### Expansion of forest supply to meet demand for decarbonization shift

- Develop tree species and forests in response to the shift to decarbonization, such as fuel wood and high-strength lumber
- Develop supply/demand for local consumption (secure and consolidate logging sites)

#### Expansion of wood biomass power generation business and biofuel supply business

- Expand applications of potential waste for wood chips, pellets and biorefinery/SAF fuel utilizing plentiful forest resources and wood technologies

#### Promotion of wood circular use

- Conduct new product design that lengthens the life cycle of wood and increases the scope and possibilities of wood reuse at the time of demolition. Also, expand the scope of reuse of demolition waste beyond the Kawasaki Chip Factory (biomass).

### Promotion of "Wood Change"

#### Strategies for supplying commercial products according to local market conditions

- Engage in lobbying for the standardization of carbon neutral design for medium- to large-scale buildings
- Clarify strategies by region, select owned forests, nurture Company-owned forests and develop products

#### Strengthen supply chain, including internal completion

- Upstream: Determine the allocation of Company-owned forests considering the positioning of the Company's resource strategy, including forestry funds, and supply chain efficiencies
- Midstream: Design production and distribution base locations to meet upstream and downstream supply chain requirements
- Downstream: Determine supply chain requirements for new housing constructions, renovations, remodeling and other and collaborate between departments

### Standardization of carbon neutral design

#### Strengthen supply chain, including internal completion

- Expand the concept of building management from the construction work contracting stage and grow the stock homes business to reduce post-construction GHG emissions

#### Community town development

- Pursue environmental consciousness separate from the superiority of wood

Please refer to these sites for more information about related targets and initiatives.

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



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





# Sumitomo Forestry Group Social Contribution Activities

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

Expenditure on Social Contribution Activities FY2022

Approx. **53** million yen

Social Contribution Donations FY2022

Approx. **334** million yen



Papua New Guinea

## Contributing to Health through Community Clinics

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

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

The Clinic is staffed day and night by health workers employed by OBT, who provide general medical care, deliveries, and medications, and also receive inpatients and transport critical patients over land and sea to large hospitals.



New Zealand

## Teapot Valley Area Natural Forest Restoration Project Begins

Group company Tasman Pine Forests (TPF), one of the group company’s overseas forestry businesses, has launched a project to restore natural forests damaged by the Pigeon Valley fire that occurred in February 2019 within TPF’s mountain forest in the South Island of New Zealand. Teapot Valley was one of the areas most affected by the fire. The area contained rare trees and wetlands. This project is part of the New Zealand government’s Billion Tree Planting Project, a government initiative that will run for approximately four years. TPF participates in the project with a financial and operational support. In September 2022, we invited officials from the Ministry of Primary Industries and the Tasman Regional Council to participate in tree planting activities.



the United States

## Social Contribution Activities at a Real Estate Development Company

In 2021, Crescent Communities, a Group company, in collaboration with the Catawba Lands Conservancy, which aims to preserve the land and the environment around Charlotte, NC, conducted an invasive species removal and litter pickup activity around the Catawba River. Crescent employees removed a total of 2,100lbs (about 950kg) of trash, helping to protect native plants and ecosystems. Crescent will continue to actively implement environmental promotion activities in the future.



Australia

## Social Contribution Activities Through the Housing Business

In 2022, Group Company Henley Properties sold three houses for sale that was built with the help of a residential land developer and component suppliers, etc., and donated the proceeds. Many people from the company’s business partners participated in this activity, with regard to land donation, design, cost estimation, component manufacturing and procurement, construction works management, and construction; Henley Properties donated all the earnings from the charity auction of a two-story house in Sunbury, north of Melbourne to a children’s hospital. Since its inception in 1993, the donations through the auction have totaled A\$18.23 million (approximately 1,713.6 million yen), which has been used for medical expenses for children suffering from illnesses.



Japan

## Oshima Cherry “Sakurakkabu” propagated in tissue culture Returns Home

Using tissue culture technology, Sumitomo Forestry and Tokyo Metropolitan Government have succeeded in propagating an estimated 800-year-old Oshima cherry tree called “Sakurakkabu,” which is native to Izu Oshima Island, and the seedlings have grown to about 1 meter. In March 2022, a tree planting ceremony was held on Izu Oshima Island. This is the first phase of the “Tokyo Sakura Project” launched by the Tokyo Metropolitan Government and Sumitomo Forestry in 2019.

This is the first time that our tissue culture technology has been used for a nationally designated special natural monument. The Tokyo Metropolitan Government and Sumitomo Forestry will continue their efforts to protect rare plant species other than cherry trees that grow in nature parks in Tokyo.



Japan

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

In 2012, Sumitomo Forestry concluded the “Agreement on Collaboration and Cooperation in Recovery and Community-Development Plan” with Higashi-matsushima City in Miyagi Prefecture. In 2017, in order to help the area recover from the Great East Japan Earthquake, we began a pilot project to plant trees on a seawall near the Nobiru Coast devastated by the tsunami. By reference to the opinions of third-party organizations, the selection of suitable native tree species and tree-planting methods were studied, and a tree-planting plan was formulated. With the help of the local people, we were able to confirm that the saplings were growing well, so we began full-scale tree planting activities in 2019. In 2022, 230 volunteers participated in planting 930 local plants. We also provided environmental education to third-year students of Miyanomori Elementary School, and are working to grow Raphiolepis umbellata, a local indigenous plant, until it becomes a seedling plant from seedlings. We are working together with the local community on medium- to long-term activities.



Please refer to these sites for more information about related targets and initiatives.

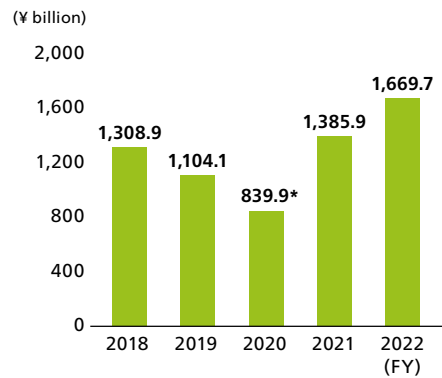
<https://sfc.jp/english/sustainability/social/contribution/>



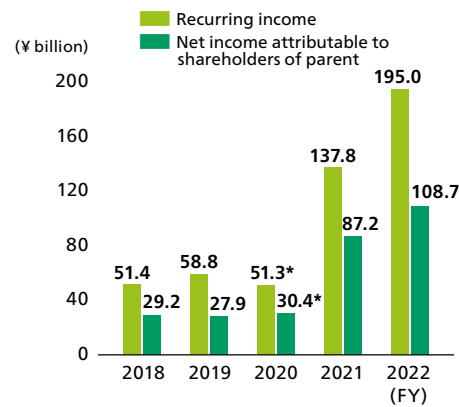
Corporate Profile As of December 31, 2022

Company Name	Sumitomo Forestry Co., Ltd.
Address of Headquarters	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Paid-in Capital	¥50,074 million
Incorporated	February 20, 1948
Founded	1691
Number of Employees	Non-consolidated 5,139, Consolidated 21,948
Company-owned Forests	Japan: approx. 48,000 ha Overseas: approx. 240,000 ha

Net sales

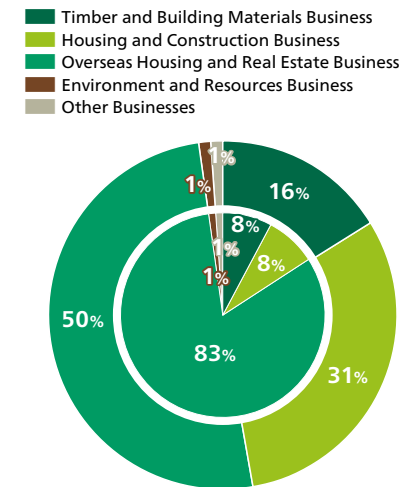


Recurring income/Net income attributable to shareholders of parent



Composition by Segment

(FY ended December 2022)  
(Outside: Net sales, inside: Recurring income)



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

● Socially Responsible Investment (SRI) Index/ESG Indicators



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



- Business Activities
- Global Housing, Construction and Real Estate Business
- Timber and Building Materials Business
- Environment and Resources Business
- Housing Business
- Lifestyle Services Business

Japan

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

The United States

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

United Kingdom

- Medium- to Large-scale Wooden Construction Business

China

- Timber and Building Materials Distribution Business

Vietnam

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

Thailand

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

New Zealand

- Overseas Forestry Business
- Manufacturing Business

Singapore

- Timber and Building Materials Distribution Business

Australia

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

Papua New Guinea

- Overseas Forestry Business

Indonesia

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

Canada

- Timber and Building Materials Distribution Business

The Netherlands

- Timber and Building Materials Distribution Business

● Awards and Recognition by Third Parties





## Sustainability Report (ESG Information) Website

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



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

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