

[TRANSLATION]

The following is an unofficial English translation of “Notice of Convocation of the 84th Ordinary General Meeting of Shareholders” (“Notice”) by Sumitomo Forestry Co., Ltd. (“Company”). The Company provides this English translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Japanese original is the sole official version and shall prevail in the event of any discrepancy between it and this English translation.

(Securities Code 1911)

March 6, 2024

(Measures for electronic provision have commenced on March 1, 2024)

To Our Shareholders

Toshiro Mitsuyoshi  
President and Representative Director  
Sumitomo Forestry Co., Ltd.  
1-3-2, Otemachi, Chiyoda-ku, Tokyo

## **NOTICE OF CONVOCAION OF THE 84th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your courtesies always shown to us. You are hereby notified of our 84th Ordinary General Meeting of Shareholders (“Meeting”) to be held as described hereunder.

To convene this Meeting, information contained in reference documents and other materials for the Meeting (Matters Related to Electronic Provision Measures) will be provided electronically. The matters are posted on the Company’s website. Please access the Company’s website indicated below to confirm.

The Company’s website:

<https://sfc.jp/information/ir/stockholder/information/202312.html>

In addition to the above-mentioned website, Matters Related to Electronic Provision Measures can be accessed using the Tokyo Stock Exchange, Inc. (TSE) website (Listed Company Search) by entering “Sumitomo Forestry” or “1911” in the issue name (company name) or securities code field, selecting “Basic information,” “Documents for public inspection/PR information,” and “Notice of Convocation of the Ordinary General Meeting of Shareholders/General Meeting of Shareholders Information.”

TSE website (Listed Company Search)

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

**If you are unable to attend the Meeting, you can exercise your voting rights by Writing or by electromagnetic method (the Internet etc.). Please refer to Reference Documents for the General Meeting of Shareholders listed in the Matters Related to Electronic Provision Measures, and exercise your voting rights in accordance with “Guidance Notes on Exercise of Voting Rights”(see page 3).**

1. **Date and Time:** Thursday, March 28, 2024 at 10:00 a.m. (Japan Standard Time)
2. **Place:** International Conference Hall, 2nd Floor, Keidanren Kaikan  
1-3-2, Otemachi, Chiyoda-ku, Tokyo
3. **Agenda:**
  - Matters to be reported:**
    - Item No. 1:** Reports on the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements for the 84th business term (from January 1, 2023 to December 31, 2023)
    - Item No. 2:** Report on the Results of Audits of the Consolidated Financial Statements for the 84th business term by the Accounting Auditor and Audit & Supervisory Board
  - Proposals to be resolved:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Election of Ten (10) Directors
    - Proposal No. 3:** Election of Two (2) Audit & Supervisory Board Members
    - Proposal No. 4:** Revision of Remuneration Amounts for Directors and Audit & Supervisory Board Members

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- Of the Matters Related to Electronic Provision Measures, the following matters are not included in the documents to be delivered to shareholders who requested the delivery of written documents, as they are posted on the Company's website and the TSE website in accordance with laws and regulations and the Articles of Incorporation; therefore, the documents to be delivered to the shareholders who requested the delivery of written documents are part of the subject documents audited by the Audit & Supervisory Board Members and the Accounting Auditors in preparing their respective audit reports and the Independent Auditor's Report :
    1. The Business Report: "Matters concerning stock acquisition rights and other of the Company," "Matters concerning Accounting Auditor" and "System to ensure the appropriateness of business operations and outline of the operational status of such system"
    2. The Consolidated Financial Statements: "Consolidated Statements of Changes in Net Assets" and "Notes to the Consolidated Financial Statements"
    3. The Non-Consolidated Financial Statements: "Non-Consolidated Statements of Changes in Net Assets" and "Notes to the Non-Consolidated Financial Statements"
  
  - When the Matters Related to Electronic Provision Measures need modification by the day before the Meeting, the Company will notify the shareholders by notice on the Company's website and TSE website.

## **【Guidance Notes on Exercise of Voting Rights】**

You can exercise your voting rights as follows;

**(A): Attending the Meeting**

Please bring the enclosed voting form and submit it to the reception desk at the Meeting.

Date and Time: From Thursday, March 28, 2024 at 10:00 a.m. (Japan Standard Time)

**(B) Exercise of voting rights in writing**

Please indicate your approval or disapproval of each proposal on the enclosed voting form, and return it and ensure it is received by our Administrator of Share Registry no later than the deadline noted below.

Deadline for exercise of voting rights: 5:30 p.m. on Wednesday, March 27, 2024 (Japan Standard Time).

**(C) Exercise of voting rights by “Smart Voting”**

By using your smartphone or tablet device to scan the “Smartphone use voting right exercise website login QR code” on the lower right of the enclosed voting form, you can exercise your voting rights via the website without entering your voting code and password.

**\*You can only vote by “Smart Voting” once.** If you intend to make a correction to the content of your vote after you exercised your voting rights, you are required to scan the QR code again and enter your voting code and password written on the enclosed voting form.

Deadline for exercise of voting rights: 5:30 p.m. on Wednesday, March 27, 2024 (Japan Standard Time).

**(D) Exercise of voting rights via the Internet**

Please use a personal computer, smartphone or cellular phone to access the Online Voting Site (<https://www.web54.net> (Japanese only)) and register your approval or disapproval of each proposal by using your voting code and password written on the enclosed voting form.

Deadline for exercise of voting rights: 5:30 p.m. on Wednesday, March 27, 2024 (Japan Standard Time).

### **Matters of Exercising Voting Rights**

- (1) If neither approval nor disapproval of each proposal is indicated on the voting form, it shall be deemed a vote of approval for the Company proposals.
- (2) If you exercise your voting rights more than once by electronic means (the Internet, etc.), we will only accept the last exercise of your voting rights as valid.
- (3) If you exercise your voting rights both in writing and by electronic means (the Internet, etc.), we will only accept the vote registered by electronic means (the Internet, etc.) as valid.

\*Any access fees to internet service providers and any communication fees (including, but not limited to telephone fees) for the usage of the voting website for voting shall be borne by the shareholders.

\*Please be aware that exercising voting rights by personal computer or smart phone may not be possible in certain internet user environments. In addition, exercising voting rights by cellular phone may not be possible with certain types of cellular phones.

Please contact the following numbers if you have any questions.

**Administrator of Share Registry**

**Sumitomo Mitsui Trust Bank, Limited (Help Desk)**

• **Inquiries about exercising voting rights: 0120-652-031**

(AM9:00~PM9:00, Japan Standard Time) (Japanese only)

• **Other inquiries: 0120-782-031**

(weekdays AM9:00~PM5:00, Japan Standard Time)

## Reference Documents for the General Meeting of Shareholders

### **Proposal No. 1: Appropriation of Surplus**

In light of a comprehensive consideration of the balance of our management bases, financial position and cash flow, the Company hereby proposes to appropriate the surplus in the following manner.

#### 1. Year-end dividend

With regard to the dividend of retained earnings at the end of the fiscal year under review, the Company intends to pay the following year-end dividend based on the Company's basic policy of continuously and stably returning profits to shareholders, taking into consideration its business performance for the fiscal year under review and other factors comprehensively.

The sum of the interim dividend and the year-end dividend will be 125 yen per share.

#### (1) Type of dividend assets

Cash

#### (2) Allocation of dividend assets to shareholders and the total amount thereof

- 65 yen per ordinary share of the Company

- Total amount: 13,374,929,100yen

#### (3) Effective date of the dividend payment:

March 29, 2024

#### 2. Appropriation of other surplus

In order to reinforce its base of operations and prepare for future business development, the Company hereby proposes to provide an amount as general reserve as follows:

#### (1) The item of surplus to be increased and the amount thereof

General reserve	12,341,000,000yen
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#### (2) The item of surplus to be decreased and the amount thereof

Retained earnings brought forward	12,341,000,000 yen
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**Proposal No. 2: Election of Ten (10) Directors**

At the conclusion of this Meeting, the term of office of all directors (9) will expire. Therefore, the Company hereby proposes to elect ten Directors, increasing the number of Directors by one (1) to enhance the supervisory function of the Board of Directors.

The nomination of each candidate was decided after consulting with the Nomination and Remuneration Advisory Committee, a voluntary committee chaired by an Outside Director, in which outside officers constitute a majority of its members.

Candidates for Directors are as follows:

Candidate No.	Name	Present Positions	
1	Akira Ichikawa	Representative Director, Chairman of the Board	Re-election
2	Toshiro Mitsuyoshi	Representative Director, President and Representative Director, President and Executive Officer	Re-election
3	Tatsumi Kawata	Representative Director, Executive Vice President	Re-election
4	Atsushi Kawamura	Director, Senior Managing Executive Officer	Re-election
5	Ikuro Takahashi	Director, Managing Executive Officer	Re-election
6	Nobuyuki Otani	Managing Executive Officer	New-election
7	Izumi Yamashita	Director	Re-election Outside Director Independent Officer
8	Mitsue Kurihara	Director	Re-election Outside Director Independent Officer
9	Yuko Toyoda	Director	Re-election Outside Director Independent Officer
10	Toshio Iwamoto		New-election Outside Director Independent Officer

1	<p><b>Akira Ichikawa</b> (Born on November 12, 1954)</p> <p><u>Re-election</u></p> <p><b>Number of shares in the Company owned:</b> 76,800 shares</p> <p><b>Attendance at Board of Directors meeting:</b> 15/15 meetings</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																
		<table border="0"> <tr> <td>April</td> <td>1978</td> <td>Joined the Company</td> </tr> <tr> <td>June</td> <td>2007</td> <td>Executive Officer</td> </tr> <tr> <td>June</td> <td>2008</td> <td>Director Managing Executive Officer</td> </tr> <tr> <td>April</td> <td>2010</td> <td>Representative Director (Current Position) President and Representative Director President and Executive Officer</td> </tr> <tr> <td>April</td> <td>2020</td> <td>Chairman of the Board (Current Position)</td> </tr> </table> <p>[Significant concurrent positions] Outside Director of Konica Minolta, Inc. Outside Director of Sumitomo Chemical Company, Limited</p>	April	1978	Joined the Company	June	2007	Executive Officer	June	2008	Director Managing Executive Officer	April	2010	Representative Director (Current Position) President and Representative Director President and Executive Officer	April	2020	Chairman of the Board (Current Position)	
April	1978	Joined the Company																
June	2007	Executive Officer																
June	2008	Director Managing Executive Officer																
April	2010	Representative Director (Current Position) President and Representative Director President and Executive Officer																
April	2020	Chairman of the Board (Current Position)																
<p>[Reasons for nominating a candidate to be Director] The Company requests shareholders to re-elect Mr. Ichikawa as Director because the Company believes that he is capable of executing his duty as Director appropriately, based on his abundant experience and achievement in corporate management which he developed during his career as President and Representative Director and Chairman of the Board.</p>																		
2	<p><b>Toshiro Mitsuyoshi</b> (Born on May 23, 1962)</p> <p><u>Re-election</u></p> <p><b>Number of shares in the Company owned:</b> 20,700 shares</p> <p><b>Attendance at Board of Directors meeting:</b> 15/15 meetings</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																
		<table border="0"> <tr> <td>April</td> <td>1985</td> <td>Joined the Company</td> </tr> <tr> <td>June</td> <td>2010</td> <td>Executive Officer</td> </tr> <tr> <td>April</td> <td>2011</td> <td>Managing Executive Officer</td> </tr> <tr> <td>June</td> <td>2014</td> <td>Director</td> </tr> <tr> <td>April</td> <td>2018</td> <td>Senior Managing Executive Officer</td> </tr> <tr> <td>April</td> <td>2020</td> <td>Representative Director (Current Position) President and Representative Director (Current Position) President and Executive Officer (Current Position)</td> </tr> </table>	April	1985	Joined the Company	June	2010	Executive Officer	April	2011	Managing Executive Officer	June	2014	Director	April	2018	Senior Managing Executive Officer	April
April	1985	Joined the Company																
June	2010	Executive Officer																
April	2011	Managing Executive Officer																
June	2014	Director																
April	2018	Senior Managing Executive Officer																
April	2020	Representative Director (Current Position) President and Representative Director (Current Position) President and Executive Officer (Current Position)																
<p>[Reasons for nominating a candidate to be Director] The Company requests shareholders to re-elect Mr. Mitsuyoshi as Director because the Company believes that, as he has been engaged in management of the Sumitomo Forestry Group (“Group”) as President and Representative Director since April, 2020, he is capable of executing his duty as Director appropriately, based on his abundant experience and achievement in the Group’s business.</p>																		

3	<p><b>Tatsumi Kawata</b> (Born on October 4, 1962)</p> <p><u>Re-election</u></p> <p><b>Number of shares in the Company owned:</b> 12,500 shares</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																							
		<table border="0"> <tr> <td>April</td> <td>1986</td> <td>Joined the Company</td> </tr> <tr> <td>June</td> <td>2016</td> <td>Executive Officer</td> </tr> <tr> <td>April</td> <td>2017</td> <td>Managing Executive Officer</td> </tr> <tr> <td>June</td> <td>2018</td> <td>Director</td> </tr> <tr> <td>January</td> <td>2022</td> <td>Senior Managing Executive Officer</td> </tr> <tr> <td>January</td> <td>2024</td> <td>Representative Director (Current Position) Executive Vice President (Current Position)</td> </tr> </table>	April	1986	Joined the Company	June	2016	Executive Officer	April	2017	Managing Executive Officer	June	2018	Director	January	2022	Senior Managing Executive Officer	January	2024	Representative Director (Current Position) Executive Vice President (Current Position)					
	April	1986	Joined the Company																						
June	2016	Executive Officer																							
April	2017	Managing Executive Officer																							
June	2018	Director																							
January	2022	Senior Managing Executive Officer																							
January	2024	Representative Director (Current Position) Executive Vice President (Current Position)																							
<p><b>Attendance at Board of Directors meeting:</b> 15/15 meetings</p>	<p>[Responsibilities in the Company] Administering Corporate Planning, Finance, Sustainability, Environment and Resources Division, Lifestyle Service Division In charge of General Administration, Legal, Secretary, External Relations, Corporate Communications, Human Resources Development/D&amp;I, IT Solutions and Internal Audit</p>																								
<p>[Reasons for nominating a candidate to be Director] The Company requests shareholders to re-elect Mr. Kawata as Director because the Company believes that, as he has been Director since 2018, has served as Executive Officer in charge of Corporate Planning, Finance, Sustainability, among other roles, and currently is Executive Vice President, he is capable of executing his duty as Director appropriately, based on his abundant experience and achievement in the Group's business and management.</p>																									
4	<p><b>Atsushi Kawamura</b> (Born on February 24, 1965)</p> <p><u>Re-election</u></p> <p><b>Number of shares in the Company owned:</b> 18,100 shares</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																							
		<table border="0"> <tr> <td>April</td> <td>1987</td> <td>Joined the Company</td> </tr> <tr> <td>June</td> <td>2016</td> <td>Executive Officer</td> </tr> <tr> <td>April</td> <td>2017</td> <td>Managing Executive Officer</td> </tr> <tr> <td>April</td> <td>2018</td> <td>Deputy Divisional Manager of Overseas Housing and Real Estate Division</td> </tr> <tr> <td>April</td> <td>2020</td> <td>Divisional Manager of Overseas Housing and Real Estate Division</td> </tr> <tr> <td>June</td> <td>2020</td> <td>Director (Current Position)</td> </tr> <tr> <td>January</td> <td>2023</td> <td>Senior Managing Executive Officer (Current Position) Divisional Manager of Global Housing, Construction and Real Estate Division</td> </tr> <tr> <td>January</td> <td>2024</td> <td>Divisional Manager of Global Construction and Real Estate Division (Current Position)</td> </tr> </table>	April	1987	Joined the Company	June	2016	Executive Officer	April	2017	Managing Executive Officer	April	2018	Deputy Divisional Manager of Overseas Housing and Real Estate Division	April	2020	Divisional Manager of Overseas Housing and Real Estate Division	June	2020	Director (Current Position)	January	2023	Senior Managing Executive Officer (Current Position) Divisional Manager of Global Housing, Construction and Real Estate Division	January	2024
	April	1987	Joined the Company																						
June	2016	Executive Officer																							
April	2017	Managing Executive Officer																							
April	2018	Deputy Divisional Manager of Overseas Housing and Real Estate Division																							
April	2020	Divisional Manager of Overseas Housing and Real Estate Division																							
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January	2024	Divisional Manager of Global Construction and Real Estate Division (Current Position)																							
<p><b>Attendance at Board of Directors meeting:</b> 15/15 meetings</p>	<p>[Responsibilities in the Company] Administering Timber and Building Materials Division In charge of Tsukuba Research Institute</p>																								
<p>[Reasons for nominating a candidate to be Director] The Company requests shareholders to re-elect Mr. Kawamura as Director because the Company believes that, as he has served as General Manager of Overseas Housing and Real Estate Department, Deputy Divisional Manager of Overseas Business Division, has been Director since 2020, and currently is Senior Managing Executive Officer and Divisional Manager of Global Construction and Real Estate Division, he is capable of executing his duty as Director appropriately, based on his abundant experience in the Group's business.</p>																									

5	<p><b>Ikuro Takahashi</b> (Born on October 4, 1959)</p> <p><u>Re-election</u></p> <p><b>Number of shares in the Company owned:</b> 12,800 shares</p> <p><b>Attendance at Board of Directors meeting:</b> 15/15 meetings</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																						
		<table border="0"> <tr> <td>April</td> <td>1984</td> <td>Joined the Company</td> </tr> <tr> <td>October</td> <td>2017</td> <td>Deputy Divisional Manager of Housing Division</td> </tr> <tr> <td>June</td> <td>2018</td> <td>Executive Officer</td> </tr> <tr> <td></td> <td></td> <td>Deputy Divisional Manager of Housing and Construction Division</td> </tr> <tr> <td>April</td> <td>2020</td> <td>Managing Executive Officer (Current Position)</td> </tr> <tr> <td></td> <td></td> <td>Divisional Manager of Housing and Construction Division</td> </tr> <tr> <td>March</td> <td>2022</td> <td>Director (Current Position)</td> </tr> <tr> <td>January</td> <td>2023</td> <td>Divisional Manager of Housing Division (Current Position)</td> </tr> </table>	April	1984	Joined the Company	October	2017	Deputy Divisional Manager of Housing Division	June	2018	Executive Officer			Deputy Divisional Manager of Housing and Construction Division	April	2020	Managing Executive Officer (Current Position)			Divisional Manager of Housing and Construction Division	March	2022	Director (Current Position)	January
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<p>[Reasons for nominating a candidate to be Director]</p> <p>The Company requests shareholders to re-elect Mr. Takahashi as Director because the Company believes that, as he has served as General Manager of Engineering Department of the Housing Division, Deputy Divisional Manager of Housing Division, has been Director since 2022, and currently is Managing Executive Officer and Divisional Manager of Housing Division, he is capable of executing his duty as Director appropriately, based on his abundant experience in the Group's business.</p>																								
6	<p><b>Nobuyuki Otani</b> (Born on May 30, 1971)</p> <p><u>New-election</u></p> <p><b>Number of shares in the Company owned:</b> 0 shares</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																						
		<table border="0"> <tr> <td>April</td> <td>1995</td> <td>Joined the Company</td> </tr> <tr> <td>April</td> <td>2015</td> <td>General Manager of Overseas Administration Department of Overseas Business Division</td> </tr> <tr> <td>April</td> <td>2018</td> <td>General Manager of Management and Administration Department of Overseas Housing and Real Estate Division</td> </tr> <tr> <td>April</td> <td>2021</td> <td>General Manager of Corporate Planning Department</td> </tr> <tr> <td>January</td> <td>2022</td> <td>General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department</td> </tr> <tr> <td>March</td> <td>2022</td> <td>Executive Officer</td> </tr> <tr> <td></td> <td></td> <td>General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department (Current Position)</td> </tr> <tr> <td>January</td> <td>2024</td> <td>Managing Executive Officer(Current Position)</td> </tr> </table>	April	1995	Joined the Company	April	2015	General Manager of Overseas Administration Department of Overseas Business Division	April	2018	General Manager of Management and Administration Department of Overseas Housing and Real Estate Division	April	2021	General Manager of Corporate Planning Department	January	2022	General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department	March	2022	Executive Officer			General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department (Current Position)	January
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<p>[Responsibilities in the Company]</p> <p>In charge of Finance and Sustainability</p>																								
<p>[Reasons for nominating a candidate to be Director]</p> <p>The Company requests shareholders to elect Mr. Otani as Director because the Company believes that, as he has served as General Manager of Overseas Administration Department of Overseas Business Division, General Manager of Corporate Planning Department, has been Executive Officer since 2022, and currently is Managing Executive Officer, he is capable of executing his duty as Director appropriately, based on his abundant experience in the Group's business.</p>																								



	<p><b>Izumi Yamashita</b> (Born on February 1, 1948)</p> <p><u>Re-election</u></p> <p><u>Outside Director</u></p> <p><u>Independent Officer</u></p> <p><b>Number of shares in the Company owned:</b> 0 shares</p> <p><b>Attendance at Board of Directors meeting:</b> 15/15 meetings</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p> <table border="1"> <tr> <td>July</td> <td>1971</td> <td>Joined the Bank of Japan</td> </tr> <tr> <td>April</td> <td>1998</td> <td>Director-General of Financial Markets Department, Bank of Japan</td> </tr> <tr> <td>March</td> <td>2002</td> <td>General Manager of Financial Marketing Division, Accenture Japan Ltd.</td> </tr> <tr> <td>April</td> <td>2003</td> <td>Executive Director of Japan Post</td> </tr> <tr> <td>April</td> <td>2005</td> <td>Deputy Governor of Japan Post</td> </tr> <tr> <td>October</td> <td>2007</td> <td>President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.</td> </tr> <tr> <td>June</td> <td>2012</td> <td>Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd.</td> </tr> <tr> <td>June</td> <td>2013</td> <td>Resigned from Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd.</td> </tr> <tr> <td>June</td> <td>2016</td> <td>Outside Director of the Company (Current Position)</td> </tr> </table> <p>[Significant concurrent position] Outside Director of AEON Bank, Ltd.</p>	July	1971	Joined the Bank of Japan	April	1998	Director-General of Financial Markets Department, Bank of Japan	March	2002	General Manager of Financial Marketing Division, Accenture Japan Ltd.	April	2003	Executive Director of Japan Post	April	2005	Deputy Governor of Japan Post	October	2007	President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.	June	2012	Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd.	June	2013	Resigned from Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd.	June	2016	Outside Director of the Company (Current Position)
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June	2016	Outside Director of the Company (Current Position)																											
7	<p>[Reasons for nominating a candidate to be Outside Director and expected roles]</p> <p>The Company requests shareholders to re-elect Mr. Yamashita as Outside Director because the Company believes that he is playing an appropriate role for the enhancement of our corporate governance, based on his abundant experience in the financial industry and deep insight as a business manager. The Company expects that he will contribute to the strengthening of the supervisory function of management by making recommendations to general management based on his experience and insight.</p>																												
	<p>■Special notes related to a candidate for Outside Director</p> <ol style="list-style-type: none"> <li>Mr. Yamashita is a candidate for Outside Director as set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</li> <li>The Company has notified Tokyo Stock Exchange, Inc. of the designation of Mr. Yamashita as Independent Officer as required by its regulations.</li> <li>On March 24, 2020, AEON Bank, Ltd., for which Mr. Yamashita serves as an Outside Director, received a cease and desist order from the Consumer Affairs Agency for misrepresentation as provided in Article 5, Item 2 of the Act against Unjustifiable Premiums and Misleading Representations in regard to its new card membership promotion program. Mr. Yamashita, who was unaware of the fact until the case was brought to light, regularly provided comments and opinions from the viewpoint of legal compliance. In addition, after the case came to light, Mr. Yamashita has actively given suggestions for furtherance of compliance with laws and regulations as well as establishment of a recurrence prevention measures, thus fulfilling his duties as an outside director.</li> <li>Mr. Yamashita currently serves as Outside Director of the Company, and his term of office as Outside Director will have been seven (7) years and nine (9) months at the closing of the Meeting.</li> <li>Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company concluded an agreement with Mr. Yamashita to limit his liability under Article 423, Paragraph 1 of said Act. Total liability for damages under such agreement shall be limited to the aggregate sum of the amounts stipulated in each Item of Article 425, Paragraph 1 of said Act. The Company is to enter into an agreement of the same nature and content with Mr. Yamashita subject to approval of his re-election.</li> </ol>																												

<p style="text-align: center;"><b>Mitsue Kurihara</b> (Born on April 7, 1964)</p> <p><span style="border: 1px solid black; padding: 2px;">Re-election</span></p> <p><span style="border: 1px solid black; padding: 2px;">Outside Director</span></p> <p><span style="border: 1px solid black; padding: 2px;">Independent Officer</span></p> <p><b>Number of shares in the Company owned:</b> 0 shares</p> <p><b>Attendance at Board of Directors meeting:</b> 15/15 meetings</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																								
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; text-align: right;">April</td> <td style="width: 10%; text-align: right;">1987</td> <td>Joined the Japan Development Bank (Currently the Development Bank of Japan Inc.)</td> </tr> <tr> <td style="text-align: right;">June</td> <td style="text-align: right;">2008</td> <td>Visiting Fellow at the Freeman Spogli Institute for International Studies of Stanford University</td> </tr> <tr> <td style="text-align: right;">June</td> <td style="text-align: right;">2010</td> <td>Deputy General Manager of Treasury Department, Development Bank of Japan Inc. (DBJ)</td> </tr> <tr> <td style="text-align: right;">May</td> <td style="text-align: right;">2011</td> <td>General Manager of Healthcare &amp; Hospitality Industry Office, Corporate Finance Department Division 4, DBJ</td> </tr> <tr> <td style="text-align: right;">April</td> <td style="text-align: right;">2013</td> <td>General Manager of Corporate Finance Department Division 6, DBJ</td> </tr> <tr> <td style="text-align: right;">February</td> <td style="text-align: right;">2015</td> <td>Audit &amp; Supervisory Board Member of DBJ.</td> </tr> <tr> <td style="text-align: right;">June</td> <td style="text-align: right;">2020</td> <td>Chairman, Representative Director of Value Management Institute, Inc. (Current Position)</td> </tr> <tr> <td style="text-align: right;">March</td> <td style="text-align: right;">2021</td> <td>Outside Director of the Company (Current Position)</td> </tr> </table>	April	1987	Joined the Japan Development Bank (Currently the Development Bank of Japan Inc.)	June	2008	Visiting Fellow at the Freeman Spogli Institute for International Studies of Stanford University	June	2010	Deputy General Manager of Treasury Department, Development Bank of Japan Inc. (DBJ)	May	2011	General Manager of Healthcare & Hospitality Industry Office, Corporate Finance Department Division 4, DBJ	April	2013	General Manager of Corporate Finance Department Division 6, DBJ	February	2015	Audit & Supervisory Board Member of DBJ.	June	2020	Chairman, Representative Director of Value Management Institute, Inc. (Current Position)	March	2021	Outside Director of the Company (Current Position)
	April	1987	Joined the Japan Development Bank (Currently the Development Bank of Japan Inc.)																						
June	2008	Visiting Fellow at the Freeman Spogli Institute for International Studies of Stanford University																							
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February	2015	Audit & Supervisory Board Member of DBJ.																							
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March	2021	Outside Director of the Company (Current Position)																							
<p>[Significant concurrent positions]</p> <p>Chairman, Representative Director of Value Management Institute, Inc. Outside Director of Chubu Electric Power Co., Inc. Outside Director of Japan Finance Corporation</p>																									
<p>8</p>	<p>[Reasons for nominating a candidate to be Outside Director and expected roles] The Company requests shareholders to re-elect Ms. Kurihara as Outside Director because the Company believes that she is playing an appropriate role for the enhancement of our corporate governance based on her deep insight and abundant experience in finance. The Company expects that she will contribute to the strengthening of the supervisory function of management by making recommendations to general management based on her insight and experience.</p> <p>■Special notes related to a candidate for Outside Director</p> <ol style="list-style-type: none"> <li>1. Ms. Kurihara is a candidate for Outside Director as set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</li> <li>2. The Company has notified Tokyo Stock Exchange, Inc. of the designation of Ms. Kurihara as Independent Officer as required by its regulations.</li> <li>3. On March 30, 2023, Chubu Electric Power Co., Inc. for which Ms. Kurihara serves as an Outside Director, received a Payment Order for Surcharge from Japan Fair Trade Commission for violation of the Anti-Monopoly Act regarding supplies of extra-high voltage and high voltage power in the Chubu and other areas. She has been making recommendations from the standpoint of internal control system development and operation status, auditing, and group governance at meetings of the Board of Directors and on other occasions. In addition, she carries out her assigned duties in terms of confirming, providing advice on, and other assistance in initiatives to ensure a further strengthened compliance framework.</li> <li>4. Ms. Kurihara currently serves as Outside Director of the Company, and her term of office as Outside Director will have been three (3) years at the closing of the Meeting.</li> <li>5. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company concluded an agreement with Ms. Kurihara to limit her liability under Article 423, Paragraph 1 of said Act. Total liability for damages under such agreement shall be limited to the aggregate sum of the amounts stipulated in each Item of Article 425, Paragraph 1 of said Act. The Company is to enter into an agreement of the same nature and content with Ms. Kurihara subject to approval of her re-election.</li> </ol>																								

<p style="text-align: center;"><b>Yuko Toyoda</b> (Born on August 21, 1970)</p> <p><u>Re-election</u></p> <p><u>Outside Director</u></p> <p><u>Independent Officer</u></p> <p><b>Number of shares in the Company owned:</b> 0 shares</p> <p><b>Attendance at Board of Directors meeting:</b> 12/12 meetings (since appointed Director on March 30, 2023)</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p>																							
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: right;">October</td> <td style="width: 10%; text-align: right;">2000</td> <td>Registered as Attorney at Law admitted in Japan Nishimura &amp; Partners (Currently Nishimura &amp; Asahi (Gaikokuho Kyodo Jigyo))</td> </tr> <tr> <td style="text-align: right;">June</td> <td style="text-align: right;">2002</td> <td>Civil Affairs Bureau, The Ministry of Justice</td> </tr> <tr> <td style="text-align: right;">April</td> <td style="text-align: right;">2006</td> <td>Nishimura Tokiwa Law Office (Currently Nishimura &amp; Asahi (Gaikokuho Kyodo Jigyo))</td> </tr> <tr> <td style="text-align: right;">April</td> <td style="text-align: right;">2011</td> <td>Deputy General Manager of Group Legal Department, Nomura Holdings, Inc.</td> </tr> <tr> <td style="text-align: right;">December</td> <td style="text-align: right;">2014</td> <td>General Manager of Control Room, Compliance Department, Barclays Securities Japan Limited</td> </tr> <tr> <td style="text-align: right;">September</td> <td style="text-align: right;">2015</td> <td>Special Counsel of City-Yuwa Partners</td> </tr> <tr> <td style="text-align: right;">January</td> <td style="text-align: right;">2023</td> <td>Partner of City-Yuwa Partners (Current Position)</td> </tr> <tr> <td style="text-align: right;">Mach</td> <td style="text-align: right;">2023</td> <td>Outside Director of the Company (Current Position)</td> </tr> </table> <p>[Significant concurrent position] Attorney at Law</p>	October	2000	Registered as Attorney at Law admitted in Japan Nishimura & Partners (Currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo))	June	2002	Civil Affairs Bureau, The Ministry of Justice	April	2006	Nishimura Tokiwa Law Office (Currently Nishimura & Asahi (Gaikokuho Kyodo Jigyo))	April	2011	Deputy General Manager of Group Legal Department, Nomura Holdings, Inc.	December	2014	General Manager of Control Room, Compliance Department, Barclays Securities Japan Limited	September	2015	Special Counsel of City-Yuwa Partners	January	2023	Partner of City-Yuwa Partners (Current Position)	Mach	2023
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January	2023	Partner of City-Yuwa Partners (Current Position)																						
Mach	2023	Outside Director of the Company (Current Position)																						
<p>9</p>	<p>[Reasons for nominating a candidate to be Outside Director and expected roles]</p> <p>The Company requests shareholders to re-elect Ms. Toyoda as Outside Director because the Company believes that as a lawyer well versed in corporate legal practices, she is playing an appropriate role for the enhancement of our corporate governance based on her experience and insight. The Company expects that she will contribute to the strengthening of the supervisory function of management by making recommendations to general management based on her professional perspective. Although she has not been involved in corporate management other than as Outside Director, for the reasons stated above, the Company has determined that she will be able to appropriately perform the duties of Outside Director.</p>																							
<p>■Special notes related to a candidate for Outside Director</p> <ol style="list-style-type: none"> <li>1. Ms. Toyoda is a candidate for Outside Director as set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</li> <li>2. The Company has notified Tokyo Stock Exchange, Inc. of the designation of Ms. Toyoda as Independent Officer as required by its regulations.</li> <li>3. Ms. Toyoda currently serves as Outside Director of the Company, and her term of office as Outside Director will have been one (1) year at the closing of the Meeting.</li> <li>4. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company concluded an agreement with Ms. Toyoda to limit her liability under Article 423, Paragraph 1 of said Act. Total liability for damages under such agreement shall be limited to the aggregate sum of the amounts stipulated in each Item of Article 425, Paragraph 1 of said Act. The Company is to enter into an agreement of the same nature and content with Ms. Toyoda subject to approval of her re-election.</li> </ol>																								

10	<p><b>Toshio Iwamoto</b> (Born on January 5, 1953)</p> <p><span style="border: 1px solid black; padding: 2px;">New-election</span></p> <p><span style="border: 1px solid black; padding: 2px;">Outside Director</span></p> <p><span style="border: 1px solid black; padding: 2px;">Independent Officer</span></p> <p><b>Number of shares in the Company owned:</b> 0 shares</p>	<p>Career summary, positions and responsibilities in the Company, and significant concurrent positions</p> <table border="0"> <tr> <td style="padding-right: 10px;">April</td> <td style="padding-right: 10px;">1976</td> <td>Joined Nippon Telegraph and Telephone Public Corporation</td> </tr> <tr> <td>June</td> <td>2004</td> <td>Director; Head of Payment Solution Sector of NTT DATA Corporation (Currently NTT DATA Group Corporation)</td> </tr> <tr> <td>June</td> <td>2007</td> <td>Director, Executive Vice President; Head of Financial Business Sector of NTT DATA Corporation</td> </tr> <tr> <td>June</td> <td>2008</td> <td>Director, Executive Vice President; In charge of Financial Business of NTT DATA Corporation</td> </tr> <tr> <td>June</td> <td>2009</td> <td>Representative Director, Senior Executive Vice President of NTT DATA Corporation</td> </tr> <tr> <td>June</td> <td>2012</td> <td>Representative Director, President and Chief Executive Officer of NTT DATA Corporation</td> </tr> <tr> <td>June</td> <td>2018</td> <td>Advisor of NTT DATA Corporation (Current Position)</td> </tr> </table>	April	1976	Joined Nippon Telegraph and Telephone Public Corporation	June	2004	Director; Head of Payment Solution Sector of NTT DATA Corporation (Currently NTT DATA Group Corporation)	June	2007	Director, Executive Vice President; Head of Financial Business Sector of NTT DATA Corporation	June	2008	Director, Executive Vice President; In charge of Financial Business of NTT DATA Corporation	June	2009	Representative Director, Senior Executive Vice President of NTT DATA Corporation	June	2012	Representative Director, President and Chief Executive Officer of NTT DATA Corporation	June	2018	Advisor of NTT DATA Corporation (Current Position)
	April	1976	Joined Nippon Telegraph and Telephone Public Corporation																				
	June	2004	Director; Head of Payment Solution Sector of NTT DATA Corporation (Currently NTT DATA Group Corporation)																				
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June	2018	Advisor of NTT DATA Corporation (Current Position)																					
	<p>[Significant concurrent position] Advisor of NTT DATA Group Corporation Outside Director of Daiwa Securities Group Inc. Outside Director of East Japan Railway Company Outside Director of Isetan Mitsukoshi Holdings Ltd.</p>																						
	<p>[Reasons for nominating a candidate to be Outside Director and expected roles] The Company requests shareholders to elect Mr. Iwamoto as Outside Director because the Company believes that he will be able to play an appropriate role for the enhancement of our corporate governance, based on his abundant experience in the IT industry and deep insight as a business manager. The Company expects that he will contribute to the strengthening of the supervisory function of management by making recommendations to general management based on his experience and insight.</p>																						
	<p>■Special notes related to a candidate for Outside Director</p> <ol style="list-style-type: none"> <li>1. Mr. Iwamoto is a candidate for Outside Director as set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.</li> <li>2. The Company has notified Tokyo Stock Exchange, Inc. of the designation of Mr. Iwamoto as Independent Officer as required by its regulations.</li> <li>3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company is to enter into an agreement with Mr. Iwamoto to limit his liability under Article 423, Paragraph 1 of said Act. Total liability for damages under such agreement shall be limited to the aggregate sum of the amounts stipulated in each Item of Article 425, Paragraph 1 of said Act.</li> </ol>																						

- Notes: 1. None of the candidates above has any special conflicts of interest with the Company.
2. The number of shares in the Company owned by each candidate stated above is as of December 31, 2023.
3. The Company has concluded an officers liability insurance contract with an insurance company. This insurance contract covers compensation for damages arising as a result of the responsibilities assumed by insured officers in their execution of duties, or any claims made against them with regard to these responsibilities. If the election of each candidate for Director is approved, they shall be insured under this insurance contract. The insured officers will not pay for the insurance premiums. The Company intends to renew this insurance contract with the same content at the next renewal date.

**Proposal No. 3: Election of Two (2) Audit & Supervisory Board Members**

At the conclusion of this Meeting, the term of office of Audit & Supervisory Board Members, Mr. Akihisa Fukuda and Mr. Yoshitsugu Minagawa, will expire, and the Company hereby proposes to elect two Audit & Supervisory Board Members.

The nomination of a candidates was decided after consulting with the Nomination and Remuneration Advisory Committee, a voluntary committee chaired by an Outside Director, in which outside officers constitute a majority of its members. The Company has obtained approval for this proposal from the Audit & Supervisory Board.

The candidates for the Audit & Supervisory Board Members are as follows:

1	<p><b>Kazunari Hada</b> (Born on December 4, 1959)</p> <p style="border: 1px solid black; display: inline-block; padding: 2px;">New-election</p> <p><b>Number of shares in the Company owned:</b> 0 shares</p>	<p>Career summary, positions in the Company, and significant concurrent positions</p>														
		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; padding-right: 10px;">December</td> <td style="text-align: right; padding-right: 10px;">1991</td> <td>Joined the Company</td> </tr> <tr> <td style="text-align: right; padding-right: 10px;">April</td> <td style="text-align: right; padding-right: 10px;">2016</td> <td>General Manager of Personnel Department</td> </tr> <tr> <td style="text-align: right; padding-right: 10px;">June</td> <td style="text-align: right; padding-right: 10px;">2019</td> <td>Supervisory Officer (Current Position)</td> </tr> <tr> <td></td> <td></td> <td>General Manager of Personnel Department</td> </tr> <tr> <td style="text-align: right; padding-right: 10px;">January</td> <td style="text-align: right; padding-right: 10px;">2024</td> <td>Assistant to Officer in Charge of Internal Audits (Current Position)</td> </tr> </table>	December	1991	Joined the Company	April	2016	General Manager of Personnel Department	June	2019	Supervisory Officer (Current Position)			General Manager of Personnel Department	January	2024
December	1991	Joined the Company														
April	2016	General Manager of Personnel Department														
June	2019	Supervisory Officer (Current Position)														
		General Manager of Personnel Department														
January	2024	Assistant to Officer in Charge of Internal Audits (Current Position)														
	<p>[Reasons for nominating a candidate to be Audit &amp; Supervisory Board Member]</p> <p>The Company requests shareholders to elect Mr. Hada as Audit &amp; Supervisory Board Member because the Company believes that, as he served in the Housing business for many years, before being appointed general manager of the Personnel Department in 2016, he will adequately fulfill the role of Audit &amp; Supervisory Board Member in the effective auditing of the Group based of his extensive practical experience in human resources and labor management and D&amp;I (diversity and inclusion).</p>															

2	<p><b>Takashi Kawachi</b> (Born on September 24, 1957)</p> <p><u>New election</u></p> <p><u>Outside Audit &amp; Supervisory Board Member</u></p> <p><u>Independent Officer</u></p> <p><b>Number of shares in the Company owned:</b> 0 shares</p>	<p>Career summary, positions in the Company, and significant concurrent positions</p> <table border="0"> <tr> <td style="text-align: right;">April</td> <td style="text-align: right;">1982</td> <td>Joined Ministry of Home Affairs (Currently Ministry of Internal Affairs and Communications)</td> </tr> <tr> <td style="text-align: right;">April</td> <td style="text-align: right;">1992</td> <td>Manager of Finance Division, General Affairs Department, Tokushima Prefecture</td> </tr> <tr> <td style="text-align: right;">December</td> <td style="text-align: right;">2000</td> <td>Deputy Mayor of Kyoto City</td> </tr> <tr> <td style="text-align: right;">April</td> <td style="text-align: right;">2004</td> <td>Director of the Local Public Enterprise Management Office, Local Public Enterprise Division, Local Public Finance Bureau, Ministry of Internal Affairs and Communications</td> </tr> <tr> <td style="text-align: right;">April</td> <td style="text-align: right;">2005</td> <td>Director of the Mobile Satellite Communications Division, Radio Department, Telecommunications Bureau, Ministry of Internal Affairs and Communications</td> </tr> <tr> <td style="text-align: right;">July</td> <td style="text-align: right;">2006</td> <td>Counsellor, Cabinet Secretariat of Cabinet Secretariat (Assistant Chief Cabinet Secretary)</td> </tr> <tr> <td style="text-align: right;">August</td> <td style="text-align: right;">2010</td> <td>Councillor, Cabinet Secretariat of Cabinet Affairs Office, Cabinet Secretariat</td> </tr> <tr> <td style="text-align: right;">September</td> <td style="text-align: right;">2012</td> <td>Director-General, Cabinet Affairs Office of Cabinet Affairs Office, Cabinet Secretariat</td> </tr> <tr> <td style="text-align: right;">September</td> <td style="text-align: right;">2015</td> <td>Director General, Cabinet Office</td> </tr> <tr> <td style="text-align: right;">July</td> <td style="text-align: right;">2017</td> <td>Vice-Minister, Cabinet Office</td> </tr> <tr> <td style="text-align: right;">January</td> <td style="text-align: right;">2019</td> <td>Retirement from Cabinet Office</td> </tr> <tr> <td style="text-align: right;">March</td> <td style="text-align: right;">2021</td> <td>President of Japan Railway Construction, Transport and Technology Agency</td> </tr> <tr> <td style="text-align: right;">June</td> <td style="text-align: right;">2023</td> <td>President of Japan Foundation for Regional Art-Activities (Current Position)</td> </tr> </table>	April	1982	Joined Ministry of Home Affairs (Currently Ministry of Internal Affairs and Communications)	April	1992	Manager of Finance Division, General Affairs Department, Tokushima Prefecture	December	2000	Deputy Mayor of Kyoto City	April	2004	Director of the Local Public Enterprise Management Office, Local Public Enterprise Division, Local Public Finance Bureau, Ministry of Internal Affairs and Communications	April	2005	Director of the Mobile Satellite Communications Division, Radio Department, Telecommunications Bureau, Ministry of Internal Affairs and Communications	July	2006	Counsellor, Cabinet Secretariat of Cabinet Secretariat (Assistant Chief Cabinet Secretary)	August	2010	Councillor, Cabinet Secretariat of Cabinet Affairs Office, Cabinet Secretariat	September	2012	Director-General, Cabinet Affairs Office of Cabinet Affairs Office, Cabinet Secretariat	September	2015	Director General, Cabinet Office	July	2017	Vice-Minister, Cabinet Office	January	2019	Retirement from Cabinet Office	March	2021	President of Japan Railway Construction, Transport and Technology Agency	June	2023	President of Japan Foundation for Regional Art-Activities (Current Position)
	April	1982	Joined Ministry of Home Affairs (Currently Ministry of Internal Affairs and Communications)																																						
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March	2021	President of Japan Railway Construction, Transport and Technology Agency																																							
June	2023	President of Japan Foundation for Regional Art-Activities (Current Position)																																							
		<p>[Significant concurrent position at other company] President of Japan Foundation for Regional Art-Activities Outside Audit &amp; Supervisory Board Member of The Yomiuri Shimbun</p>																																							
	<p>[Reasons for nominating a candidate to be Outside Audit &amp; Supervisory Board Member] The Company requests shareholders to elect Mr. Kawachi as Outside Audit &amp; Supervisory Board Member because the Company believes that he served in key positions at Local governments and Central Government Offices, and has deep insight and abundant experience in administration, considering that his insight and experience are utilized in our auditing operations. Although Mr. Kawachi has not been involved in corporate management other than as Outside Audit &amp; Supervisory Board Member, for the reasons stated above, the Company has determined that he will be able to appropriately perform the duties of Outside Audit &amp; Supervisory Board Member.</p>																																								
	<p>■Special notes related to a candidate for Outside Audit &amp; Supervisory Board Member</p> <ol style="list-style-type: none"> <li>1. Mr. Kawachi is a candidate for Outside Audit &amp; Supervisory Board Member as set forth in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act.</li> <li>2. The Company has notified Tokyo Stock Exchange, Inc. of the designation of Mr. Kawachi as Independent Officer as required by its regulations.</li> <li>3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company will enter into an agreement with Mr. Kawachi to limit his liability under Article 423, Paragraph 1 of said Act. Total liability for damages under such agreement shall be limited to the aggregate sum of the amounts stipulated in each Item of Article 425, Paragraph 1 of said Act.</li> </ol>																																								

- Notes: 1. None of the candidates above has any special conflicts of interest with the Company.
2. The number of shares in the Company owned by each candidate stated above is as of December 31, 2023.
3. The Company has concluded an officers liability insurance contract with an insurance company. This insurance contract covers compensation for damages arising as a result of the responsibilities assumed by insured officers in their execution of duties, or any claims made against them with regard to these responsibilities. If the election of each candidate for Audit & Supervisory Board Member is approved, they shall be insured under this insurance contract. The insured officers will not pay for the insurance premiums. The Company intends to renew this insurance contract with the same content at the next renewal date.

(Reference 1) Constitution of the Board of Directors and Selection Policy of Candidates for Directors and Audit & Supervisory Board Members

As outlined below and as stipulated in Sumitomo Forestry Basic Policy on Corporate Governance, the Company selects candidates for Directors and Audit & Supervisory Board Members based on the constitution of the Board of Directors and the thinking regarding qualifications and others of candidates for Directors and Audit & Supervisory Board Members.

1. Constitution of the Board of Directors

The Board of Directors is constituted by not more than seventeen (17) members. In order to effectively discharge the Board of Directors' roles and responsibilities, consideration will be given to the diversity of its members in terms of gender, nationality or otherwise. The board members should also be comprised of persons with professional and diverse knowledge, experience and capability, including:

- (i) those with extensive experience and track record regarding the Group's business;
- (ii) those with extensive experience and track record in corporate management, industries, policies or the like; and Term
- (iii) those with expertise in law, accounting or the like.

2. Eligibility, and Nomination Policies of Candidates for Directors and Audit & Supervisory Board Members

The Board of Directors determines the candidates for Directors and Audit & Supervisory Board Members from among persons of upstanding character and insight who are valuable to the management of the Company, taking into consideration the opinions from the Nomination and Remuneration Advisory Committee.

(Reference 2) Expertise and experience of Directors and Audit & Supervisory Board Members

The table below outlines the skills (expertise, experience) that the Company takes into special consideration for each of the Directors and Audit & Supervisory Board Members (assuming each of the candidates for Directors and Audit & Supervisory Board Members is appointed at this Meeting).

		Title	Corporate management	Resources/Environment	Construction/Real estate development	Global	Finance/Accounting	Human resource development/D&I	Legal affairs/Risk management	IT・DX	Industrial policy
Directors	Akira Ichikawa	Representative Director, Chairman of the Board	●			●	●	●	●	●	●
	Toshiro Mitsuyoshi	Representative Director, President and Representative Director, President and Executive Officer	●	●	●	●					
	Tatsumi Kawata	Representative Director, Executive Vice President	●	●		●	●	●	●	●	
	Atsushi Kawamura	Director, Senior Managing Executive Officer	●	●	●	●					
	Ikuro Takahashi	Director, Managing Executive Officer	●		●						
	Nobuyuki Otani	Director, Managing Executive Officer				●	●				
	Izumi Yamashita	Outside Director	●			●	●			●	●
	Mitsue Kurihara	Outside Director	●	●		●	●				●
	Yuko Toyoda	Outside Director				●			●		
Toshio Iwamoto	Outside Director	●			●				●		
Audit & Supervisory Board Members	Toshio Kakumoto	Audit & Supervisory Board Member				●			●		
	Kazunari Hada	Audit & Supervisory Board Member			●		●				
	Yoshimasa Tetsu	Outside Audit & Supervisory Board Member					●				
	Makoto Matsuo	Outside Audit & Supervisory Board Member				●			●		
	Takashi Kawachi	Outside Audit & Supervisory Board Member			●			●			●



Reasons for selection of the skills

Corporate management	To achieve further growth of existing businesses, which cover a wide variety of aspects of people’s lifestyles, such as forestry management, timber and building materials distribution and manufacturing, housing construction, etc. and to fulfill our Long-Term Vision amidst a global movement toward decarbonization, the Company needs board members who have experience in corporate management.
Resources/Environment	In our Long-Term Vision, the Company has set out to enhance the value of “forests” and “trees” through sustainable forestry management and to pursue the value of forests as a carbon sink through the development of new businesses. To conduct scenario analyses and ongoing financial disclosure based on recommendations made by TCFD (Task Force on Climate-related Financial Disclosure) and to steadily implement initiatives to achieve our SBT-based greenhouse gas emissions reduction targets, the Company needs board members who have expertise and experience in resources and the environment.
Construction/Real estate development	To expand the Company’s medium- and large-scale wooden construction operations as stated in its Long-Term Vision and Medium-Term Management Plan, and to nurture and reinforce its real estate development operations into a new pillar of profit, the Company needs board members who have expertise and experience in construction and real estate development.
Global	“Advancing globalization” is one of the business policies of the Company’s Long-Term Vision. To promote the expansion of the business areas and scale of its overseas group operations, the Company needs board members who have global experience.
Finance/Accounting	To improve capital efficiency, enhance shareholders’ equity, and make sustainable growth investments that raise corporate value, the Company needs board members who have expertise and experience in finance and accounting.
Human resource development/D&I	In the Company’s Long-Term Vision, it has set out to enhance “Value for people and society”. To reinforce its ability to continually retain and nurture human resources who can respond to the diversification of its businesses, to improve engagement with our employees, to promote transformation in work styles, and to implement initiatives related to D&I (diversity and inclusion), the Company needs board members who have expertise and experience in human resource development and D&I.
Legal affairs/Risk management	To create a corporate governance structure for sustainable growth and mid- and long-term improvement of corporate value, and to build a risk management system for the global growth of the Company’s business operations and other, the Company needs board members who have expertise and experience in legal affairs and risk management.
IT/DX	In our Long-Term Vision, the Company has set out to enhance “Value for the market economy”. To promote digital transformation (DX) throughout the company and to enhance productivity through the development of an IT infrastructure and others, the Company needs board members who have expertise and experience in IT and DX.
Industrial policy	In our Long-Term Vision, the Company has set out to enhance “Value for the market economy”. To develop businesses related to carbon credits of forests, which are a carbon sink, the Company must create policy frameworks in relation to society and hence needs board members who have knowledge of industrial policy.

**Proposal No. 4: Revision of Remuneration Amounts for Directors and Audit & Supervisory Board Members**

At the 82nd Ordinary General Meeting of Shareholders held on March 29, 2022, the amount of remuneration for the directors of the Company was approved as not more than 650 million yen per year (of which up to 60 million yen per year is for outside directors), and, in addition, the remuneration limit of up to 100 million yen per fiscal year for directors (excluding outside directors) under the performance-based restricted stock remuneration plan. In addition, at the 74th General Meeting of Shareholders held on June 20, 2014, the amount of remuneration for the audit & supervisory board members of the Company was approved as not more than 8 million yen per month.

If Proposal No. 2 is approved as originally proposed, the number of outside directors will be increased by one, and with the changes in the business environment, the responsibilities and the roles of the outside directors and outside audit & supervisory board members will increase, and in order to realize remuneration levels that will secure diverse human resources, the Company proposes a revision of the remuneration amount for directors to increase from not more than 650 million yen per year (of which up to 60 million yen per year is for outside directors) to not more than 670 million yen per year (of which up to 80 million yen per year is for outside directors), and the remuneration amount for audit & supervisory board members to increase from not more than 8 million yen per month to not more than 9 million yen per month. Furthermore, the above remuneration limit for directors (excluding outside directors) under the performance-based restricted stock remuneration plan will continue to be maintained as a separate limit, and its contents will remain unchanged.

The Company has determined that the substance of the revision of remuneration amount for directors is necessary and appropriate to determine the details of individual remuneration for directors in accordance with the Company's policy for determining the details of individual remuneration for directors stated in the Business Report (page 41 thereof). In addition, the Company has received the opinion from the Nomination and Remuneration Advisory Committee (total of 8 members), that is chaired by an outside director and the majority of members are outside officers (i.e., three outside directors and three outside audit & supervisory board members), that the substance of this Proposal is appropriate.

Furthermore, if Proposals No. 2 and No. 3 are approved as originally proposed, the number of directors will be ten directors (four of which will be outside directors) and the number of the audit & supervisory board members will be five audit & supervisory board members (three of which will be outside audit & supervisory board members).

- End -

## Business Report

(from January 1, 2023 to December 31, 2023);

### 1. Overview of the Results of Operations, etc.

#### (1) Overview of the Results of Operations

During the fiscal year under review, while the global economy remained steady on the back of strong personal consumption in the U.S., high inflation and rising interest rates in Europe cooled personal consumption and contributed to an economic slump. In the Japanese economy, although rising costs brought about by high resource prices put downward pressure on the economy, the employment and income environment improved and the economy recovered moderately as personal consumption and capital investments picked up.

With regard to the housing market, the number of new housing starts in Japan fell year on year as consumer sentiment declined due to rising selling prices resulting from inflation and soaring construction material prices. In the U.S., despite increased demand for new homes on the back of a drop in the number of pre-owned homes in circulation, the market remained in its adjustment phase due to rising mortgage rates from the previous fiscal year. In Australia, market conditions continued to be difficult amidst persistently high mortgage rates and rising house prices.

In this business environment, the Group has been working toward achieving our targets in the Medium-Term Management Plan “Mission TREEING 2030 Phase 1,”\* which enters its final year in the 85th fiscal year (ending December 31, 2024). In Japan, with a view to further expanding the Group’s business, we succeeded the business of a construction company that operates primarily in the Karuizawa area, and also launched commercial operation of a wood biomass power generation plant in Sendai City, Miyagi Prefecture. In the U.S., in addition to expanding the areas of our single family homes business, we also put effort into promoting businesses toward the further growth of the Group, including the expansion of the real estate development business through the acquisition of a business company that engages in the development and construction of multi-family housing mainly in the states of Texas and California.

\* The following provides an overview of Mission TREEING 2030 Phase 1.

Basic policy	Business targets for the 85th fiscal year (ending December 31, 2024) (Target values at the time when the Plan was prepared)
1. Efforts to address decarbonization challenges using wood resources	Net sales of 1,770 billion yen
2. Promotion of a more resilient earnings base	Recurring income of 173 billion yen (excluding actuarial differences related to retirement benefit accounting)
3. Acceleration of global expansion	Net profit attributable to owners of parent of 116 billion yen
4. Strengthen management base for sustainable growth	ROE of 15% or higher
5. Further integration of business operations and ESG	

As a result, net sales were ¥1,733.169 billion (up 3.8% year on year), operating income was ¥1,46.755 billion (down 7.3%), recurring income was ¥159.418 billion (down 18.2%), and net profit attributable to owners of the parent was ¥102.479 billion (down 5.7%). The actuarial difference related to retirement benefit accounting were ¥5,003 million, so recurring income came to ¥154.416 billion when actuarial differences were excluded.

The following summarizes the performance of each business segment. Note that the previous segments of “Timber and Building Materials Business,” “Housing and Construction Business,” “Overseas Housing and Real Estate Business,” “Environment and Resources Business,” and “Other Businesses” have been reorganized and changed to the following segments from the fiscal year under review: “Timber and Building Materials Business,” “Housing Business,” “Global Housing, Construction and Real Estate Business,” “Environment and Resources Business,” and “Other Businesses.” The following comparisons with the previous fiscal year were made by comparing figures for the previous fiscal year with figures reclassified under the new segments. Net sales for each segment include intersegment internal sales.

#### ● Timber and Building Materials Business

In the distribution business, in addition to working continuously on strengthening collaboration with our partners, we continued to focus on expanding the volume of wood fuels for biomass power generation,

utilizing domestic timber, and expanding sales of plywood and construction materials made from sustainable plantation timber. However, the sales volume of timber and timber products declined due to a drop in the number of new housing construction starts, and selling prices also fell, leading to sluggish performance.

In the manufacturing business, sales of construction materials to builders increased in Japan. Overseas, results were sluggish partly due to the downturn in the market conditions for the plywood and particle board businesses in Indonesia.

We also focused on promoting “One Click LCA,”\* and in September last year, launched the JUCORE Mitsumori service, which centralizes the management of data for property information, quotes, expected orders, and budgets and results. In this way, we are advancing efforts to support the improvement of productivity among construction material distributors.

\*One Click LCA is a software that can estimate the CO2 emissions generated in the processes from the procurement of raw materials related to construction, to processing, transportation, construction, renovation, and disposal.

As a result of the above, net sales for the Timber and Building Materials Business came to ¥236.101 billion (down 13.7% year on year) and recurring income was ¥11.185 billion (down 24.8% year on year).

## ● Housing Business

In the custom-built detached housing business, in addition to focusing on promoting sales through online ordering activities and the use of social media, we also continued to put effort into increasing orders for housing that meets ZEH specifications, which produces net zero energy consumption. Alongside these efforts, the effects of selling price revisions corresponding to rising costs contributed to strong business performance. In October last year, we updated “GRAND LIFE,” a single-floor housing product that can meet the wide-ranging needs of various generations, and incorporated improvements such as an integrated home and yard design and efficient housework flow lines.

In the rental housing business, we continued to promote ordering activities through “Town Square,” which uses properties borrowed from the owners of rental homes built by the Company as model showrooms that potential renters can experience for themselves. We also worked on increasing the number of orders, for example with the launch of “Forest Maison GRANDE,” a wooden-construction rental apartment development that is fitted with solar panels to promote zero energy consumption by the household unit, striking a balance between design and performance. However, business performance was sluggish due to the increase in personnel costs and other expenditures.

In the spec homes business, we promoted an effective sales strategy based on the sale of homes with ZEH specifications and thorough marketing activities. As a result, unit selling price increased, and business performance remained strong.

In the renovation business, we continued to focus on uncovering demand among owners of “Sumitomo Forestry homes.” We also worked on expanding orders by drawing customers’ attention to the benefits of our proprietary quake-resistant technology and energy-saving retrofitting through “Reforest,” our renovation product for custom-built homes. However, performance was sluggish due to rising personnel costs and other expenditures.

In July last year, we acquired the business of Sasazawa Construction Co., Ltd. and worked to expand the villa business primarily in the Karuizawa area.

As a result of the above, net sales for the Housing Business came to ¥534.028 billion (up 5.0% year on year) and recurring income of ¥32.784 billion (up 112.3% year on year).

## ● Global Housing, Construction and Real Estate Business

In the single family homes business in the U.S., despite strong performance in the first half of the fiscal year, backed by robust demand and a decline in the number of pre-owned homes in circulation in the states of Washington, Utah, Texas, and Maryland, etc. where our Group conducts business, performance in the second half was impacted by a further increase in mortgage rates. As a result, performance was sluggish throughout the fiscal year. In January last year, we acquired equity interest in Southern Impression Homes, which is mainly engaged in land development, construction, sale, and rental management of single family rental homes in Florida. This expanded the coverage of our single family homes business in the U.S. to 16 states. We also put effort into further expanding our Fully Integrated Turnkey Provider (FITP) business, which integrates the processes of panel design, manufacturing, delivery, and installation in a streamlined production system. Such efforts include starting work on the establishment of a factory to produce wall panels and roof/wall trusses for single family and multi-family homes in North Carolina. In the real estate development business, results were sluggish due to the postponement of the sale of multi-family housing and commercial and mixed-use complexes that had

been scheduled to take place in the fiscal year under review. In November last year, we also acquired equity interest in a business management company that has land acquisition, development management, construction management, and asset management functions, as a part of efforts to expand our real estate business in the U.S. This company comes under the umbrella of JPI Group, which is engaged in the development of multi-family housing in the states of Texas and California.

With regard to the spec home business in Australia, due to the smooth progress of the construction of order homes and strong sale performance of ready built homes, the number of units sold increased, contributing to the recovery of business performance.

In Southeast Asia, in addition to focusing on the sale of landed houses and condominiums in Thailand, Vietnam, and Indonesia, we also participated in the development of landed houses in the suburbs of Jakarta, Indonesia, and of low-rise houses in the suburbs of Ho Chi Minh, Vietnam.

In the medium- to large-scale wooden construction business, in June last year, we completed the construction of a fire-resistant wooden building comprising one basement floor and 10 floors above ground in Chuo-ku, Sapporo, through a joint venture with Kumagai Gumi Co., Ltd. During the same month, we completed the construction of a three-floor development and testing center in Hirakata City, Osaka, through a joint venture with COHNAN KENSETSU INC. With the aim of contributing to the realization of a decarbonized society, we also promoted the use of wood for medium- to large-scale constructions, including the completion of a wooden office building in Melbourne, Australia in October last year, comprising two basement floors and 15 floors above ground.

As a result of the above, net sales for the Global Housing, Construction and Real Estate Business came to ¥948.072 billion (up 8.5% year on year) and recurring profit of ¥112.541 billion (down 30.4% year on year).

#### ● Environment and Resources Business

In the renewable energy business, in addition to the Morinomiya Biomass Energy G.K., a joint venture that started commercial operation in November last year, the woody biomass power plants established in five locations across Japan are in stable operation. However, the rise in fuel procurement costs since the previous fiscal year have contributed to sluggish results.

In the forest resources business, operations in New Zealand produced poor results due to rising costs of harvesting and transporting timber, arising from inflation and a downturn in the selling price of logs bound for China, which is a major market.

In March last year, the Company entered into a partnership with NTT Communications Corporation to provide a platform service aimed at revitalizing the creation and circulation of forest-derived carbon credits under the J-Credit Scheme. By providing comprehensive support for the creation, screening, and transaction matching of forest-derived carbon credits through this partnership, we aim to maximize the value of forests and realize a decarbonized society.

As a result of the above, net sales for the Environment and Resources Business came to ¥24.842 billion (up 13.6% year on year) and recurring income was ¥564 million (down 59.4% year on year).

#### ● Other Businesses

Besides the aforementioned businesses, the Group is engaged in a wide range of service businesses, including management of private nursing home/private elderly care facilities with nursing care and non-life insurance agency services for residential customers. This also includes the share of investment profit of entities accounted for using equity method associated with Kumagai Gumi Co., Ltd.

As a result of the above, net sales of Other Businesses came to ¥26.038 billion (up 6.0% year on year) and recurring income of ¥2.193 billion (up 13.2% year on year).

#### (2) Capital investments

Total capital investments were 43.105 billion yen. Major capital investments included the development of Multi-Family and Commercial Mix Use in the United States, new construction or reconstruction of housing exhibition halls in Japan and overseas, and software development.

#### (3) Fundraising

No noteworthy fundraising took place.

In addition, to secure stable fundraising methods and to enhance our ability to meet future need for funds, the Company continues to have a commitment line of credit (specified commitment line contract) totaling 22.0 billion yen with several financial institutions.

#### (4) Future Outlook

In the global economy, amidst the continued monetary tightening measures to curb rising prices, there is growing uncertainty over the economic outlook due to concerns over high resource prices against the backdrop of the deteriorating situation surrounding the Middle East region, among other factors. In the Japanese economy, while moderate economic recovery is likely to continue as personal consumption continues to pick up on the back of improvements in the employment and income environment, there is a need to pay attention to the risk of an economic downswing caused by global monetary tightening measures and the slowdown of the Chinese economy impacted by the deterioration of the real estate market.

(Future outlook by business segment)

The Group will continue to advance the respective businesses as follows to achieve its targets in the 85th fiscal year (ending December 31, 2024), the final year of Medium-Term Management Plan “Mission TREEING 2030 Phase 1.”

In the Timber and Building Materials Business, we will put further emphasis on expanding the supply of wood fuels for biomass power generation and using domestic timber in the distribution business. In the manufacturing business, we will strive to strengthen the integrated production and sales system, as well as work on establishing a circular material supply system through the operation of wood processing factories with the aim of expanding the use of domestic timber. We will also promote decarbonization design and business transformation in the construction material distribution industry by promoting One Click LCA and JUCORE Mitsumori, in order to develop new revenue streams.

In the custom-built detached housing business of the Housing Business, alongside expanding orders of ZEH-specification housing and promoting an ordering strategy that makes the most of the Company’s proposal capabilities tailored to customers’ needs, we will also put greater focus on improving profitability by streamlining construction through means such as improving the construction system to reduce construction period. In the rental housing business, we will continue to work on increasing orders for “Forest Maison GRANDE,” a wooden-construction rental apartment development. In the spec home business, we will boost efforts in the acquisition of excellent business sites by strengthening collaboration with developers. In the renovation business, we will strive to increase renovation orders that harness our proprietary quake-resistant technology by proposing “Reforest,” our renovation product for detached houses.

In the Global Construction and Real Estate Business ,\* we will roll out a diverse product strategy and efficient sales strategy tailored to customers’ needs in the US single family homes business. Furthermore, in light of our expanded business areas, we will continue to put effort into streamlining the production system, such as by promoting our integrated design, manufacturing, delivery, and installation solution for housing wall panels and other products. In the US real estate development business, we will expand new investment projects such as the development of multi-family housing as well as logistics facilities and life sciences facilities in order to secure stable profits. In addition, we will boost the synergy with the single family homes business through the JPI Group, which we acquired equity interests in during November last year, and build a system that is capable of responding flexibly to future changes in the business environment. In Australia’s single family home business, we will continue to put effort into reducing construction period and costs by streamlining production. As for real estate investment risks overseas, we will continue to carry out monitoring based on internal regulations, such as periodically checking the inventory status of real estate for sale and appraising the market values of real estate owned by the Company. At the same time, we will put further effort into developing a system that can respond flexibly to market conditions.

In the Environment and Resources Business, we will continue to work on ensuring stable operations at each power plant in the renewable energy business through stable procurement of fuel. In the forest resources business, we will put effort into expanding our markets and customer base. In addition, by forming and managing forestry funds, we will strive to expand the surface areas of forests under management and create carbon credits. In November last year, we concluded a business and capital partnership agreement with Green Earth Institute Co., Ltd. to promote the biorefinery\*\* business using wood biomass as raw material. With a view to reducing CO2 emissions and contributing to the decarbonization of society as a whole, we will work on promoting biomass chemicals.

\*The name of the business segment was changed from “Global Housing, Construction and Real Estate Business” to “Global Construction and Real Estate Business” with effect from January 2024.

\*\*Biorefinery is a technology that produces chemicals and fuels using biomass, such as plants and agricultural products, as the raw material. There are expectations that it will be able to replace petrochemicals.

(Achievement of SDGs (Sustainable Development Goals) and contribution to the realization of a sustainable society)

In our long-term vision, “Mission TREEING 2030: Making our planet safer and more secure for future generations,” the Group has identified nine key issues so that through our business activities, we can provide society with the foundational value for our planet as well as the derivative value for people and society and value for the market economy.

One of the basic policies of the Medium-Term Management Plan “Mission TREEING 2030 Phase 1” is further integration of business operations and ESG, and we have established individual indicators linked to the respective SDGs for each key issue. Among these, with regard to the climate change issue, we are steadily promoting initiatives to achieve RE100 and SBT (Science Based Targets). The Group participated in the international campaign “Race to Zero,” which aims to achieve net-zero GHG emissions by 2050. For SBT Scopes 1\* and 2\*\*, the Group aims to reduce greenhouse gas emissions by 54.6% compared to 2017 by 2030. Concerning these initiatives, we conduct scenario analysis by identifying and evaluating their risks and opportunities, and disclose this information in our sustainability report based on TCFD (Task Force on Climate-Related Financial Disclosures) framework established by the Financial Stability Board. In the scenario analysis, we take the assumption that “forests,” “wood,” and “construction,” which are the three pillars of the decarbonization in the wood cycle that we advocate in “Mission TREEING 2030,” create business opportunities, and we aim to realize a sustainable society by promoting these businesses.

\* Scope 1 refers to direct greenhouse gas emissions from the use of fuels within the Group. (E.g. CO2 emissions from the use of gasoline in company cars)

\*\* Scope 2 refers to indirect greenhouse gas emissions from purchased electric power and heat. (E.g. CO2 emissions from the use of electric power at offices)

Along with the aforementioned efforts, the Group will anticipate social changes and further improve our corporate value by such means as enhancing corporate governance, coexisting with the environment, improving customer satisfaction, respecting human rights and diversity, and managing risks as well as complying with laws as we accept feedback from our shareholders and other stakeholders.

We would like to ask our shareholders for their continued understanding and support in the future.

(Reference) Nine material issues and related SDGs

 Value for our planet	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.	 
	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.	 
	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.	  
 Value for people and society	To provide comfortable and secure spaces for society at large	Providing safe, comfortable and secure spaces to society at large.	  
	To improve the livelihood of the local communities where we operate	Creating jobs through our businesses and contributing to the development of local communities.	  
	To create a vibrant environment for all workers	Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	  
 Value for the market economy	To create new markets with forests and wood	Creating new markets that enrich the economy through the resourceful use of forests and wood.	 
	To transform markets through DX and innovation	Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	
	To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	

(5) Changes in assets and profit and loss

Classification	81 <sup>st</sup> term (2020/4~2020/12)	82 <sup>nd</sup> term (2021/1~2021/12)	83 <sup>rd</sup> term (2022/1~2022/12)	84 <sup>th</sup> term (2023/1~2023/12)
Net sales (¥ million)	839,881	1,385,930	1,669,707	1,733,169
Operating income (¥ million)	47,462	113,651	158,253	146,755
Recurring income (¥ million)	51,293	137,751	194,994	159,418
Net income attributable to shareholders of parent (¥ million)	30,398	87,175	108,672	102,479
Net income per share (¥)	167.54	457.69	543.80	505.53
Total assets (¥ million)	1,091,152	1,314,226	1,537,598	1,812,722
Net assets (¥ million)	399,456	540,089	682,554	823,296

(Note) 1. Net income per share is calculated using the average number of shares outstanding (excluding treasury stock) during the term.

2. The 81<sup>st</sup> term is the nine months from April 1, 2020, to December 31, 2020, due to a change in the fiscal year.

(6) Principal business activities (as of December 31, 2023)

With a foundation in forestry business, the Group is engaged in the following business activities in Japan and overseas.

Division	Major business activities
Timber and Building Materials Division	The purchase, manufacture, processing and sales, etc., of timber (logs, chips, lumber and laminated wood, etc.) and building materials (plywood, fiberboard, processed woody building materials, ceramic building materials, metal building materials and housing equipment, etc.)
Housing Division	The construction, maintenance and renovation of detached houses and apartment buildings, the sale of spec homes; the leasing, management, purchase and sale and brokerage of real estate, house exterior fixtures, landscaping works contracting, urban greening works, CAD, site surveys, etc.
Global Housing, Construction and Real Estate Division	The sale of spec homes and other, construction of detached houses, development of Multi-Family and Commercial Mix Use, etc. in overseas markets, contracting for medium- to large-scale construction in Japan
Environment and Resources Division	Renewable energy business, forest resources business, etc.
Other businesses	The private-pay elderly care facilities/elderly residents that combines living support services management business, non-life insurance agency business, and civil engineering/construction, etc.

(7) Principal offices and important subsidiaries (as of December 31, 2023)

i. Sumitomo Forestry Co., Ltd.

Headquarters: Chiyoda Ward, Tokyo

Branches, etc.	Division	Offices
	Timber and Building Materials Division	Tokyo Branch, Osaka Branch, Chubu Branch (Nagoya), Hokkaido, Tohoku (Sendai), Chugoku (Hiroshima), Shikoku (Takamatsu), Kyushu (Fukuoka), and 5 other Sales Offices
	Housing Division	Tokyo Branch, Kansai Branch, Tokai Branch, Ikebukuro, Tokyo Higashi, Jyonan, Tokyo Chuo, Tokyo Nishi, Tama, Tokyo Minami, Yokohama, Yokohama Kita, Kanagawa Nishi, Shonan, Chiba, Kashiwa, Narita, Saitama, Saitama Higashi, Saitama Nishi, Gunma, Utsunomiya, Mito, Tsukuba, Kofu, Shinshu, Niigata, Sendai, Morioka, Yamagata, Fukushima, Sapporo, Osaka, Osaka Kita, Osaka Minami, Kyoto, Shiga, Wakayama, Nara, Kobe, Himeji, Hiroshima, Fukuyama, Okayama, Yamaguchi, Matsuyama, Takamatsu, Fukuoka, Nishi Kyushu, Oita, Kumamoto, Kagoshima, Nagoya, Nagoya Chuo, Nagoya Minami, Okazaki, Toyohashi, Shizuoka, Shizuoka Higashi, Hamamatsu, Mie, Gifu, Hokuriku, Toyama, Fukui, Architectural Design Center, and 18 other Sales Offices

Research centers, etc.: Tsukuba Research Institute, Niihama Office (Ehime), and 4 other offices.



ii. Important subsidiaries

Company name	Office		Capital	Investment ratio	Main business activities
Sumitomo Forestry Wood Products Co., Ltd.	HQ	Shinjuku Ward, Tokyo	¥million 100	100.0	Purchase and sale of logs, chips, wooden products
Sumitomo Forestry Home Engineering Co., Ltd.	HQ	Shinjuku Ward, Tokyo	75	100.0	Contracting for the construction of Sumitomo Forestry homes
Sumitomo Forestry Home Tech Co., Ltd.	HQ	Chiyoda Ward, Tokyo	100	100.0	Renovation of detached houses, multi-unit residential, etc., maintenance of Sumitomo Forestry homes
Sumitomo Forestry Residential Co., Ltd.	HQ	Shinjuku Ward, Tokyo	150	100.0	Management of condominiums and apartments
Henley Arch Unit Trust	HQ	Victoria, Australia	(A\$ thousand) 42,315	69.3 (69.3)	Contracting for the construction of detached houses, sale of spec homes
Henley Arch Pty Ltd.			(A\$ thousand) 10	69.3 (69.3)	
Bloomfield Homes, L.P.	HQ	Texas, USA	—	65.0 (65.0)	Sale of spec homes
Brightland Homes, Ltd.	HQ	Texas, USA	(US\$ thousand) 75,001	100.0 (100.0)	Sale of spec homes
Crescent Communities, LLC	HQ	North Carolina, USA	(US\$ thousand) 225,414	100.0 (100.0)	Development of multi-family housing development commercial complex development
DRB Enterprises, LLC	HQ	Maryland, USA	(US\$ thousand) 98,106	92.4 (92.4)	Sale of spec homes
Edge Utah HoldCo, LLC	HQ	Utah, USA	(US\$ thousand) 27,525	80.0 (80.0)	Sale of spec homes
MainVue Homes LLC	HQ	Washington, USA	US\$ thousand) 21,224	63.2 (63.2)	Sale of spec homes
Mark III Properties, LLC	HQ	South Carolina, USA	(US\$ thousand) 295	65.0 (65.0)	Property development for spec homes

(Note)

- Investment ratio figures are rounded down.
- Investment ratio figures in parentheses ( ) indicate the investment ratios of the Company's subsidiaries.
- Henley Arch Unit Trust and Henley Arch Pty Ltd. operate as a single entity under Australian law.
- Bloomfield Homes, L.P. is a limited partnership under US law, and as such, has a different definition of capital. Hence, the Company does not indicate capital.
- Brightland Homes, Ltd. changed its trade name from Gehan Homes, Ltd. on March 21, 2023.

(8) Employees (as of December 31, 2023)

i. Employees of the corporate group

Division	Number of employees	Change from the previous fiscal year
Timber and Building Materials Division	7,280	1,071
Housing Division	9,495	261
Global Housing, Construction and Real Estate Division	4,797	978
Environment and Resources Division	1,396	286
Other businesses	1,469	265
Corporate (common)	378	6
<b>Total</b>	<b>24,815</b>	<b>2,867</b>

(Note)

1. Business divisions were previously “Timber and Building Materials Division”, “Housing and Construction Division”, “Global Housing and Real Estate Division”, “Environment and Resources Division” and “Other businesses”, but they were changed to “Timber and Building Materials Division”, “Housing Division”, “Global Housing, Construction and Real Estate Division”, “Environment and Resources Division” and “Other businesses” from the fiscal year. Due to the change in business division, the comparisons of change in the number of employees from the previous fiscal year were made by reclassifying the number of employees from the previous fiscal year to the new business division.
2. The number of employees includes all employed staff (excluding Group employees who have been dispatched to companies outside the Group but including individuals who have been dispatched to the Group from companies outside the Group, contract and commissioned employees) but does not include temporary employees (part-time workers, dispatched employees, etc.).
3. The number of corporate (common) employees is the total number of employees belonging to administrative departments, etc., that cannot be classified into specific divisions.
4. The number of employees increased mainly due to an increase in subsidiaries for acquisition, an interest in other companies, and a change from outsourcing contracts to employment contracts with contractors at a manufacturing subsidiary in Indonesia.

ii. Company employees

Number of employees	Change from the previous fiscal year	Average age	Average years of employment
5,235	96	44.0 years	16.3 years

(Note) The number of employees includes all employed staff (excluding Company employees who have been dispatched to outside companies but including individuals who have been dispatched to the Company from outside companies, contract and commissioned employees) but does not include temporary employees (part-time workers, dispatched employees, etc.).

(9) Major lenders (as of December 31, 2023)

Lenders	Amount borrowed
Sumitomo Mitsui Banking Corporation	32,980 <span style="float: right;">¥ million</span>
Mizuho Bank, Ltd.	20,975
Sumitomo Mitsui Trust Bank, Limited	19,559
The Norinchukin Bank	11,621
Wells Fargo Bank, National Association	9,821
MUFJ Bank, Ltd.	8,524
The Iyo Bank, Ltd.	7,871
The Hyakujushi Bank, Ltd.	6,562
The Joyo bank, Ltd.	5,423
The Nanto Bank, Ltd.	4,995

(Note) 1. The amount borrowed above includes the borrowings from the overseas subsidiaries of each lender.

2. In addition to the above, the Company has a 52,589 million yen syndicated loan underwritten by Fifth Third Bank, National Association, a 20,086 million yen syndicated loan underwritten by Flagstar Bank, N.A., and a 19,276 million yen syndicated loan underwritten by Wells Fargo Bank, National Association.

3. Borrowings in foreign currencies are converted into Japanese yen at the exchange rate at the time of aggregation.

## 2. Matters concerning the Company's shares (as of December 31, 2023)

(1) Total number of authorized shares: 400,000,000 shares

(2) Total number of shares issued: 206,058,468 (including 290,328 treasury stock)

(Note) The total number of shares issued increased by 2,300 shares due to the issuance of common shares as performance-based stock remuneration, by 18,200 shares due to the exercise of Stock Acquisition Rights as Stock-based Compensation Type, and by 4,819,732 shares due to the exercise of Stock Acquisition Rights attached to the Zero Coupon Convertible Bonds due 2023.

(3) Number of shareholders: 60,197 (a 3,724 decrease compared to the previous fiscal year)

(4) Major shareholders (top 10)

Shareholder name	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (trust account)	29,873 <small>thousands of shares</small>	14.5 %
Sumitomo Metal Mining Co., Ltd.	10,110	4.9
Custody Bank of Japan, Ltd. (trust account)	10,027	4.8
The Iyo Bank, Ltd.	5,849	2.8
Kumagai Gumi Co., Ltd.	5,197	2.5
Sumitomo Corporation	4,383	2.1
Sumitomo Life Insurance Company	4,227	2.0
The Hyakujushi Bank, Ltd.	4,197	2.0
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	3,411	1.6
Sumitomo Forestry Group Employee Shareholding Association	3,156	1.5

(Note) 1. Number of shares held and shareholding ratios are rounded down to the nearest thousand shares.

2. The shareholding ratios are calculated by excluding the number of treasury stock from the total number of shares issued.

### 3. Matters concerning Company officers

#### (1) Directors and Audit & Supervisory Board Members (as of December 31, 2023)

Position	Name	Responsibilities or significant concurrent positions
※ Chairman of the Board	Akira Ichikawa	Outside Director of Konica Minolta, Inc., Outside Director of Sumitomo Chemical Company, Limited
※ President and Representative Director (President and Executive Officer)	Toshiro Mitsuyoshi	
※ Director (Executive Vice President)	Tatsuru Satoh	Administering Lifestyle Service Division, In charge of General Administration, Legal, Secretary, External Relations, Human Resources Development/D&I, IT Solutions and Internal Audit, Director of Kumagai Gumi Co., Ltd.
Director (Senior Managing Executive Officer)	Tatsumi Kawata	Administering Environment and Resources Division, In charge of Corporate Planning, Finance, Corporate Communications and Sustainability
Director (Senior Managing Executive Officer)	Atsushi Kawamura	Administering Timber and Building Materials Division, In charge of Tsukuba Research Institute, Divisional Manager of Global Housing, Construction and Real Estate Division
Director (Managing Executive Officer)	Ikuro Takahashi	Divisional Manager of Housing Division
Director	Izumi Yamashita	Outside Director of AEON Bank, Ltd.
Director	Mitsue Kurihara	Chairman, Representative Director of Value Management Institute, Inc., Outside Director of Chubu Electric Power Co., Ltd., Outside Director of Japan Finance Corporation
Director	Yuko Toyoda	Attorney
* Senior Audit & Supervisory Board Member	Akihisa Fukuda	
* Audit & Supervisory Board Member	Toshio Kakumoto	
Audit & Supervisory Board Member	Yoshitsugu Minagawa	Chief Counselor of Norinchukin Research Institute Co., Ltd., Supervisory Committee of The Norinchukin Bank
Audit & Supervisory Board Member	Yoshimasa Tetsu	Certified public accountant, Outside Audit & Supervisory Board Member of Daiwa Motor Transportation Co., Ltd.
Audit & Supervisory Board Member	Makoto Matsuo	Attorney, External Director of Capcom Co., Ltd. (member of the Audit and Supervisory Committee), Outside Audit & Supervisory Board Member of Solasia Pharma K.K., Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd., Director of Rapidus Corporation

(Note) 1. ※ indicates Representative Director. In addition, \* indicates full-time Audit & Supervisory Board Member .

- Directors Izumi Yamashita, Mitsue Kurihara, Yuko Toyoda are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
- Audit & Supervisory Board Member Yoshitsugu Minagawa, Yoshimasa Tetsu and Makoto Matsuo are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act.
- The Company has registered Directors Izumi Yamashita, Mitsue Kurihara and Yuko Toyoda and Audit & Supervisory Board Members Yoshitsugu Minagawa, Yoshimasa Tetsu, and Makoto Matsuo as Independent Directors / Auditors as stipulated by the Tokyo Stock Exchange.
- Audit & Supervisory Board Member Yoshimasa Tetsu is a certified public accountant and has extensive knowledge in finance and accounting.
- There is no special relationship between the Company and the companies where each of the Outside Directors and Outside Audit & Supervisory Board Members holds significant concurrent positions.

《Reference》 Directors, Audit & Supervisory Board Members and Executive Officers as of January 1, 2024

Position As of January 1, 2024	Name	Responsibilities or significant concurrent positions	
		As of December 31, 2023	As of January 1, 2024
※ Chairman of the Board	Akira Ichikawa	Outside Director of Konica Minolta, Inc., Outside Director of Sumitomo Chemical Company, Limited	same as left
※ President and Representative Director, President and Executive Officer	Toshiro Mitsuyoshi	—	—
※ Director, Executive Vice President	Tatsumi Kawata	Administering Environment and Resources Division, In charge of Corporate Planning, Finance, Corporate Communications and Sustainability	Administering Corporate Planning, Finance, Corporate, Environment and Resources Division and Lifestyle Service Division, In charge of General Administration, Legal, Secretary, External Relations, Corporate Communications, Human Resources Development/D&I, IT Solutions and Internal Audit
Director, Senior Managing Executive Officer	Atsushi Kawamura	Administering Timber and Building Materials Division, In charge of Tsukuba Research Institute, Divisional Manager of Global Housing, Construction and Real Estate Division	Administering Timber and Building Materials Division, In charge of Tsukuba Research Institute, Divisional Manager of Global Construction and Real Estate Division
Director, Managing Executive Officer	Ikuro Takahashi	Divisional Manager of Housing Division	same as left
Director, Executive Officer	Tatsuru Satoh	Administering Lifestyle Service Division, In charge of General Administration, Legal, Secretary, External Relations, Human Resources Development/D&I, IT Solutions and Internal Audit, Director of Kumagai Gumi Co., Ltd.	Assistant to President (in charge of Workplace Culture Reform and Environment and Resources Business), Director of Kumagai Gumi Co., Ltd.
Director	Izumi Yamashita	Outside Director of AEON Bank, Ltd.	same as left
Director	Mitsue Kurihara	Chairman, Representative Director of Value Management Institute, Inc., Outside Director of Chubu Electric Power Co., Ltd., Outside Director of Japan Finance Corporation	same as left
Director	Yuko Toyoda	Attorney	same as left
* Senior Audit & Supervisory Board Member	Akihisa Fukuda	—	—
* Audit & Supervisory Board Member	Toshio Kakumoto	—	—
Audit & Supervisory Board Member	Yoshitsugu Minagawa	Chief Counselor of Norinchukin Research Institute Co., Ltd., Supervisory Committee of The Norinchukin Bank	same as left
Audit & Supervisory Board Member	Yoshimasa Tetsu	Certified public accountant, Outside Audit & Supervisory Board Member of Daiwa Motor Transportation Co., Ltd.	same as left
Audit & Supervisory Board Member	Makoto Matsuo	Attorney, External Director of Capcom Co., Ltd. (member of the Audit and Supervisory Committee), Outside Audit & Supervisory Board Member of Solasia Pharma K.K., Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd., Director of Rapidus Corporation	same as left

(Note) ※ indicates Representative Director. In addition, \* indicates full-time Audit & Supervisory Board Member.

Position	Name	Responsibilities or significant concurrent positions	
		As of December 31, 2023	As of January 1, 2024
Managing Executive Officer	Takahisa Higaki	Deputy Divisional Manager of Housing Division (overseeing Customer Relations, Construction Process Innovation and Construction Materials Development)	In charge of Construction Business Sub-Division (Kansai region) of Global Construction and Real Estate Division, Osaka Headquarters (BCM)
Managing Executive Officer	Koji Tanaka	Divisional Manager of Timber and Building Materials Division	Divisional Manager of Lifestyle Service Division
Managing Executive Officer	Masanobu Nishikawa	Divisional Manager of Environment and Resources Division	Divisional Manager of Environment and Resources Division and General Manager of Forest Carbon Sink Business Department of Environment and Resources Division
Managing Executive Officer	Atsushi Iwasaki	Deputy Divisional Manager of Global Housing, Construction and Real Estate Division (In charge of North American Business), Sumitomo Forestry America, Inc. (President and General Manager of Housing Department)	Deputy Divisional Manager of Global Construction and Real Estate Division (In charge of North American Business), Sumitomo Forestry America, Inc. (President and General Manager of Housing Department)
Managing Executive Officer	Yoichi Hosoya	Deputy Divisional Manager of Timber and Building Materials Division (Overseeing New Business Planning)	Divisional Manager of Timber and Building Materials Division
Managing Executive Officer	Nobuyuki Otani	General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department	In charge of Finance and Sustainability, General Manager of Corporate Planning Department and Productivity Enhancement Department of Corporate Planning Department
Executive Officer	Kanpei Tokunaga	President and Representative Director of Sumitomo Forestry Home Engineering Co., Ltd.	same as left
Executive Officer	Junko Saishu	General Manager of Legal Department and Intellectual Property Department of Legal Department	General Manager of Legal Department
Executive Officer	Kazutaka Horita	President and Representative Director of Sumitomo Forestry Crest Co., Ltd.	same as left
Executive Officer	Yutaka Kamiya	President and Representative Director of Sumitomo Forestry Landscaping Co., Ltd.	same as left
Executive Officer	Takumi Shimahara	President and Representative Director of Sumitomo Forestry Home Tech Co., Ltd.	General Manager of Kansai Branch of Housing Division, In charge of Osaka Headquarters (BCM)
Executive Officer	Tomio Tozaki	General Manager of IT Solutions Department	same as left
Executive Officer	Yuko Iizuka	General Manager of Sustainability Department	same as left
Executive Officer	Kenji Inui	Deputy Divisional Manager of Global Housing, Construction and Real Estate Division (Overseeing Design and Construction), General Manager of Asia and Oceania Business Department	Deputy Divisional Manager of Housing Division (Overseeing Customer Relations, Innovation Strategy and Construction Materials Development), General Manager of Administration and Planning Department of Housing Division
Executive Officer	Kazuo Maniwa	Divisional Manager of Lifestyle Service Division	General Manager of Personnel Department

(2) The Director and Audit & Supervisory Board Member who retired during this Business Period

Name	Date of retirement	Reason of retirement	Position at the time of retirement
Junko Hirakawa	March 30, 2023	Expiration	Director
Noriaki Toi	March 30, 2023	Expiration	Audit & Supervisory Board Member (full-time)

(3) Summary of contracts for limitation of liability

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has concluded a contract with each outside director and each outside audit & supervisory board member that limits liability for damages as indicated in Article 423, Paragraph 1 of said Act. The maximum liability for damages based on this contract is the total sum specified in Article 425, Paragraph 1 of said Act.

(4) Summary of directors and officers liability insurance

The Company has made a contract with an insurance company directors and officers liability insurance. This liability insurance is to cover damages that may arise if the insured, in the execution of duties, is deemed liable or is being held accountable. The insured parties in this liability insurance are directors, audit & supervisory board members and executive officers of the Company (including subsidiaries of the Company), and the insured does not pay insurance premiums. In addition, as a measure to ensure that the appropriateness of the insured's execution of duties is not compromised, the liability insurance does not cover damages caused by illegally obtained personal gains or favors, or by criminal or other acts that are in violation of laws or regulations committed by the insured person with the knowledge that such acts are in violation of laws or regulations.

(5) Remuneration and other of Directors and Audit & Supervisory Board Member

i. Matters concerning the policy for determining remuneration and other of individual directors

a. Method of determining the policy for determining remuneration and other of individual directors

The policy for determining remuneration and other of individual directors was resolved at the Board of Directors meeting, after considering discussion and the views of the Nomination and Remuneration Advisory Committee.

b. Summary of policy for determining remuneration and other of individual directors and method of calculating the performance-based remuneration

(a) Basic policies

The remuneration of directors of the Company is designed in accordance with the following policies:

- (i) The remuneration plan should be highly linked not only to short-term performance but also to medium- to long-term performance and improvement of corporate value;
- (ii) The plan should be linked to the value to be newly created and provided in the course of promoting the ESG integrated management;
- (iii) The plan should be designed to be linked to the shareholder value of the Company;
- (iv) The remuneration level should be such that the Company can secure and maintain the human resources necessary to achieve its long-term vision; and
- (v) The plan should ensure transparency and objectivity in the remuneration determination process.

(b) Remuneration level

From the perspective of ensuring objectivity and appropriateness of the executive remuneration, the level of remuneration for directors of the Company will be set with reference to the levels of other companies as surveyed by outside professional organizations, with the aim of achieving the mid-to-high level of remuneration in companies of similar size. The Company will revise the remuneration levels as necessary in response to changes in the external environment.



(c)Composition of remuneration

The remuneration for directors of the Company comprises (i) fixed remuneration commensurate with the director's responsibilities and roles, (ii) annual performance-based Bonus as a short-term incentive, and (iii) performance-based restricted stock remuneration as a medium- to long-term incentive. Thus, the remuneration plan is designed to encourage management efforts from a short-term, and medium- to long-term perspective and to appropriately reward the results of such efforts. The remuneration for outside directors, who are responsible for management supervision from an independent standpoint and not in a position to execute business, is composed solely of fixed remuneration.

The outline of each type of remuneration is as shown in the following table.

Type of Remuneration	Outline
Fixed remuneration	<p>i. The Company will determine the amount of fixed remuneration for each position of directors in accordance with their responsibilities and roles. The fixed remuneration will be on a monthly basis, and a fixed monthly amount will be paid in cash on a fixed date of each month.</p> <p>ii. The amount of remuneration for outside directors, consisting only of monthly remuneration as fixed remuneration, will be determined in accordance with their responsibilities and roles.</p>
Annual performance-based Bonus	<p>i. The amount of annual performance-based Bonus is determined through comprehensive judgment based on the amount obtained by multiplying the standard bonus amount determined for each position by the payment rate (The payment rate range will be from 0% (lower limit) to 180% (upper limit)) which varies in proportion to the base profit for each fiscal year (the amount obtained by deducting actuarial differences regarding employees' retirement benefit obligation, and net income attributable to non-controlling interests from consolidated recurring income for the fiscal year covered).</p> <p>ii. The Company adopts the method of amortizing actuarial differences regarding employees' retirement benefit obligation in a lump sum in a single fiscal year. Accordingly, any significant fluctuation in such actuarial differences due to stock price fluctuations, interest rate conditions, or otherwise at the end of the fiscal year will have a significant impact on the business performance. Therefore, for the calculation of the base profit, the Company uses the consolidated recurring income after deducting actuarial differences regarding employees' retirement benefit obligation.</p> <p>iii. The payment of annual performance-based Bonus will be determined by the Board of Directors based on the view of the Nomination and Remuneration Advisory Committee chaired by an Outside Director, in which outside officers constitute a majority of its members.</p>
Performance-based restricted stock remuneration	<p>i. The performance-based restricted stock remuneration is structured to reflect the Company's performance during each period (three years) of the medium-term management plan in the level of vesting. The standard stock remuneration amount prescribed for each position consists of i) a portion linked to the growth rate of the Company's market capitalization relative to TOPIX (two-thirds of the Standard Stock Remuneration Amount by Position), and ii) a portion linked to the achievement rate of the greenhouse gas emission reduction target based on SBT (Science Based Targets) (one-third of the Standard Stock Remuneration Amount by Position), each during the subject period.</p> <p>Under the plan for performance-based restricted stock remuneration as a medium- to long-term incentive remuneration, in order to promote management that emphasizes medium- to long-term enhancement of shareholder value, restricted shares in a number corresponding to the achievement status of the medium-term management plan are granted to the Subject Directors after the end of the final fiscal year of the three-year medium-term management plan period as an incentive for improving the Company's corporate value during the medium-term management plan period. The initial period covered by this plan will be three years from January 1, 2022 to December 31, 2024 (the "Initial Coverage Period").</p> <p>The amount of performance-based restricted stock remuneration to be vested is calculated using two indicators. The calculation formulas are as follows:</p> <p>i) Remuneration linked to the market capitalization growth rate Remuneration linked to the market capitalization growth rate is designed to compare the Company's market capitalization growth rate with the TOPIX appreciation rate to objectively measure the Company's relative valuation in the stock market and reflect it in remuneration.</p>

	<p>&lt;Calculation Formula&gt;  Remuneration linked to the market capitalization growth rate  = amount equivalent to two-thirds of the Standard Stock Remuneration Amount by Position × vesting rate (the Company’s market capitalization growth rate during the medium-term management plan period / TOPIX appreciation rate during the same period) (*)  * The vesting rate range will be from 0% (lower limit) to 120% (upper limit).</p> <p>ii) Remuneration linked to the sustainability index achievement rate  Since the maximum vesting rate is set at 100%, if the Company fails to achieve the emission reduction target (*1) that it has set based on the SBT (Science Based Targets *2), the amount of remuneration vested in proportion to the target achievement rate will be reduced accordingly from the Standard Stock Remuneration Amount by Position, thereby providing a strong incentive to achieve the target.</p> <p>&lt;Calculation Formula&gt;  Remuneration linked to the sustainability index achievement rate  = amount equivalent to one-third of the Standard Stock Remuneration Amount by Position × vesting rate (achievement rate of the SBT-based emission reduction target under the medium-term management plan) (*3)</p> <p>*1 The emission reduction target for the Initial Coverage Period has been set at -21.7% compared to the Company’s figures in FY 2017.</p> <p>*2 “SBT” refers to the emission reduction targets set by companies and to be achieved in five to fifteen years in consistency with the level required by the Paris Agreement that was adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) and took effect in 2016 (which sets a goal of limiting global temperature increase to well below 2°C above pre-industrial levels and pursuing efforts to limit the increase to 1.5°C).</p> <p>*3 The vesting rate range will be from 0% (lower limit) to 100% (upper limit).</p> <p>ii. The stock remuneration amount to be vested in each Subject Director will be determined by the Board of Directors after the end of the subject period by calculating the cumulative amount of stock remuneration during the subject period based on the actual value of each evaluation index, taking into account the views of the Nomination and Remuneration Advisory Committee.</p>
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(d) Remuneration composition ratio

The plan has been designed so that the ratio of fixed remuneration to variable remuneration for directors should be 60 to 40 when the base profit is 100 billion yen. Specifically, fixed remuneration accounts for 60%, annual performance-based Bonus (variable) accounts for 25%, and performance-based restricted stock remuneration (variable) accounts for 15% of the total remuneration, respectively. The remuneration for outside directors consists solely of fixed remuneration.

(e) Remuneration governance

The matters regarding executive remuneration, such as the amount of individual remuneration for directors, will be determined at the board of directors meeting taking into account the views of the Nomination and Remuneration Advisory Committee chaired by an outside director, in which outside officers (three outside directors and three outside audit & supervisory board members) constitute a majority of its eight members.

(f) Forfeiture of remuneration

In the event that the board of directors confirms any illegal or wrongful action or other misconduct by a Subject Director, the Company may demand restriction of the vesting of remuneration in such Subject Director, or return of the remuneration paid to such Subject Director.

- c. Reasons why it has been concluded that the Board of Directors' decision on individual remuneration and other of directors for the fiscal year is in line with the policy for determining remuneration and other of individual directors

Details of individual remuneration and other of directors for the fiscal year were discussed by the Nomination and Remuneration Advisory Committee, which is chaired by an outside director and is comprised of a majority of outside directors, in accordance with the policy for determining remuneration and other of individual directors. Remuneration is decided upon by the Board of Directors considering the views of the Committee. Given that objectivity and transparency of that determination have been secured, it has been concluded that the Board of Directors' decision on individual remuneration and other of directors for the fiscal year is in line with the above-mentioned policy.

- ii. Matters concerning the General Meeting of Shareholders' resolution regarding remuneration and other for directors and audit & supervisory board members

The amount of remuneration for directors (total amount of fixed remuneration and annual performance-based Bonus) was approved by a resolution at the 82nd General Meeting of Shareholders held on March 29, 2022 as not more than 650 million yen per year (of which up to 60 million yen per year is for outside directors). At the close of the said General Meeting of Shareholders, the number of directors was nine (including three outside directors).

These were approved by a resolution at the 82nd General Meeting of Shareholders held on March 29, 2022 that the total amount of the monetary remuneration receivables to be vested in directors (excluding outside directors) for the grant of performance-based restricted shares will be up to 100 million yen per fiscal year, and that the total number of common shares to be issued or disposed of as a result of Subject Directors tendering all of the monetary remuneration receivables as property contributed in kind shall not exceed 100 thousand shares per fiscal year. At the close of the said General Meeting of Shareholders, the number of directors was six (excluding outside directors).

The maximum amount of monthly remuneration for audit & supervisory board member was approved by a resolutions at the 74th General Meeting of Shareholders held on June 20, 2014 not more than 8 million yen per month. At the close of the said General Meeting of Shareholders, the number of audit & supervisory board members was five (including three outside audit & supervisory board members).

- iii. Total amount and other of remuneration and other for directors and audit & supervisory board members

Classification	Total amount of remuneration and other				Number of eligible officers
		Monthly remuneration	Performance-based remuneration (bonus)	Non-monetary remuneration (Performance-based restricted stock remuneration)	
Directors (excluding Outside Directors)	¥million 489	¥ million 276	¥million 144	¥ million 69	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	51	51	—	—	3
Outside Directors	41	41	—	—	4
Outside Audit & Supervisory Board Members	34	34	—	—	3

- (Note) 1. The above number of eligible directors of remuneration includes an Audit & Supervisory Board Member and an Outside Director who retired at the close of the 83rd Ordinary General Meeting of Shareholders.  
 2. The performance indicator selected as the basis of calculating the bonus, which is performance-based remuneration, is the base profit (outline of the base profit is stated on page 32 of this document). The actual amount of the base profit for the fiscal year was 130.7 billion yen.  
 3. The above non-monetary remuneration amounts respectively represent 69 million yen in expenses for the fiscal year based on the calculation of the estimated amount of monetary remuneration receivables in accordance with the estimated number of shares to be delivered after the three-year evaluation period. In addition, outline of the performance-based restricted stock remuneration is stated on page from 32 to 33 of this document.

## (6) Main activities of outside officers

Classification	Name	Main activities
Director	Izumi Yamashita	Attended all 15 Board of Directors meetings during the fiscal year under review and made appropriate comments based on his experience and insight regarding corporate management, finance, IT/DX and other matters. In addition, as chairman of the Nomination and Remuneration Advisory Committee, made appropriate comments regarding candidates of directors and audit & supervisory board members and decisions related to remuneration and other for directors. Based on these and other activities, contributes to the strengthening of the supervisory function of management.
Director	Mitsue Kurihara	Attended all 15 Board of Directors meetings during the fiscal year under review and made appropriate comments based on her experience and insight regarding corporate management, finance, industrial policy and other matters. In addition, as a member of the Nomination and Remuneration Advisory Committee, made appropriate comments regarding candidates of directors and audit & supervisory board members and decisions related to remuneration and other for directors. Based on these and other activities, contributes to the strengthening of the supervisory function of management.
Director	Yuko Toyoda	Since being appointed as Director on March 30 2023, attended all 12 Board of Directors meetings during the fiscal year under review and made appropriate comments based on her experience and insight regarding corporate legal affairs and other matters. In addition, as a member of the Nomination and Remuneration Advisory Committee, made appropriate comments regarding candidates of directors and audit & supervisory board members and others. Based on these and other activities, contributes to the strengthening of the supervisory function of management.
Audit & Supervisory Board Member	Yoshitsugu Minagawa	Attended 14 out of 15 Board of Directors meetings and 12 out of 14 Audit & Supervisory Board meetings during the fiscal year under review and made appropriate comments based on his wealth of administrative experience in the areas of agriculture, forestry and fisheries. In addition, as a member of the Nomination and Remuneration Advisory Committee, made appropriate comments regarding candidates of directors and audit & supervisory board members and decisions related to remuneration and other for directors.
Audit & Supervisory Board Member	Yoshimasa Tetsu	Attended all 15 Board of Directors meetings and all 14 Board of Audit & Supervisory Board meetings during the fiscal year under review and made appropriate comments primarily as a specialist in accounting. In addition, as a member of the Nomination and Remuneration Advisory Committee, made appropriate comments regarding candidates of directors and audit & supervisory board members and decisions related to remuneration and other for directors.
Audit & Supervisory Board Member	Makoto Matsuo	Attended all 15 Board of Directors meetings and all 14 Board of Audit & Supervisory Board meetings during the fiscal year under review and made appropriate comments primarily as a specialist in law. In addition, as a member of the Nomination and Remuneration Advisory Committee, made appropriate comments regarding candidates of directors and audit & supervisory board members and decisions related to remuneration and other for directors.

(Figures in the above Business Report that are less than the indicated unit have been rounded off) unless otherwise noted.

## CONSOLIDATED BALANCE SHEET

As of December 31, 2023

(Million yen)

### ASSETS

#### **Current assets:**

Cash and deposits	¥	154,067
Notes and accounts receivable-trade		103,164
Electronically recorded monetary claims		41,053
Accounts receivable from completed construction contracts and contract assets		65,213
Marketable securities		3,167
Merchandise and finished goods		21,209
Work in process		2,026
Raw materials and supplies		12,409
Costs on construction contracts in progress		16,176
Real estate for sale		127,930
Real estate for sale in process		524,556
Short-term loans receivable		27,358
Accounts receivable-other		87,218
Other		50,972
Allowance for doubtful accounts		(489)

**Total current assets** **1,236,028**

#### **Non-current assets:**

##### **Property, plant and equipment:**

Buildings and structures		58,671
Machinery, equipment and vehicles		23,416
Land		52,317
Timber		43,177
Leased assets		18,537
Construction in progress		22,410
Other		7,746

**Total property, plant and equipment** **226,274**

##### **Intangible assets:**

Goodwill		45,892
Other		18,466

**Total intangible assets** **64,358**

##### **Investments and other assets:**

Investment securities		229,667
Long-term loans receivable		16,418
Retirement benefit assets		4,653
Deferred tax assets		8,312
Other		28,089
Allowance for doubtful accounts		(1,078)

**Total investments and other assets** **286,062**

**Total non-current assets** **576,694**

**Total assets** **¥ 1,812,722**

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**CONSOLIDATED BALANCE SHEET**

As of December 31, 2023

(Million yen)

**LIABILITIES**

**Current liabilities:**

Notes and accounts payable-trade	¥	107,458
Electronically recorded payables		30,931
Accounts payable for construction contracts		130,618
Short-term borrowings		51,755
Commercial Papers		30,000
Corporate bonds redeemable within 1 year		10,012
Lease obligations		3,615
Income taxes payable		8,152
Contract liabilities		86,916
Provision for bonuses		21,970
Provision for bonuses for directors (and other officers)		144
Provision for warranties for completed construction		10,203
Asset retirement obligations		325
Other		95,889

**Total current liabilities** **587,989**

**Long-term liabilities:**

Bonds payable		80,192
Long-term borrowings		230,306
Lease obligations		17,991
Deferred tax liabilities		34,612
Provision for retirement benefits for directors (and other officers)		372
Retirement benefit liability		10,587
Asset retirement obligations		3,248
Other		24,128

**Total long-term liabilities** **401,437**

**Total liabilities** **989,426**

**NET ASSETS**

**Shareholders' equity:**

Capital stock		55,088
Capital surplus		36,530
Retained earnings		524,297
Treasury shares		(2,517)
<b>Total shareholders' equity</b>		<b>613,398</b>

**Accumulated other comprehensive income:**

Valuation difference on available-for-sale securities		37,201
Deferred gains or losses on hedges		5,812
Foreign currency translation adjustment		97,960
Remeasurements of defined benefit plans		45
<b>Total accumulated other comprehensive income</b>		<b>141,018</b>

**Share acquisition rights** **74**

**Non-controlling interests** **68,807**

**Total net assets** **823,296**

**Total liabilities and net assets** **¥ 1,812,722**

**CONSOLIDATED STATEMENTS OF INCOME**

For the year ended December 31, 2023

		(Million yen)
<b>Net sales</b>	¥	<b>1,733,169</b>
<b>Cost of sales</b>		<b>1,324,339</b>
<b><u>Gross profit</u></b>		<b><u>408,830</u></b>
<b>Selling, general and administrative expenses</b>		<b>262,076</b>
<b><u>Operating income</u></b>		<b><u>146,755</u></b>
<b>Non-operating income:</b>		
Interest income		1,972
Purchase discounts		347
Dividends income		2,039
Share of profit of entities accounted for using equity method		8,338
Foreign exchange profit		317
Other		9,223
<b>Total non-operating income</b>		<b>22,236</b>
<b>Non-operating expenses:</b>		
Interest expenses		4,338
Other		5,234
<b>Total non-operating expenses</b>		<b>9,572</b>
<b><u>Recurring income</u></b>		<b><u>159,418</u></b>
<b>Extraordinary profit:</b>		
Gain on sale of investment securities		1,935
<b>Total extraordinary profit</b>		<b>1,935</b>
<b><u>Profit before income taxes</u></b>		<b><u>161,353</u></b>
Income taxes-current		36,688
Income taxes-deferred		(1,570)
<b><u>Net income</u></b>		<b><u>126,235</u></b>
<b>Net income attributable to non-controlling interests</b>		<b>23,756</b>
<b><u>Net income attributable to shareholders of parent</u></b>	¥	<b><u>102,479</u></b>

**NON-CONSOLIDATED BALANCE SHEET**

As of December 31, 2023

(Million yen)

**ASSETS**

**Current assets:**

Cash and deposits	¥	55,184
Notes receivable-trade		12,025
Electronically recorded monetary claims		36,089
Accounts receivable-trade		72,592
Accounts receivable from completed construction contracts and contract assets		46,997
Marketable securities		3,167
Merchandise and finished goods		12,901
Costs on construction contracts in progress		8,494
Real estate for sale		22,220
Real estate for sale in process		12,926
Advance payments		1,013
Prepaid expenses		1,384
Short-term loans receivable		25,000
Short-term loans receivable from subsidiaries and affiliates		6,781
Accounts receivable-other		84,178
Other		122
Allowance for doubtful accounts		(1,865)

**Total current assets**

**399,209**

**Non-current assets:**

**Property, plant and equipment:**

Buildings		15,107
Structures		1,077
Machinery and equipment		742
Vehicles		4
Tools, furniture and fixtures		1,052
Land		10,583
Timber		9,046
Leased assets		4,118
Construction in progress		1,166

**Total property, plant and equipment**

**42,895**

**Intangible assets:**

Telephone subscription rights		176
Right of utilization on forest road		53
Right of using facilities		1
Industrial property rights		8
Software		10,130
Leased assets		11

**Total intangible assets**

**10,378**

**Investments and other assets:**

Investment securities		78,965
Stocks of subsidiaries and affiliates		359,270
Investments in other securities of subsidiaries and affiliates		4,930
Long-term loans receivable		195
Long-term loans receivable from employees		45
Long-term loans receivable from subsidiaries and affiliates		17,535
Claims provable in bankruptcy, claims provable in rehabilitation and other		1,020
Long-term prepaid expenses		1,682
Prepaid Pension Costs		3,760
Other		12,744
Allowance for doubtful accounts		(9,363)

**Total investments and other assets**

**470,781**

**Total non-current assets**

**524,055**

**Total assets**

¥ **923,263**



**NON-CONSOLIDATED BALANCE SHEET**

As of December 31, 2023

(Million yen)

**LIABILITIES****Current liabilities:**

Electronically recorded payables	¥	24,842
Accounts payable-trade		88,995
Accounts payable for construction contracts		109,019
Commercial Papers		30,000
Corporate bonds with subscription rights		10,000
Long-term loans payable due within 1 year		16,244
Lease obligations		645
Accounts payable-other		8,661
Income taxes payable		3,532
Accrued consumption taxes		3,119
Accrued expenses		1,461
Contract liabilities		44,472
Deposits received		51,330
Unearned revenue		288
Provision for employees' bonuses		8,260
Provision for directors' bonuses		144
Provision for warranties for completed construction		2,894
Asset retirement obligation		325
Other		308

**Total current liabilities** **404,539****Long-term liabilities:**

Bonds payable		80,000
Long-term borrowings		91,390
Guarantee deposited		5,059
Lease obligations		3,839
Deferred tax liabilities		16,008
Provision for loss on business of subsidiaries and affiliates		1,818
Asset retirement obligation		2,858
Other		1,282

**Total long-term liabilities** **202,255****Total liabilities** **606,794****NET ASSETS****Shareholders' equity:**

Capital stock		55,088
Capital surplus:		
Legal capital surplus		54,028
Other capital surplus		259
<u>Total capital surplus</u>		<u>54,287</u>
Retained earnings:		
Legal retained earnings		2,857
Other retained earnings		
Reserve for reduction entry		1,715
General reserve		108,453
Retained earnings brought forward		52,467
Total other retained earnings		162,635
<u>Total retained earnings</u>		<u>165,492</u>
Treasury stock		(297)
<b>Total shareholder's equity</b>		<b>274,571</b>

**Valuation and translation adjustments :**

Valuation difference on available-for-sale securities		37,452
Deferred gains or losses on hedges		4,373

**Total valuation and translation adjustments** **41,825****Share acquisition rights** **74****Total net assets****Total liabilities and net assets** **¥ 316,470****923,263**

**NON-CONSOLIDATED STATEMENTS OF INCOME**

For the year ended December 31, 2023

	(Million yen)
<b>Net sales:</b>	
Net sales of goods	¥ 126,855
Completed contracts	387,701
<b>Total net sales</b>	<b>514,556</b>
<b>Cost of sales:</b>	
Cost of goods sold	106,494
Cost of completed contracts	297,676
<b>Total cost of sales</b>	<b>404,170</b>
<b><u>Gross profit</u></b>	<b><u>110,387</u></b>
<b>Selling, general and administrative expenses:</b>	<b>95,211</b>
<b><u>Operating income</u></b>	<b><u>15,175</u></b>
<b>Non-operating income:</b>	
Interest income	159
Interest on securities	3
Purchase discounts	251
Dividends income	25,753
Other	2,076
<b>Total non-operating income</b>	<b>28,241</b>
<b>Non-operating expenses:</b>	
Interest expenses	447
Bond interest expenses	332
Other	916
<b>Total non-operating expenses</b>	<b>1,695</b>
<b><u>Recurring income</u></b>	<b><u>41,721</u></b>
<b>Extraordinary Profit:</b>	
Gain on sale of investment securities	1,935
<b>Total extraordinary Profit</b>	<b>1,935</b>
<b><u>Profit before income taxes</u></b>	<b><u>43,656</u></b>
Income taxes-current	5,622
Income taxes-deferred	(1,654)
<b><u>Net income</u></b>	<b>¥ <u>39,688</u></b>

(Amounts less than one (1) million yen in the Consolidated Financial Statements and the Non-Consolidated Financial Statements are rounded to the nearest million yen.)

## Independent Auditor's Report

February 16, 2024

To the Board of Directors of Sumitomo Forestry Co., Ltd.:

Ernst & Young ShinNihon LLC  
Tokyo Office

Tatsuya Chiba  
Designated and Engagement Partner  
Certified Public Accountant

Masato Nakagawa  
Designated and Engagement Partner  
Certified Public Accountant

Natsuki Saiki  
Designated and Engagement Partner  
Certified Public Accountant

### **Opinion**

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the Consolidated Financial Statements, which comprise the Consolidated Balance Sheet, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets, and Notes to the Consolidated Financial Statements of Sumitomo Forestry Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), for the consolidated fiscal year from January 1, 2023 to December 31, 2023.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the Consolidated Financial Statements were prepared, in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements". We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The other information comprises the Business Report and its supplementary schedules. Management is responsible for the preparation and disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for supervising the Directors' performance of their duties with regard to designing and operating the reporting process for the other information. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit, and to give attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report with respect to the other information.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error. In preparing the Consolidated Financial Statements, management is responsible for assessing whether it is appropriate to prepare the Consolidated Financial Statements in accordance with the going concern assumption, and for disclosing, matters related to going concern when it is required to do so in accordance

with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for supervising the Directors' performance of their duties with regard to designing, and operating the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the Consolidated Financial Statements from an independent standpoint, based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the objective of the audit of the Consolidated Financial Statements is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies and the method of their application adopted and the reasonableness of accounting estimates and the adequacy of related notes made by management.
- Determine whether it is appropriate for management to prepare the Consolidated Financial Statements on the going concern assumption and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If there is a significant uncertainty concerning the going concern assumption, the auditor is required to call attention to the related notes in the Consolidated Financial Statements in the audit report, or if the related notes in the Consolidated Financial Statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the Consolidated Financial Statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the Consolidated Financial Statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the Consolidated Financial Statements, including the related notes, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Consolidated Financial Statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required under the auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Independent Auditor's Report

February 16, 2024

To the Board of Directors of Sumitomo Forestry Co., Ltd.:

Ernst & Young ShinNihon LLC  
Tokyo Office

Tatsuya Chiba  
Designated and Engagement Partner  
Certified Public Accountant

Masato Nakagawa  
Designated and Engagement Partner  
Certified Public Accountant

Natsuki Saiki  
Designated and Engagement Partner  
Certified Public Accountant

### **Opinion**

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the Financial Statements, which comprise the Non-Consolidated Balance Sheet, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Net Assets, and Notes to the Non-Consolidated Financial Statements of Sumitomo Forestry Co., Ltd. ("the Company") as at December 31, 2023 and for the 84th fiscal year from January 1, 2023 to December 31, 2023.

In our opinion, the Financial Statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the Financial Statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules". We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

The other information comprises the Business Report and its supplementary schedules. Management is responsible for the preparation and disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for supervising the Directors' performance of their duties with regard to designing and operating the reporting process for the other information.

Our opinion on the Financial Statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the accompanying supplementary schedules or our knowledge obtained in the audit, and to give attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report with respect to the other information.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules**

Management is responsible for the preparation and fair presentation of the Financial Statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of Financial Statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the Financial Statements and the accompanying supplementary schedules in accordance with the going concern assumption, and for disclosing matters related to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for supervising the Directors' performance of their duties with regard to the designing and operating the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules**

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the Financial Statements and the accompanying supplementary schedules from an independent standpoint, based on our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the objective of the audit of the Financial Statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and the method of their application adopted and the reasonableness of accounting estimates and the adequacy of related notes made by management.
- Determine whether it is appropriate for management to prepare the Financial Statements and the accompanying supplementary schedules on the going concern assumption and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If there is a significant uncertainty concerning the going concern assumption, the auditor is required to call attention to the related notes in the Financial Statements and the accompanying supplementary schedules in the audit report, or if the related notes in the Financial Statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the Financial Statements and the accompanying supplementary schedules. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the Financial Statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the Financial Statements and the accompanying supplementary schedules, including the related notes, and whether the Financial Statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and the other matters required under the auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Audit Report by the Audit & Supervisory Board

### Audit Report

The Audit & Supervisory Board, prepared this audit report based on audit reports prepared by each Audit & Supervisory Board Member upon deliberation with respect to execution duties by Directors for the 84th fiscal year from January 1, 2023 to December 31, 2023 and report as follows:

1. Method and Contents of the Audit by Each Audit & Supervisory Board Member and Audit & Supervisory Board
  - (1) The Audit & Supervisory Board has established the policies of audit, the manner of dividing roles, etc., and in addition to receiving reports on the status of audit and its results from each Audit & Supervisory Board Member, we received reports from the Directors, etc. and the Accounting Auditor regarding the execution of their duties, and asked them for explanations as necessary.
  - (2) In conformity with the standard of audit established by the Audit & Supervisory Board, and in accordance with the policies of audit and the manner of dividing roles, each Audit & Supervisory Board Member promoted communications with the Directors, Internal Auditing Department, other employees, etc., strove to collect information and to enhance the environment for auditing, and conducted the audit by the following methods:
    - i. Each Audit & Supervisory Board Member attended important meetings such as the Board of Directors meeting, received reports from Directors and employees, etc. regarding the execution of their duties, asked them for explanations as necessary, inspected important internal authorization documents and examined the status of operations and the financial status of the head office and important operating locations. As for subsidiaries, each Audit & Supervisory Board Member promoted communication and exchange of information with Directors and Audit & Supervisory Board Members, etc. of the subsidiaries, and received reports on the subsidiaries' business as necessary.
    - ii. With regard to the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Directors' execution of their duties complies with all laws, regulations and the Articles of Incorporation of the Company, and other systems prescribed in Article 100, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act as systems necessary for ensuring the appropriateness of the business operations of a group of enterprises consisting of a stock company and its subsidiaries, and the system (internal control system) developed based on such resolutions, Audit & Supervisory Board Members regularly received reports from Directors and employees, etc. on the status of their construction and implementation, requested explanations as necessary and represented opinion. As for the internal control over financial reporting, each Audit & Supervisory Board Member received reports from the Directors, etc. and Ernst & Young ShinNihon LLC regarding the status of discussions between them, and the assessment and the status of audit on such the internal control, and requested explanations as necessary.
    - iii. Each Audit & Supervisory Board Member monitored and followed up on whether the Accounting Auditor has retained its independent standpoint and has conducted its audit in an adequate manner, and received reports from the Accounting Auditor regarding the execution of its duties, and asked the Accounting Auditor for explanations as necessary. In addition, each Audit & Supervisory Board Member received notice from the Accounting Auditor that they have in place the "System to Ensure the Execution of Duties is Conducted in an Appropriate Manner (the matters set forth in each item of Article 131 of the Enforcement Regulations Regarding Accounting promulgated under the Companies Act)" in accordance with "Quality Control Standard Regarding Audit (by the Business Accounting Council)," and asked the Accounting Auditor for explanations as necessary.

By the methods set forth above, we inspected this fiscal year's Business Report and its supporting schedules, Non-Consolidated Financial Statements (Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Shareholders' Equity and Notes to the Non-Consolidated Financial Statements) and their supporting schedules, and the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statements of Income, Consolidated Statements of Changes in Net Assets and Notes to the Consolidated Financial Statements).

## 2. Results of Our Audit

### (1) Results of the Audit regarding the Business Report, etc.

- i. We consider that the Business Report and its supporting schedules comply with the applicable laws and regulations and with the Articles of Incorporation of the Company and that they present fairly the status of the Company.
- ii. There is no serious violation of any applicable laws and regulations or of the Articles of Incorporation of the Company concerning the Directors' execution of their duties.
- iii. We consider the Board of Director's resolution regarding the Internal Control System to be proper. Furthermore, we do not find any aspects to be pointed out for the contents in the Business Report and the Directors' execution of their duties concerning the Internal Control System including the internal control over financial reporting.

### (2) Results of the Audit regarding the Non-consolidated Financial Statements and their Supporting Schedules

We consider the method and results of the audit conducted by the Accounting Auditor, Ernst & Young ShinNihon LLC, to be proper.

### (3) Results of the Audit regarding the Consolidated Financial Statements

We consider the method and results of the audit conducted by the Accounting Auditor, Ernst & Young ShinNihon LLC, to be proper.

February 16, 2024

Audit & Supervisory Board  
Sumitomo Forestry Co., Ltd.

Akihisa Fukuda (Seal)  
Senior Audit & Supervisory Board Member(full-time)

Toshio Kakumoto (Seal)  
Audit & Supervisory Board Member(full-time)

Yoshitsugu Minagawa (Seal)  
Audit & Supervisory Board Member

Yoshimasa Tetsu (Seal)  
Audit & Supervisory Board Member

Makoto Matsuo (Seal)  
Audit & Supervisory Board Member

Note: Messrs. Yoshitsugu Minagawa, Yoshimasa Tetsu and Makoto Matsuo, are Outside Audit & Supervisory Board Members set forth in, Article 2, Item 16 of the Companies Act.

– End –