

Happiness Grows from Trees



## Sumitomo Forestry Group CSR Report 2016



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## Boundary of the Report and Publication Date

### Boundary of the Report

Although this report focuses mainly on Sumitomo Forestry Co., Ltd., the Company considers it important to cover the activities of the entire Sumitomo Forestry Group, and hence has been expanding its reporting scope.

### Reporting Period

April 2015 to March 2016  
(The period also includes some activities from April 2016 as well as future expectations.)

### Publication Date

October 2016

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# Changing the Future with “Wood” Moving Beyond Expanding its Uses to Transforming its Value



## Moving on to a new stage in an era of change

Since our establishment in 1691, the Sumitomo Forestry Group has been involved in forestry both in Japan and abroad and has expanded its business operations by tapping the potential of wood and enhancing its added value. With operations sustained by some 17,000 people working in 17 countries and regions around the world, our total revenues reached one trillion yen for the first time in the Company’s history. This May, we announced our three-year goals in our “Sumitomo Forestry Medium-Term Management Plan 2018.”

Our Medium-Term Management Plan 2018 is based on the theme, “Promoting Change for a New Stage.” Here we have set out three basic policies: “Pursuing a strategy that anticipates societal changes,” “Diversifying revenue sources in the global market,” and “Transforming the value of wood.” The direction we need to take is clear, but every day we notice signs of change in our operating environment. In addition to unusual weather patterns and natural disasters, the “Paris Agreement,” a global framework to deal with climate change, has brought to a turning point the structure of economic development driven by fossil fuels. The speed of change is accelerating due to not only environmental and economic issues, but also disputes in the global community and many other factors woven together in a complex pattern.

In such an operating environment, we need to transform ourselves in many different ways to sustain growth. Our strength lies in our ability to harness the beauty and potential of wood as well as in our corporate philosophy of contributing to a sustainable society, shared across the Group. Given our perspective of the world with “wood” as our focus, the Sumitomo Forestry Group can contribute to the future in unique ways. With policies that create a favorable workplace and enable a diverse pool of talent to actively pursue their careers, we shall challenge ourselves without fear of failure.

## Sharing our philosophy and creating a future together

Sumitomo Forestry Group works in close collaboration with partner companies who understand and share the spirit of our corporate philosophy nurtured over our 325-year history. We have formed business alliances in the field of renewable energy, cooperative relationships with municipalities through our forestry consulting services and cross-industry collaborations in the Mocca (Timber Solutions) Business that create new cultures related to wood. While new challenges will arise, we will continue to aggressively seek opportunities to work with a wide variety of companies and organizations.

As a Group, we are also striving to expand our business

areas. In our overseas Housing Business, we established one new company in the U.S., making for a total of five Group companies operating businesses in 11 states. In fiscal 2015, we built approximately 5,000 homes in the U.S. and Australia. Although the housing business is characterized by strong regional differences, we are one of the few companies able to expand globally by meeting individual customer needs. We believe we can tap the beauty and appeal of wood with our design concepts that are harmonized with the environment and flow of movement in living spaces, nurtured through years of experience in Japan. Furthermore, in Australia, Vietnam and Hong Kong, we have launched real estate development operations through joint ventures, and in India, Myanmar and Thailand, we have expanded our timber and building material manufacturing operations.

### **Pursuing a strategy that is ahead of societal changes and providing our customers with new value**

In Japan, we are keenly attuned to and working to overcome societal challenges, such as changes in demographics and household trends. As the Japanese Government has set a goal to make 95% of buildings earthquake resistant by 2020, we are reminded of the importance of our role in providing safe, reliable and comfortable houses. For example, we have many customers who live in homes built before the Building Standards Act of 1950 that are made of Japanese zelkova, chestnut or other exceptional Japanese wood species. Because our customers treasure these homes and want to pass them on to future generations for the next 100 years, we are working to enhance our renovation technologies that will keep these old homes intact while incorporating earthquake resistance, thermal insulation and other modern comforts and safety features.

For new housing, rental housing, senior-citizen housing and others, we are responding to diversifying lifestyles and needs of our customers and providing products and services that make the most of the characteristics of “wood,” a renewable



The photo is taken in Tsukuba Research Institute

and environmentally friendly natural resource. We are also aggressively investing in research and development to expand our fields of research. Keeping in mind “the most appropriate material for the most appropriate location,” we are utilizing our global manufacturing and distribution network to procure wood from sustainably managed forests around the world and to contribute in ways characteristic of our Group.

### **Expanding the potential of wood and working towards sustainable CSR management**

The above-mentioned efforts we are making as a Group are being advanced by a greater awareness of the many environmental issues we face and higher expectations in the role of wood and forests. As part of our efforts to revive forestry and revitalize local economies, we are expanding the supply of seedlings for forest regeneration. In addition, we support local governments in modernizing forestry operations. The Tokyo Olympics and Paralympics have fueled interest in domestic timber and we believe we can play an important role as we develop our company-owned forests and domestic distribution networks. Furthermore, with the “Act for Promotion of Use of Wood in Public Buildings” put into effect in 2010, public interest in the MOCCA Business of constructing medium- and large-scale wooden buildings is rising. We are working to find new ways to use a wide variety of timber-based materials, such as cross-laminated timber (CLT) and we believe this area of business shows high potential for growth.

However, from a global perspective, deforestation presents a significant challenge. With the increasing importance of sustainable forest management, countries around the world are enhancing regulations to prevent illegal logging. In regards to Japan’s “Clean Wood Law” (Promotion of Legal Timber Usage Law), which will be put into effect next year, we pledge to play our role as an industry leader to ensure its smooth implementation and effectiveness.

In fiscal 2015, we began implementing the “Sumitomo Forestry Group Mid-Term CSR Management Plan,” which places emphasis on sustainability. To accelerate integration of these goals into all of our businesses, we are incorporating environmental and social CSR objectives in our performance assessments in the same manner as business objectives. We want our “business” and “CSR” approaches to be seamless as we work together as a Group to fulfill our corporate philosophy. Our ESG (environment, society, governance) initiatives and achievements are summarized in the “Sumitomo Forestry Group CSR Report 2016,” which we hope will help deepen your understanding of our Group and its direction.

**Akira Ichikawa**  
President and Representative Director

# Initiating Regional Revitalization from Forestry

Underpopulation in rural areas is becoming a serious social issue in Japan, caused by the aging population and falling birthrate together with the concentration of population into urban areas.

One of the solutions to such an issue is regional revitalization where forestry plays a key role.

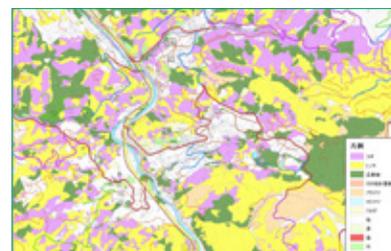
The Sumitomo Forestry Group is supporting regional forest and the forestry industry, making use of the knowledge and expertise it has acquired through many years of maintenance of Company-owned forests.

## Using Experience Acquired through Business in Regional Revitalization

With forests covering about two thirds of its total land area, Japan is one of the most forest-rich countries in the world. However, the growth of forestry—an industry that uses forest resources—has been sluggish. Timber self-sufficiency remains at a low level after it finally recovered to above 30%. In rural areas endowed with rich forests, the forestry industry plays a key role in creating sustainable employment and revitalizing local economies. Moreover, planted forests will become devastated if left neglected. They need regular thinning and appropriate logging from the perspectives of the natural environment and biodiversity. For these

reasons, in recent years, the Ministry of Agriculture, Forestry and Fisheries and other government agencies, as well as local municipalities, have started to support the forestry industry. Since its foundation, Sumitomo Forestry has carried out sustainable forestry management in Company-owned forests and operated businesses that use the resource. In the belief that the experiences and expertise it has acquired through these businesses, including systematic reforestation and harvesting, and timber use for home building and biomass energy, would contribute to regional revitalization, Sumitomo Forestry is actively working with municipalities and forestry

cooperatives to regenerate forests and restructure local forestry, introducing ICT into forest management and proposing efficient infrastructure maintenance and operating methods.



Screen of ICT system for forest management

Total number of forestry support projects contracted out by public offices **17** projects

## Plans to Make Full Use of Resources and Integration of New Technologies

Forest management by the Sumitomo Forestry Group starts with in-depth analysis of the conditions of forests. We collect basic data, such as the geography, vegetation and density of



Seedling production facility growing seedlings efficiently

forest resources, and develop plans that take into account the convenience, environmental conservation and other functions of individual forests. Resources from forests can be used not only as timber and building materials but also as fuel for wood biomass power generation and other purposes. While considering plans to make full use of the resources, we also produce afforestation seedlings, which are central to the forestry industry. The Sumitomo Forestry Group has set up four facilities that produce seedlings primarily with greenhouse culture in

Japan. Seedlings are an indispensable element for the future development of the forestry industry, and contribute to job creation, because compared with open-field culture, greenhouse seedling production requires less workload and can employ a wider range of human resources. In addition, with the goal of making forestry labor lighter and safer, we work with robot manufacturers and university research institutions to develop and introduce assist suits.

Number of seedling production facilities in operation in Japan **4** facilities



## Nurturing Forestry and Satoyama in Maniwa, Okayama

### A Model for Forestry in Hilly and Mountainous Areas

Forests occupy 80% of the total land area of Maniwa City in Okayama Prefecture in Japan. In August 2015, the city selected Sumitomo Forestry as its partner in its Satoyama Maniwa Forest Development Project. Together with the city and a local forestry cooperative, we developed a Forest and Forestry Master Plan to improve capacity to meet the city's growing demand for timber. In developing a master plan, we focused on forest management that balances environmental conservation and forest maintenance and forestry promotion. Hilly and mountainous areas, including Maniwa City, occupy nearly two thirds of Japan's total land area. Forestry is particularly important in making the most of such areas because areas with a lot of sloping land cannot easily be

used for other industries. The Maniwa City project is expected to become a model case for new forestry.

### Developing Satoyama in collaboration with the local community

In fiscal 2015, we determined the forest resources of the 5,700-hectare model zone in Maniwa City, carried out zoning,<sup>1</sup> and prepared harvesting plans. We conducted fact-finding

surveys on animal damage and developed measures to reduce feeding damage by deer. We also interviewed local forestry businesses to develop a plan focused on future trends in timber demand. Based on the information we obtained, we will develop forests as Satoyama (wooded areas linked to local communities) that citizens can actively use in their everyday lives.

<sup>1</sup> Classification of areas according to use



Introduced high performance tower yarder



Workshop for local residents of Maniwa City

## Introducing Leading-Edge Quantitative Analysis System for Forest Resources in Kyotamba, Kyoto

With forests occupying 80% of its total land, Kyotamba Town in Kyoto Prefecture intends to develop its forestry with the goal of creating employment, encouraging the settlement of forestry workers, and ensuring proper forest maintenance. Sumitomo Forestry contracted with the town to provide consultation on the development and operation of a quantitative analysis system for forestry resources, which serves as the basis of the town's initiative. Operation of the system started in March 2016.

Using the aerial surveying technology that combines aerial photographs and aerial laser surveying, the system helps to accurately determine forest conditions. Additionally, the introduction of a network system that links the municipal office and a local forestry cooperative allows information on forestry resources of privately-owned forests and state-owned forests to be shared within the target area. These systems are expected to help develop more viable plans for harvesting and forest road construction.

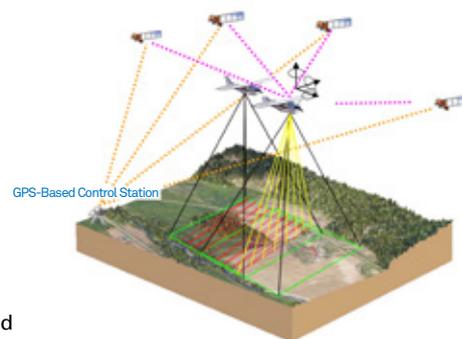


Illustration of aerial laser surveying



Professor Kazuhiro Tanaka, Vice President of Kyoto Prefectural University (Department of Forest Science)

Since the 2004 academic year, Kyoto Prefectural University has worked on a special study titled "Academic Contribution to the Region" (ACTR), with the goal of contributing to regional promotion and the development of industry and culture within Kyoto Prefecture. In the 2016 academic year, ACTR selected a study subject application submitted by Kyotamba Town on an empirical study for a sophisticated and streamlined forest management approach using IT data. The proposed study is to be conducted through industry-government-academia cooperation for the development of forest plans that take sustainability and biodiversity into consideration, as well as for forest management that can contribute to the forestry industry and regional revitalization, with the use of the quantitative analysis system for forestry resources that Sumitomo Forestry developed for the town. I hope the study will become a model case leading to forest regeneration and the restructuring of local forestry.

# Fair and Responsible Timber Procurement



Forests around the world are decreasing due to illegal logging, excessive slash-and-burn farming, conversion to agricultural land and other practices, and this has been a social issue on a global scale.

Also, since timber, one of renewable resources, is essential to Sumitomo Forestry's businesses, deforestation and forest degradation are significant challenges concerning sustainability of our business operations.

As a responsible builder of wooden houses and buildings as well as a trader of timber and building materials, we work with our suppliers to build a reliable supply chain and contribute to developing a sustainable society.

## Timber Procurement Policy and Management System

The Sumitomo Forestry Group formulated Timber Procurement Policy in 2007 and revised it to form the new Sumitomo Forestry Group Procurement Policy in July 2015 covering procurement of building materials, raw materials and products. To implement the policy, the Group established the Timber Procurement Committee, chaired by the head of CSR Department and comprising managers from departments in charge of timber procurement for the trading and housing operations. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging. In fiscal 2015, the Committee met three times to confirm legal compliance of 77 suppliers for import timber and review the details of CSR

surveys including occupational health and safety and consideration for human rights.

The Sumitomo Forestry Group Procurement Policy stipulates that, through cooperation with suppliers, timber and wood products procurement are practiced as follows.



Timber Procurement Committee

### Sumitomo Forestry Group Procurement Policy (Summary)

1. Procurement based on legal and highly reliable supply chains
2. Procurement based on fair opportunity and competition
3. Procurement of sustainable timber and wood products
  - Procure timber from forests that are sustainably managed
  - Work to improve the traceability of procured timber and wood products
  - Strictly adhere to the laws and regulations of the countries and regions we log in, protect biodiversity and forests with high conservation value, and respect the cultures, traditions and economies of regions that coexist in harmony with forests.

## Due Diligence to Confirm Legal Compliance

**Step 1 Access to Information:** Every department in charge of timber procurement confirms that its suppliers can supply only legally harvested timber or wood products. Representatives posted overseas communicate closely with local suppliers to check information they should obtain, in addition to the name

and address of the suppliers, the name, quantity, tree species and place of harvest of the products being procured, the availability of a certificate, license and the like, and the key purchasers.

**Step 2 Risk assessment:** The Committee assesses risks related to illegal logging according to the procurement standards specified by the Committee

for each country or region, tree species and timber type.

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

Following items are checked, through supplier surveys and local interviews,



## Timber procurement management system

for the products that are being procured:

-Whether the rights of workers and local inhabitants are abused in the area where we procure (the raw material for) the products from. If it is the case, whether suppliers check their logging practices take place with consideration.

-Whether the high conservation values forests are included in the area where we procure (the raw material for) the product from. If it is the case, whether suppliers check their logging practices take place with consideration.

**Step 3 Risk reduction measures:**  
Each section in charge of timber procurement take measures to reduce risks in cases that are not assessed as low-risk. Such measures include checking and obtaining additional information (evidence), conducting in-depth field surveys by employees, and procuring forest certified timber.

Continued efforts to improve the supply chain is encouraged through the reports on the progress of these activities from sections in charge of timber procurement.



## Field Survey on Timber Procurement in Malaysia

In risk assessment, we pay attention to newspaper coverage and reports from environmental organizations. When necessary, we have conducted in-depth field surveys. In fiscal 2015, we conducted our survey on timber production in the Malaysian state of Sarawak for the second time.

The Sarawak state government operates a timber traceability system using tag information for logs and inspection at relay centers. Our staff visited the supplier's plywood factory to check the risk of illegally logged timber being mixed in the process of manufacturing, as well as tag information for logs and documents issued upon receipt of logs at the factory. The survey included visits to the concession (place of harvest) to confirm the traceability; timber procured by our supplier can be tracked back to the harvesting concession. Additionally, we inspected the production site for seedlings used for planting to confirm that local industry is seriously working on the production of timber derived from sustainable plantation forest operations.



Transport



Production of seedlings



Delivery of logs

# Working on Resource Problems at Operation Sites



Our daily lives are supported by resources. While resources are limited, waste is ever increasing. Therefore, businesses need to make optimum and effective use of limited resources. The Sumitomo Forestry Group takes the environment into consideration in every field of business to contribute to conserving the global environment.

Metropolitan Area Recycling Center

## Reducing Waste Generated in Housing Business

When we construct new houses, generating waste is unavoidable. The Sumitomo Forestry Group has made continued efforts to minimize waste and treat waste properly. In fiscal 2015, we focused on reducing waste with the 3Rs (reduce, reuse and recycle) principle. In July 2014, we set up the Waste Reduction Working Group comprising representatives from the product development, materials, logistics, design, production and environment divisions. The working group has held

monthly meetings, and developed and implemented specific measures. The working group analyzed the wide variety of waste generated at new housing construction sites and found that three types of wastes account for two third of the total waste. The three types are packaging materials (cardboard), wood waste and waste gypsum board and have become the focus of the reducing effort. For instance, we are taking drastic measures with the packaging of interior materials manufactured

by our Group company, Sumitomo Forestry Crest Co., Ltd. We expect to see the results of our reduction efforts in fiscal 2016. We have also changed the cost bearing mechanism for waste treatment from pay according to the scale of the house to pay per amount of waste actually generated during the construction of a new house. We are raising awareness of workers at construction sites by linking the amount of waste and the cost and providing feedback in the form of waste emission data.

## Efforts to Improve Recycling Rate

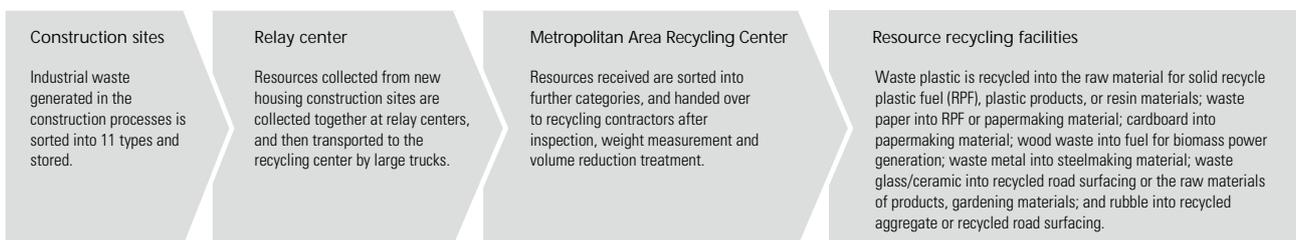
We are recycling waste that is inevitably generated despite our reduction efforts. As a builder and seller of custom-built wooden houses, in the Sumitomo Forestry Group construction sites differ from house to house and therefore it is not easy to do recycling in the most

suitable way for each site. Recycling requires comprehensive sorting by material type. We ensure that all sites recognize and practice proper procedures to improve the overall recycling rate, with the goal of achieving a recycling rate of 98% by fiscal 2020.

Recycling rate at new housing construction sites in 2015

**90.8** %

### Flow of treatment of waste generated at new housing construction sites (in seven prefectures in the Tokyo metropolitan area)





## Metropolitan Area Recycling Center

The Sumitomo Forestry Group established the Metropolitan Area Recycling Center in October 2012 and has since operated it to reduce and recycle waste more proactively. Trucks deliver building materials to new housing construction sites and on their return trips transport waste generated at sites in seven prefectures in the Tokyo Metropolitan area to the Center. This has been made possible through the designation of the company by the Ministry of the Environment of Japan as a cross-regional recycler of industrial

wastes, and the Center operates for the sites.

The center collects and analyzes data on waste management using bar code labels attached to waste at construction sites. Based on the data, the center investigates waste generation trends by product, specification and contractor, to review the processes of product development, design, and construction. We will expand the scope of our cross-regional operations across Japan to further promote the reduction and recycling of waste.

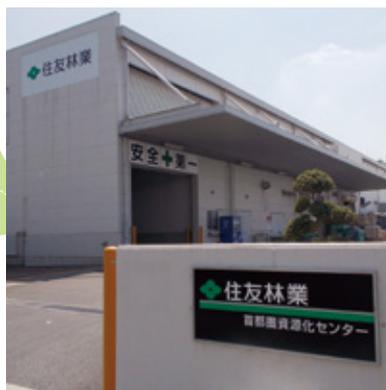
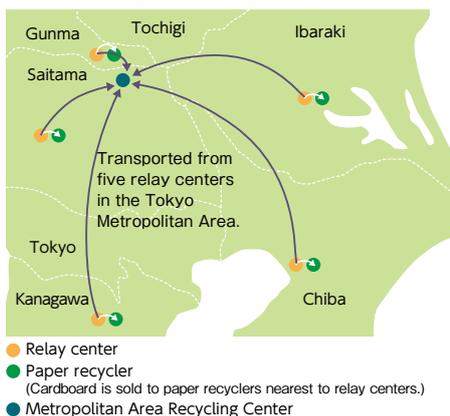


Ichiro Takizawa

Section Manager, Architectural Department  
Sumitomo Forestry Home Engineering Co., Ltd.  
(Member of Waste Reduction Working Group)

At the Waste Reduction Working Group, multiple departments and group companies report their initiatives for waste reduction every month to share information on the effects and problems. Based on this information, the working group verifies various activities through cooperation with construction sites, and circulates information on which activities are effective. Information provided by the Metropolitan Area Recycling Center plays a very important role. Photographs showing the situations with waste sorting and surplus materials provided as feedback has allowed all related personnel, not just staff in charge of construction sites, to recognize the importance of sorting waste and reducing surplus materials in carrying out their activities.

### Transporting waste to the Metropolitan Area Recycling Center



Metropolitan Area Recycling Center

## Initiatives at Manufacturing Plants Outside Japan

The Sumitomo Forestry Group is manufacturing wooden building materials in countries around the world, including the U.S.A., Australia, New Zealand, and Indonesia. Each plant outside Japan operates according to the environment and laws of the country or region, and carries out environmental initiatives primarily focusing on the effective use of timber and waste reduction.

Plants that manufacture similar types of products exchange helpful activity information with each other beyond national borders, with the goal of practicing efficient operations group-wide. For example, PT. Kutai Timber Indonesia (KTI), PT. Rimba Partikel Indonesia (RPI), and Vina

Eco Board Co., Ltd. (VECO), all of which manufacture particle board, exchange information several times a year by visiting each other's plants or by holding meetings. At the same time, each plant promotes initiatives according to its own characteristics. KTI reduced their purchase of raw materials from external suppliers by using cutoffs generated in the processes of manufacturing plywood and other building materials within the factory as raw materials. This effort reduced the use of bark that generates dust and reduces yield. Additionally, KTI is providing employee training to raise awareness of yield ratio. VECO used to sell chips they made from timber externally if their

size was bigger than the standard. However, VECO purchased a dedicated chipper to use bigger chips as raw materials. VECO also reviewed the standard to increase the use of chips that are smaller than the standard, and improved product quality by using smaller chips for surface wood.



# Living Secure Life in Environmentally Friendly House



Popularizing durable, high-quality houses.

Believing in this mission for the development of a prosperous society, the Sumitomo Forestry Group provides houses that can reduce the environmental impact generated in daily life for many years to come, as well as reliable houses that are resistant to fire and earthquakes.

## “Net Zero Energy” House — New Housing in Sustainable Society

Stable energy supply and the development of sustainable energy sources have become major social issues, requiring energy-saving efforts. Reducing energy consumption at home is becoming more important today. After the energy crisis emerged following the Great East Japan Earthquake, the Japanese government’s roadmap to a low-carbon society mandates that new houses comply with the energy-saving standards by 2020. The government also set a national goal of achieving a net zero energy house (ZEH) for newly built regular houses by 2020 and for the average of new houses by 2030. ZEH

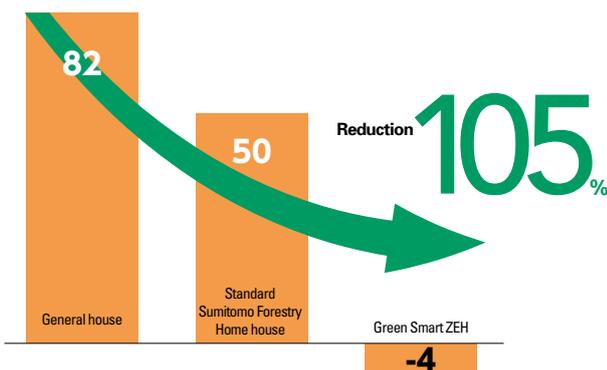
refers to houses where the annual net energy consumption is zero or less with control and reduction of the energy consumed within the house and with energy generated using solar or other power generation systems. Sumitomo Forestry has set a target that more than 50% of the new houses it sells in 2020 are to be ZEH. By taking advantage of our characteristics of providing houses that are tailored to the demands of customers and meet architectural conditions that vary across regions, designers and salespersons join forces to popularize ZEH that matches the local climate across Japan.

### Net zero energy house (ZEH) specifications

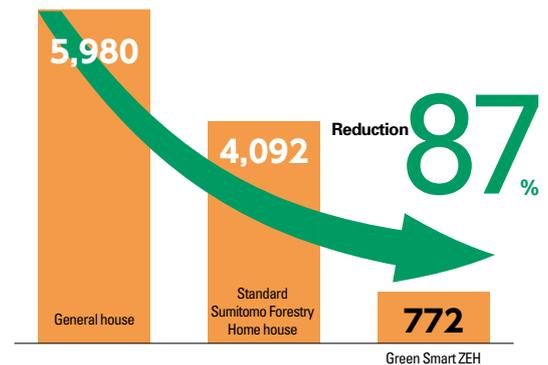


### Energy saved in ZEH

Annual primary energy consumption (GJ/year)



Annual CO<sub>2</sub> emissions (kg-CO<sub>2</sub>/year)



\*A standard Sumitomo Forestry Home house does not include a power generation facility.

\*The figures are calculated based on simulation assumptions. Utility costs, primary energy consumption, and CO<sub>2</sub> emissions may vary according to the site conditions, plan, the customer’s family structure and lifestyle, and the types of home electronics that are used.



## “Green Smart”—Harnessing Nature and Technology for Energy-Saving Life-style

The Sumitomo Forestry Group proposes a new smart house for all the houses it sells based on the concept of “Green Smart.” Wood is a renewable, ecological material, and superior in thermal insulation to iron and concrete. Basic concept of Green Smart is to incorporate “Ryouonbou” design, which effectively harnesses natural blessings, such as wind ventilation, the sun and trees, into houses that make the most of the unique characteristics of wood, and achieve ideal energy consumption reduction and energy creation with next-generation thermal insulation performance, a solar power generation system and other environmental devices, and a HEMS (home energy management system). A low energy loss house is crucial to an energy-saving life. For instance, even when you use a highly efficient heater to make the room temperature

comfortable, air conditioning costs and energy consumption will increase if the room is affected by the outside air temperature. Therefore, for Green Smart, we work on improving the thermal insulation performance of openings, such as external walls comprising the building, floors, ceilings and sashes. In the Green smart•ZEH type, we develop superior hermetic and thermal insulation performances to further improve the basic performance, particularly the performance of openings where significant heat loss occurs.

While improving the hermetic and thermal insulation performance of houses, Sumitomo Forestry is using natural blessings and highly functional environmental devices, including solar power generation systems, to give a more comfortable, environmentally friendly, and healthy life.



Green Smart

## Fire and Seismic Resistance for Building Safe Homes

To protect the lives and living of residents in the event of fire, earthquake or other disaster, the fire and seismic resistance of houses must constantly be improved. The Sumitomo Forestry Group carries out rigorous demonstration experiments and develops technologies based on those experiments to improve housing safety. In June 2015, our Tsukuba Research

Institute started to operate a verification laboratory building, equipped with a multi-purpose large furnace to carry out fire prevention and resistance tests, which allows the development of higher-quality wooden fireproof materials and fire-resistant construction. We have conducted vibration experiments using full-scale house models to obtain more empirical data on seismic resistance.



Verification laboratory building at Tsukuba Research Institute

### Offsetting CO<sub>2</sub> through Project EARTH

To offset CO<sub>2</sub> related to all custom-built and spec homes it sells in Japan (about 60,000 tons a year), generated in the entire process from harvesting timber used for the principal structural members to actual construction of the houses, Sumitomo Forestry is implementing an initiative called “Project EARTH,” which carries out reforestation activities on degraded land and other locations in Indonesia. Between 2009 and 2016, the project plants around 4.8 million trees on a total of 2,400 hectares of land. Reforestation takes two forms—environmental reforestation aimed at restoring ecosystems, and industrial tree plantation for sustainable and comprehensive forest management and contribution to local communities. The project plans to manage the growth of those trees for 10 years after planting.



# Taking Advantage of the Warmth of Wood in Disaster-Affected Areas

In areas seriously affected by the Great East Japan Earthquake that occurred on March 11, 2011, new town developments are under way. The Sumitomo Forestry Group supports this new town development primarily through its MOCCA (Timber Solutions) business, as well as the forestry industry surrounding the area and energy business using wood resources.

Higashimatsushima community revitalization facility Harappa

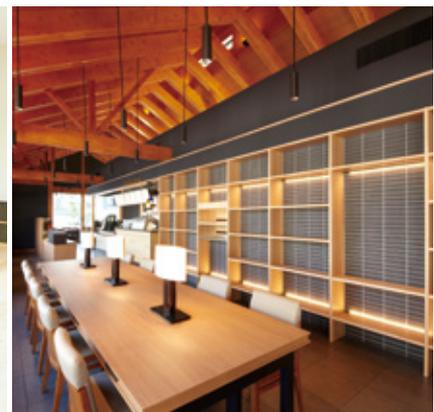
## MOCCA Business Creates Comfortable Space by Exploiting Benefits of Wood

Recently, the demand for wooden buildings is growing as the “warm” and “soothing” effects of wood are socially recognized.

Medium to large wooden constructions require both technology for handling large buildings and technology for making the most of the characteristics of wood. Having both technologies, the Sumitomo Forestry Group has promoted its MOCCA business, driving wooden construction and the use of wood in fields as diverse as commercial and public facilities. Constructing buildings by exploiting the benefits of wood in a diverse range of sectors, including kindergartens, hospitals, restaurants and other places that need comfort and security, will help revitalize communities and create livable spaces.



Example of MOCCA project



Total number of MOCCA projects completed

**24** buildings

## MOCCA Cities Created in Devastated Areas

Higashimatsushima City in Miyagi Prefecture is one of the municipalities devastated by the Great East Japan Earthquake. The city has also been selected as one of the municipalities to work on advanced town development for the environment and the aging population under the “FutureCity” initiative. Higashimatsushima’s efforts for reconstruction from the earthquake are expected to provide a model of town development for regional

revitalization. For the FutureCity initiative, the city proposed a vision of a “MOCCA City” that drives the cyclical use of timber resources. Sumitomo Forestry signed an agreement with the city on cooperation and partnership for town reconstruction under the vision, and is accordingly supporting the city by providing the knowledge and expertise acquired through its business. We also participate in the Higashimatsushima Organization

for Progress and Economy, Education, Energy (HOPE), which aims at sustainable, safe and secure community development by re-discovering the wind, the sun and forests in Higashimatsushima as local resources. In HOPE activities, the industry, the government, academia, and private businesses match their needs and resources to build sustainable facilities and industries for the future of Higashimatsushima.



## Wooden Facilities in Higashimatsushima

### Higashimatsushima Community Revitalization Facility Harappa

In April 2016, a facility to invigorate the Higashimatsushima area named “Harappa” opened out of HOPE activities, with the goal of providing food for local residents and selling local produce to revitalize the local community, including food producers. Sumitomo Forestry designed and constructed Harappa as a wooden facility filled with the “warmth” of wood to create a bustling and comfortable gathering place. The facility houses “yaoya,” a produce market for the direct sales of local agricultural and fishery products, and

“Hatake no Panya-san,” a bakery. More than 80 local farmers and fishermen ship their products to yaoya. The facility also provides the community with a place to work; all of its employees are local residents.



Exterior of Harappa



Mr. Hidetoshi Tamaoka

General Manager, Planning Strategy Office  
Business Development Department, Business Management Division  
Pacific Consultants Co., Ltd.

Sumitomo Forestry, Hitachi Capital and Pacific Consultants worked together to create this facility, which features wooden beams and lighting fixtures that strike a balance with the sales floor below. More and more local residents are becoming aware of the facility, shopping there or commenting, “This facility is so chic,” or “Great to have such a place in Higashimatsushima.” The number of producers and companies shipping their products to Harappa is increasing. I’m happy with that and will work to make the facility a community hub, not just a place for shopping.

### People-Friendly Wooden Public Evacuation Facility

Higashimatsushima City constructed an evacuation facility where relief activities can be carried out in the event of a disaster, including housing evacuees, preparing meals, and storing relief supplies. The construction is based on the lessons that the city learned following the Great East Japan Earthquake. Many citizens sought shelter in the main municipal office, which was not designed as an evacuation center and therefore unable to provide sufficient support.

Based on voices from victims living in temporary wooden housing in the devastated areas, appreciating the wooden housing, Sumitomo Forestry submitted to Higashimatsushima City a proposal for designing and constructing a wooden structure-based evacuation facility. Focusing on a functional and comfortable design, the proposal ensures privacy with movable partitions that can be set up in an emergency. The proposal also incorporates an earthquake-resistant structure, appropriate fire-resistance performance, flood countermeasures, accessible design and natural sunlight.



Illustration of the public evacuation facility

### Design and Construction of Public Restoration Houses

Sumitomo Forestry designed and constructed the public housing for disaster victims in the Higashiyamoto Station north area in Higashimatsushima City. In recognition of our construction system, operations and the results of the first housing completed for the project, the project owner Urban Renaissance Agency honored Sumitomo Forestry as the

constructor in July 2015. The public housing for disaster victims in Higashimatsushima City mainly features Japanese design using wood-like materials, and uses timber from the Tohoku region for overall non-structural timber, such as pillars, studs, and rafters.

Number of public restoration houses constructed in Higashimatsushima City

81 houses



Design and Construction of Public Restoration Houses

# Turning Trees into Future Energy

Development of renewable, clean energy resources to replace fossil fuels such as coal and oil is regarded as a pressing social issue in Japan and around the world. The Sumitomo Forestry Group contributes to addressing this issue with wood biomass power generation, which generates energy from wood as a natural resource.

Kawasaki Biomass Power Plant

## Wood as Energy Source for Wood Biomass Power Generation

The Sumitomo Forestry Group is participating in four wood biomass power generation projects in Japan, including Kawasaki Biomass Power Plant that came online in February 2011. With plans to begin operation of two plants in Hokkaido, one in Mombetsu City and the other in Tomakomai City, in December 2016, and one in Hachinohe City, Aomori Prefecture in December 2017, preparations for their

operation were stepped up in fiscal 2015. Wood biomass power generation is fueled by wood as a natural resource. We use recycled chips processed from construction waste and fuel woodchips made from unused forest materials.<sup>1</sup> Burning wood produces the CO<sub>2</sub> that had previously been absorbed by the trees during their growth process, and therefore does not lead to any increase

of CO<sub>2</sub> in the atmosphere. We will continue to generate wood biomass power as a business that can contribute to solving social issues, including the spread of renewable energy, effective use of wood, revitalization of the forestry industry, and reduction of CO<sub>2</sub> emissions.

<sup>1</sup> Unused forest materials: Unused woody biomass generated from logging or thinning of standing trees in forests

## Sumitomo Forestry's Biomass Power Generation Business

### Kawasaki Biomass Power Generation Business

Start of operation	February 2011
Investment	Sumitomo Forestry: 34%, Sumitomo Joint Electric Power Co., Ltd.: 53%, Fuluhashi EPO Corporation: 13%
Power generation capacity	33 MW
Fuel	Construction waste, waste pallets, and pruned branches
Features	Japan's largest urban-sourced biomass power generation facility to burn biomass only. Uses mainly recycled chips made from construction waste and waste pallets from markets. Equipped with various environmental protection mechanisms to meet Kawasaki City's strict environmental criteria.

### Hachinohe Biomass Power Generation Business

Start of operation	December 2017 (scheduled)
Investment	Sumitomo Forestry: 52%, Sumitomo Osaka Cement Co., Ltd.: 30%, East Japan Railway Company: 18%
Power generation capacity	12.4 MW
Fuel	Unused forest materials, timber from thinning, and palm kernel shell
Features	Will use mainly unused forest materials and thinnings from the Sanpachi, Kamikita and Shimokita areas of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines.

### Mombetsu Biomass Power Generation Business

Start of operation	December 2016 (scheduled)
Investment	Sumitomo Forestry: 51%, Sumitomo Joint Electric Power Co., Ltd.: 49%
Power generation capacity	50 MW
Fuel	Unused forest materials, palm kernel shells, and coal
Features	Three chip production centers will be established in the Okhotsk region for extensive and efficient collection of woody biomass.

### Tomakomai Biomass Power Generation Business

Start of operation	December 2016 (scheduled)
Investment	Sumitomo Forestry: 20%, Mitsui & Co., Ltd.: 40%, Iwakura Corporation: 20%, Hokkaido Gas Co., Ltd.: 20%
Power generation capacity	5.9 MW
Fuel	Unused forest materials
Features	Will use 100% unused forest materials from Hokkaido.



## Renewable Energy to Improve Added Value of Forests

### Turning Unused Forest Materials Into Energy

Okhotsk Bio Energy Co., Ltd., a 100% subsidiary of Sumitomo Forestry and supplier of fuel chips to power generation plants, plans to use only sustainable forest resources. In other words, chips are made from wood harvested for the thinning practice or from mountains where post-harvest planting will be conducted according to their forest management plans. Two years ago, Okhotsk Bio Energy started to collect unused forest materials in cooperation with Sumitomo Forestry Wood Products Co., Ltd. "We used to find offcuts generated during the timber milling process, such as wood close to the roots and tips, problematic because we couldn't use them as resources. If they are left in the forest, they impede planting and mice, which eat the seedlings, and use them to build their nests. If we make fuel chips from them, we can expect a ripple effect that will improve the added value of forests and revitalize local forestry," says president of Okhotsk Bio Energy, Masanori Santo. A big issue in collecting unused forest materials is transportation costs. Unused forest materials are not well trimmed, which results in poor loading efficiency and higher transportation costs, and this limits the scope of the collectable area. We are therefore planning to establish three intermediate log yards within a radius of 60 to 70 km from the power generation plant. We

will produce chips at these sites to improve the turnover for the trucks, which will enable effective material collection and production. "Collection of unused materials in forests has just started and the quantity is still fairly limited, but we will steadily increase the quantity, which will lead to the biomass power generation business revitalizing local forestry. Wood biomass power generation was planned in Mombetsu because this is the place where Sumitomo Forestry has its Company-owned forest, and the Company has established a broad network involving local governments, forest owners and forestry industry players. We will enhance and expand the network to improve the added value of forests and revitalize the local community. And the biomass power plant and chip production plants will be the center of this initiative," adds Mr. Santo. With the help of local players, Okhotsk Bio Energy aims to build a mechanism for efficient collaboration between the forestry industry and the power generation business.



**Masanori Santo**  
President  
Okhotsk Bio Energy Co., Ltd.



Logs that Okhotsk Bio Energy collects, including unused forest materials, are all called "32-yen timber." They are thinnings or logs from trees cut down based on forest management plans, so continuing to collect them will not degrade the forest.



**Toru Abe**  
Chairperson  
Hokkaido Forest Owners'  
Cooperative Association

The Mombetsu Biomass Power Plant is finally starting operation this year. The forest-owners' cooperatives are responsible for collection of materials from general privately-owned forests. I believe that woody biomass derived from thinnings and the like can make the best use of the advantages of Hokkaido, where the forest management plan authorization rate is high. Hokkaido also has areas where only a small percentage of thinnings are transported out of the forest, so we will collect Japanese larch as well as Yezo spruce and Sakhalin fir to ensure a stable supply of materials. I have great hopes for this initiative, which will contribute significantly to stimulating forestry in the forest kingdom of Hokkaido.

# Developing Pleasant and Cooperative Workplace for All



**With the aging population and declining birthrate, and other circumstances, securing human assets is becoming a serious management issue in Japan.**

**The Sumitomo Forestry Group is enhancing systems supporting diverse work styles and empowerment of female employees in order to develop and retain excellent human assets who will be the leaders in the next generation and develop a work environment where everyone can play an active role, regardless of gender, age, nationality, race, religion, or disability.**

## To Achieve Diversity & Inclusion

In its Action Guidelines, Sumitomo Forestry states, “we work to create an open and inclusive corporate culture that values diversity.” To develop a pleasant work environment for a diverse range of employees, the Company has introduced various measures, including empowering female employees, employing persons with disabilities and re-hiring retired employees. As part

of these efforts, the Company established Sumirin Wood Piece Co., Ltd. in July 2015 to employ persons with intellectual disabilities to work in cultivating shiitake mushrooms on bed logs and other activities, including the production and processing of timber and interior products. Currently, preparations for full operation are ongoing. Meanwhile, Group companies outside

Japan are employing local people, regardless of race or gender, to hire outstanding talent and promote them into managerial positions.

Ratio of disabled employees

**2.12** %

At the end of March 2016 (Sumitomo Forestry)

## Encouraging Use of Our Childcare Systems

At Sumitomo Forestry, the number of employees taking childcare leave is increasing year by year. The Company has enhanced its systems for childcare so that its employees can balance childbirth and parenting with their work. Gaining the understanding of the people surrounding them, including supervisors and colleagues, is crucial for employees who wish to use these systems. To help with this, the Workstyle Diversification Department under the Personnel Department supports different work styles of individual employees, and raises awareness among supervisors and colleagues, encouraging them to develop a cooperative system. Staffs from the Workstyle Diversification Department attend interviews between employees who are planning to take childcare leave

and their supervisors to explain the systems and work style options available when they return to work. To provide an environment where employees can easily balance their work with parenting, the Company has put in place various systems, including allowing employees to come to work later or leave earlier, shorter working hours, and teleworking. The Company also believes that proactive use of the childcare systems by male employees will help achieve a work-life balance and develop a comfortable working environment for all. In fiscal 2015, the Company established a mechanism

Number of employees taking childcare leave

**53** employees

At the end of March 2016  
13 male and 40 female employees

under which, when employees apply for a lump-sum childcare assistance program, their direct supervisors interview them to find out whether they wish to use our childcare systems and submit an application stating what needs to be done to meet their requirements. Based on the information provided, the Workstyle Diversification Department supports individual employees in making use of the systems.



Intranet screen showing systems for childcare leave



## Family Open Day

Sumitomo Forestry holds Family Open Days to invite employees' families into their workplaces. The event is designed to express appreciation to employees' families for the support they give, provide employees with opportunities to reach a shared understanding on how to make their workplaces easier to work in, and reexamine how they can best achieve a work-life balance by communicating with the families of their supervisors, subordinates and colleagues.

This event was first held in fiscal



Family Open Day at Shizuoka Higashi Branch

2014. In fiscal 2015, it was held at four branches of the Housing Division, in Sapporo, Fukushima, Shizuoka East, and Himeji. Participating families joined the morning briefing, exchanged business cards, toured the showroom, and tried their hand at using the housing design software. Children were given the chance to sit at their parents' desks. Each branch made a creative and concerted effort to offer experiences appropriate to the ages of participants, so that all employees, whether their families participated or not, gained something from the event.

### Comments from participating employees

"Seeing my colleague in his role as a father with his family, smiling, I could imagine how good a father he must be at home, and this made me feel closer to him."

"I felt encouraged to reduce the amount of overtime I do for my family's sake."

"The event will help the families of our employees understand the work they do, and this will make it easier for them while at work."



Chie Otomo

Building Materials and Panels Group,  
Tohoku Branch  
Timber & Building Materials Division

For the years since I joined the Company, I worked as clerical staff at a branch of the Timber and Building Materials Division, while bringing up a family. Four years ago, my supervisor encouraged me to move to sales, but I was worried that I would have less time with my daughter, and that it would sometimes involve business trips. I made my decision to take the examination to change my job category since my daughter was already in high school back then and my colleagues showed understanding and support. I am now working as a sales staff in the Timber and Building Materials Division.

Sales staffs need to organize their activities so that they can provide the best proposals to customers. In the beginning, I felt lost and did not know what to do. Female sales staffs are rare in this industry, so I had a hard time and no one to share my problems with. Then the Workstyle Diversification Department nominated me to participate in the logical thinking enhancement program. I took the program and learned how to think logically, and then became able to apply what I learned to my sales activities. Internal and external training programs have always inspired me and motivated me to start my work on a new note. I now actively look for training programs to review my skills each time for career development.

## More Responsibility for Female Employees

Based on the Sumitomo Forestry Group Declaration on Empowering Women announced in fiscal 2013, Sumitomo Forestry has been giving more responsibility to their female employees. In fiscal 2014, the Company set a numerical target to increase female managers to more than five percent by 2020 to further empower female employees and female managers. Specific measures being taken include encouraging female employees to participate in individual training programs they can select themselves, such as internal and external training programs for female managers to help them

improve their management skills and develop leadership skills, and joint cross-industry training and networking events. In fiscal 2016, the Company introduces a mentoring system<sup>1</sup> to support female employees in taking on more responsibility from various aspects.

<sup>1</sup> A system under which senior employees who are not their direct supervisor in the Company or in their department support female employees in the role of tutor or counselor.

Percentage of female managers

At April 1, 2016  
(Sumitomo Forestry)

2.8%

## Women's Perspective Project

Under the Women's Perspective Project, started in March 2013, female employees from many different divisions work on product development. The project incorporated the opinions of female customers in developing "konoka" housing, which has been popular since its launch in February 2015.

Number of konoka houses ordered

733 houses

## Selected as Nadeshiko Brand and Health and Productivity Stock Selection

In fiscal 2015, Sumitomo Forestry was named, for the first time, as one of the fiscal 2016 Nadeshiko Brands. The Nadeshiko brand designation recognizes companies who are listed on the Tokyo Stock Exchange for their outstanding efforts for female empowerment. The Company was also included in the Health & Productivity Stock Selection, which recognizes companies who work strategically on the management of their employees' health.



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## Corporate Governance Guidelines

Sumitomo Forestry Co., Ltd. (the “Company”) seeks to ensure management transparency as well as appropriateness and legality of its business and strives to promote expeditious decision-making and business execution under the Sumitomo Forestry Group’s corporate philosophy of “utilizing timber as a renewable and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services,” following one of our Action Guidelines that requires us to “conduct business that is beneficial to society based on the principles of integrity and sound management.”

By further enhancing and strengthening its corporate governance through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to expectations of various stakeholders around the Group.

▶ [Annual Report](#)

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## Corporate Governance and Internal Control

Sumitomo Forestry introduced the executive officer system to separate decision making and management oversight from operational execution functions. Comprised of ten directors (nine male, one female) including two outside directors (one male, one female), the Board of Directors is structured to take quick decisions. The oversight function of the Board of Directors has been strengthened, the lines of operational responsibility clarified, and the Chairman of the Board of Directors no longer serves as an executive officer. Nomination and Remuneration Advisory Committee has been established to provide advice on selecting director and auditor candidates and executive officers as well as compensation of directors and executive officers, for the purpose of ensuring transparency and fairness of decision-making.

Sumitomo Forestry has a board of company auditors. In addition to attending important meetings within the Company, the auditors provide oversight for the directors' execution of duties, through sharing information and opinions with auditors at Group companies and the staff in the Internal Audit Division, and by supervising staff assisting auditing operations.

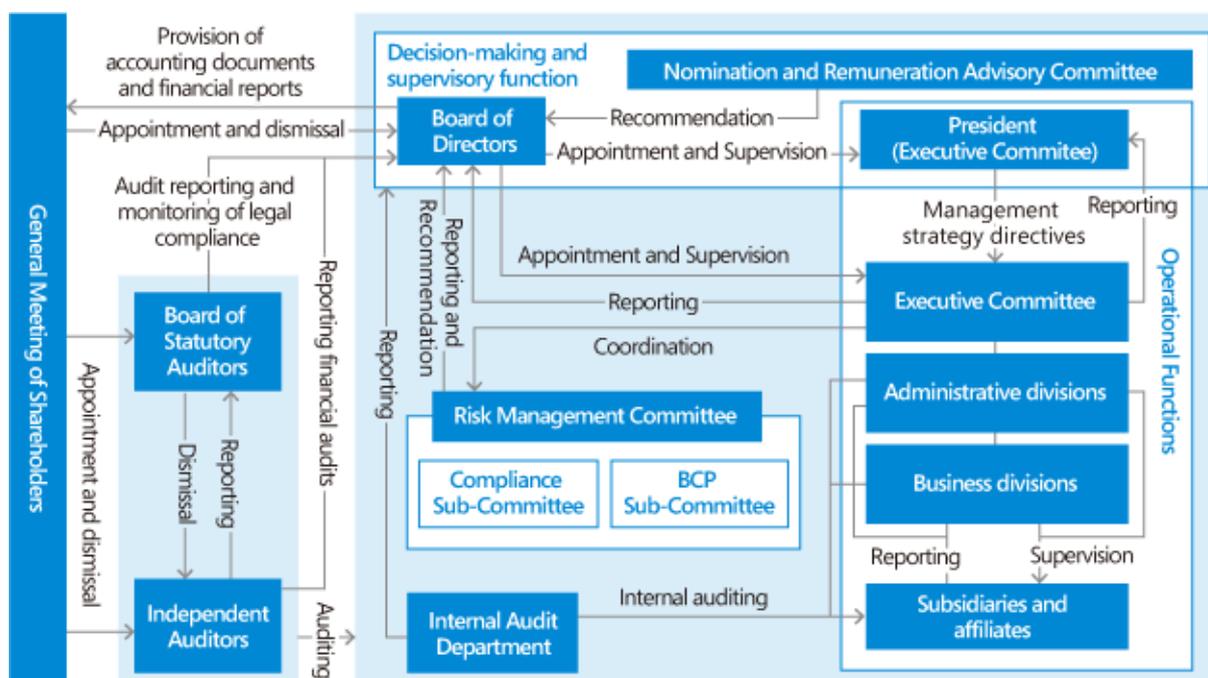
As of June 24, 2016, ten directors (including two outside directors), five auditors (including three outside auditors) and 20 executive officers had been appointed to the Company. The Company notified Tokyo Stock Exchange, Inc. of the designation of the two outside directors and three outside statutory auditors as independent officers as required by its regulations.

▶ [Basic Policy on Corporate Governance](#)

▶ [Corporate Governance Report](#)

▶ [Directors and Executive Officers \(link to Corporate Information\)](#)

## Corporate Governance Structure



### Board of Directors and Executive Committee

In principle, the Board of Directors meets once a month, making decisions and carrying out its supervisory function for important issues in accordance with its discussion standards. In addition to making decisions on all important items and confirming business results, it supervises the directors' execution of their duties. The Executive Committee, which is an advisory body for the President, holds meetings twice a month, before the Board of Directors meeting to ensure that there is sufficient prior discussion on important issues. It is attended by those directors who also serve as executive officers, as well as the full-time statutory auditors. The Company ensures prompt decision-making and separation of supervision and operational execution functions, for effective performance of the Board of Directors. In fiscal 2015, the Board of Directors and the Executive Committee met 16 times and 23 times respectively. All of the nine directors attended all 16 meetings.

### Attendance of Directors at Meetings of the Board Directors (FY2015)

Name and Responsibility/Expertise			Board of Directors	
			Attended Meetings (out of 16)	Attendance Rate
Chairman of the Board and Representative Director	Ryu Yano	—	16	100%

<b>President and Representative Director</b>	<b>Akira Ichikawa</b>	President and Executive Officer	16	100%
<b>Representative Director</b>	<b>Hitoshi Hayano</b>	Executive Vice President and Executive Officer Divisional Manager of Environment and Resources Division, and also oversees Lifestyle Service Division	16	100%
<b>Representative Director</b>	<b>Shigeru Sasabe</b>	Representative Director Executive Vice President and Executive Officer Divisional Manager of Overseas Business Division	16	100%
<b>Director</b>	<b>Ken Wada</b>	Senior Managing Executive Officer Divisional Manager of Housing Division In charge of Tohoku Reconstruction Support	16	100%
<b>Director</b>	<b>Tatsuru Satoh</b>	Senior Managing Executive Officer In charge of Corporate Planning, Finance, General Administration, Personnel, Information Systems, Corporate Communications, CSR, Intellectual Property, and Internal Audit, Tsukuba Research Institute	16	100%
<b>Director</b>	<b>Akihisa Fukuda</b>	Managing Executive Officer Divisional Manager of Timber & Building Materials Division	16	100%
<b>Director</b>	<b>Toshiro Mitsuyoshi</b>	Managing Executive Officer President/Representative Director of Sumitomo Forestry Home Tech Co., Ltd.	16	100%
<b>Outside Director</b>	<b>Junko Hirakawa</b>	Lawyer Partner of City-Yuwa Partners	16	100%

## ■ Board of Directors Independency

The board of directors is constituted by no more than seventeen members equipped with expertise, diversity and independency in terms of knowledge, experience, and competencies to fulfill their roles and responsibilities with high efficacy.

## ■ Criteria or Methods of Selecting Directors

Director candidates are selected at the Board of Directors from the pool of personnel with superior personality trait and acumen, and potential value to the Company, consulting with the Appointment and Remuneration Advisory Committee. Summaries of background and interlocking status of the directors are available on the website.

In the selection procedure of outside directors, candidates must not be applicable to any of the below listed criteria to insure their independence to the Company.

### 1. Company's operations executives

Executive director, executive officer, operating officer, manager, or other directly hired person by the Company, its subsidiary, or its affiliate (herein; "operations executives").

### 2. Consultants

(1) Employee, partner, or any other staff hired by an auditing firm who provide auditing services for the Company or its subsidiaries.

(2) lawyer, certified accountant, tax accountant, or other consultant whose annual compensation and other forms of monetary benefits given by the Company or its subsidiaries, exclusive of director's remuneration, has exceeded ten million yen in the past three years.

(3) employee, partner, associate, or other staff hired by a law, auditing, tax law, consulting or any other advisory firm whose major client is the Company or its subsidiaries. (The major client means a company's received payment in a year by the Company or its subsidiaries has exceeded 2% of its consolidated total sales in the past three years.)

### 3. Major shareholders (non-owner)

Person who directly and or indirectly holds 10% or more of the voting power of the Company; i.e. operations executive if a holder is a company.

### 4. Major shareholders (owner)

Operations executive of a company which holds 10% or more of the voting power of the Company or its subsidiaries.

## 5. Business partner

(1) Client (major clients): person or operations executive of a client whose purchase exceeds 2% of the consolidated total sales of the Company

(2) Supplier (of which the Company is a major client): person or operations executive of a supplier of which the Company's purchase exceeds 2% of the consolidated total sales of the supplier

## 6. Lender

Lender from which the Company's borrowing exceeds 2% of the consolidated total asset of the company; i.e. operations executive in case of a company

## 7. Recipient of contribution

Individual or operations executive of a corporate recipient of a donation from the Company or its subsidiaries whose annual average amount exceeds 10 million yen or 2% of total income of the recipient in the last three years.

## 8. Family

Spouse, next of kin within the second degree, or live-in member of a family of the person whose independency is rejected by this list of criteria

## 9. Background

Item 1 is applicable in at any time in the past 10 years, or Item 2 or 7 is applicable at any time in the past 5 years.

## 10. Inter-assumption of outside executive officer

Executive director or statutory auditor of a company whose executive directors or statutory auditors include the Company or its subsidiary's.

Two of our current outside directors are considered independent based on the above list of independency criteria, not to pose a conflict of interest with general shareholders.

▶ [Directors and Executive Officers](#)

## Board of Statutory Auditors

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The Board of Statutory Auditors meets to discuss and make decisions on important matters regarding audits. The five auditors, including the three outside auditors, utilize the deep insights and diverse perspectives they have acquired from their various business backgrounds to provide oversight for the directors' execution of duties. The Board of Statutory Auditors met 14 times during fiscal 2015.

The Board of Statutory Auditors for the Group is comprised of the full-time auditors from Sumitomo Forestry and the auditors from the Group companies. It meets once every two months to exchange information and improve the effectiveness of the audits undertaken at Group companies.

In the selection procedure of outside auditors, candidates must not be applicable to any of the below listed criteria to insure their independence to the Company.

### 1. Company's operationsexecutives

Executive director, executive officer, operating officer, manager, or other directly hired person by the Company, its subsidiary, or its affiliate (herein; "operations executives").

### 2. Consultants

(1) Employee, partner, or any other staff hired by an auditing firm who provide auditing services for the Company or its subsidiaries.

(2) lawyer, certified accountant, tax accountant, or other consultant whose annual compensation and other forms of monetary benefits given by the Company or its subsidiaries, exclusive of director's remuneration, has exceeded ten million yen in the past three years.

(3) employee, partner, associate, or other staff hired by a law, auditing, tax law, consulting or any other advisory firm whose major client is the Company or its subsidiaries. (The major client means a company's received payment in a year by the Company or its subsidiaries has exceeded 2% of its consolidated total sales in the past three years.)

### 3. Major shareholder (non-owner)

Person who directly and or indirectly holds 10% or more of the voting power of the Company; i.e. operations executive if a holder is a company.

### 4. Major shareholder (owner)

Operations executive of a company which holds 10% or more of the voting power of the Company or its subsidiaries.

### 5. Business partner

(1) Client (major clients): person or operations executive of a client whose purchase exceeds 2% of the consolidated total sales of the Company

(2) Supplier (of which the Company is a major client): person or operations executive of a supplier of which the Company's purchase exceeds 2% of the consolidated total sales of the supplier

## **6. Lender**

Lender from which the Company's borrowing exceeds 2% of the consolidated total asset of the Company; i.e. operations executive in case of a company

## **7. Recipient of contribution**

Lender from which the Company's borrowing exceeds 2% of the consolidated total asset of the Company; i.e. operations executive in case of a company

## **8. Family**

Spouse, next of kin within the second degree, or live-in member of a family of the person whose independency is rejected by this list of criteria

## **9. Background**

Item 1 is applicable in at any time in the past 10 years, or Item 2 or 7 is applicable at any time in the past 5 years.

## **10. Inter-assumption of outside executive officer**

Executive director or statutory auditor of a company whose executive directors or statutory auditors include the Company or its subsidiary's.

Three of our current outside auditors are considered independent based on the above list of independency criteria, not to pose a conflict of interest with general shareholders.

## Attendance of Auditors at the Board of Directors and the Board of Auditors (FY2015)

Name and Expertise			Board of Directors		Board of Auditors	
			Attended Meetings (out of 16)	Attendance Rate	Attended Meetings (out of 14)	Attendance Rate
Statutory Auditor	Hidekazu Tanaka		16	100%	14	100%
Statutory Auditor	Noriaki Toi		13	100%	11	100%
Outside Auditor	Satoshi Teramoto	Certified Public Accountant	16	100%	14	100%
Outside Auditor	Shin Nagata	Professor at Graduate School of Agricultural and Life Sciences/ Faculty of Agriculture, The University of Tokyo	16	100%	13	93%
Outside Auditor	Katsuhide Kurasaka	Senior Advisor of Sumitomo Electric Industries, Ltd.	15	94%	14	100%

\* Since he assumed as auditor at the 75th General Meeting of Shareholders held on June 23, 2015, Noriaki Toi has attended all Board of Directors and Board of Auditors meetings.

## Nomination and Remuneration Advisory Committee

The board of directors will set up a Nomination and Remuneration Advisory Committee as an advisory body to the board to develop a fair and transparent corporate governance system. The Committee will consist of Chairman, the President, and all outside executives (two outside directors and three outside auditors) where the majority must be outside executives, and the chairperson must be an outside director.

The Board of directors determines the directors and executive officers' remunerations within the amount specified by resolution of the general meeting of shareholders, taking into consideration the opinions stated by the Nomination and Remuneration Advisory Committee.

## Risk Management Committee

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Information regarding the Risk Management Committee is found in “Risk Management/ Risk Management Structure.”

In fiscal 2015, the Risk Management Committee, Compliance Sub-Committee, and BCP Sub-Committee met four times, twice, and five times, respectively, while the Board of Directors received four sessions of reporting.

▶ [Risk Management Framework](#)

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## Internal Audits

Every year, Sumitomo Forestry's Internal Audit Department draws on risk assessments in selecting about 60 business sites from among the roughly 200 business sites in the Sumitomo Forestry Group, and conducts internal audits on them. The business sites are selected by specifying an order of priority based on the two perspectives of operational risk (business results, size, complexity of business, etc.) and control risk (risk management framework). In the internal audits, the department checks on how a business site is executing its operations and managing its office work, including its compliance with laws and regulations, and it reports its findings to the President, the executive officer in charge of internal audits and to internal auditors, as well as to the manager responsible for the business site and the executive officer or director in charge of the business site. Furthermore, if any indications have been made, the department checks the improvement efforts implemented at the business site, such as by examining documents and conducting quarterly follow-up reviews, and reports on these to the President and to the executive officer in charge of internal audits.

▶ [Annual Report](#)

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## Executive Remuneration

In accordance with laws and regulations, Sumitomo Forestry discloses the remuneration paid to officers (directors and auditors) each fiscal year.

## Total Remuneration Paid to Directors and Auditors (FY2015)

Category	Number of Personnel	Total Amount (Yen)
Directors	9	500 million
Auditors	5	70 million
<b>Total</b>	<b>14</b>	<b>569 million</b>

\*1 Total amounts of director's remuneration does not include a compensation as an employee or a compensation for the execution of other duties.

\*2 Total amounts of director's remuneration includes the total bonus of 130 million yen as resolved by the 76th General Meeting of Shareholders held on June 24, 2016.

\*3 Total amounts of director's remuneration includes the cost of 26 million yen allocating stock options for eight directors (excluding outside directors).

\*4 Upper limits of directors and auditors' remunerations are as below.

(1) The remuneration for directors of no more than 36 million yen per month (of which the amount for outside directors being no more than 2.5 million yen) was approved at the 74th General Meeting of Shareholders held on June 20, 2014. The proposal to amend the amount of remuneration for directors to no more than 40 million yen per month (of which the amount for outside directors being no more than 5 million yen) has been approved at the 76th General Meeting of Shareholders held on June 24, 2016.

(2) The amount of remuneration concerning stock acquisition rights as stock-based compensation stock option of no more than 100 million yen for directors (excluding outside directors) per year was approved at the 75th General Meeting of Shareholders held on June 23, 2015.

(3) The amount of remuneration for auditors of no more than 8 million yen per month was approved at the 74th General Meeting of Shareholders held on June 20, 2014.

\*5 Of the total remuneration of directors and auditor, the total amount paid to outside executives are shown in the table below.

## Total Remuneration Paid to Outside Executives (FY2015)

Number of Personnel	Total Amount (Yen)
4	42 million

## Calculation Method of Remuneration

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Remuneration for directors comprises three types: basic remuneration, which is fixed; bonuses, which are tied to business performance; and stock options.

(Basic Remuneration)

To ensure a fair level of remuneration according to roles and responsibilities, a set amount, within the scope approved at the General Meeting of Shareholders (i.e. monthly compensation of directors and outside directors must not to be more than 40 million and 5 million yen, respectively as resolved by the 76th General Meeting of Shareholders held on June 24, 2016), is paid out every month for each position.

(Bonuses)

At the annual Ordinary General Meeting of Shareholders, a set amount is approved for each position. The total amount is calculated with consideration to the level of consolidated recurring income.

(Stock Options)

Subscription rights are allocated to directors (excluding outside directors who are independent of operational executions) as a form of stock-based remuneration.

## Risk Management Framework

In order to reinforce its framework for managing business risks for the entire Group, Sumitomo Forestry has created the Risk Management Basic Regulations and has appointed the President of Sumitomo Forestry as the highest authority on risk management for the Sumitomo Forestry Group. The Regulation encompasses risks in social, environmental, and economic dimensions, comprehensively.

The Company also established the Risk Management Committee, comprised of the Company president as chairperson, together with all of executive officers. Each executive officer identifies and analyzes the priority risks to be addressed in their respective area of responsibility, including at Group companies, and formulates plans for managing those risks. These are then shared and discussed at quarterly meetings of the Risk Management Committee.

A Compliance Subcommittee and a BCP Subcommittee have also been established under the command of the Risk Management Committee. These are chaired by the general manager of the General Administration Department, and are comprised of the executives in charge of risk management at each Group company. These subcommittees carry out specific activities for increasing effectiveness against “compliance risk” in relation to the Construction Business Act and other core businesses, and against “business interruption risk” such as large-scale disasters, which are both regarded as cross-sectional risks affecting the Group.

Against risks in social, environmental, and economic dimensions specified in “Our Values and Ideals,” tangible actions has been taken to increase effectiveness. The coverage of management overseen by the Risk Management Committee includes prevention of corruption and bribery, and therefore, the Committee has established counter measures and is continuously conducting evaluations and monitoring.

A framework has been established whereby reports on these activities are submitted to and reviewed at the Board of Directors, and the outcomes reflected in the execution of business. During fiscal 2015, the Risk Management Committee, the Compliance subcommittee, and the BCP sub-committee met four times, twice, and five times, respectively, and reports were also submitted to the Board of Directors four times. During fiscal 2016, in order to respond properly to changes in the risks faced by the Sumitomo Forestry Group, the Company will strengthen its risk management framework, by taking stock of its managed risks and by following a PDCA cycle in making continuous improvements with respect to the priority risks selected in fiscal 2015.

## Risks in Operations

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The following risks have been identified in operations as stated on the Security Reports.

- (1) Trends of housing markets
- (2) Changes of legislative regulations
- (3) Competition with other corporations
- (4) Capital and investment strategies
- (5) Market status of timber, building materials and other raw materials
- (6) Currency fluctuation
- (7) Quality assurance
- (8) Overseas operations
- (9) Obligatory retirement fund
- (10) Stock market
- (11) Natural disasters
- (12) Information security
- (13) Environment and the relevant matters
- (14) Value falls of assets
- (15) Credit facility of business partners
- (16) Litigation risks
- (17) Funding risks

▶ [Securities Reports / Internal Control Reports](#)

▶ [Compliance](#)

▶ [Business Continuity Management](#)

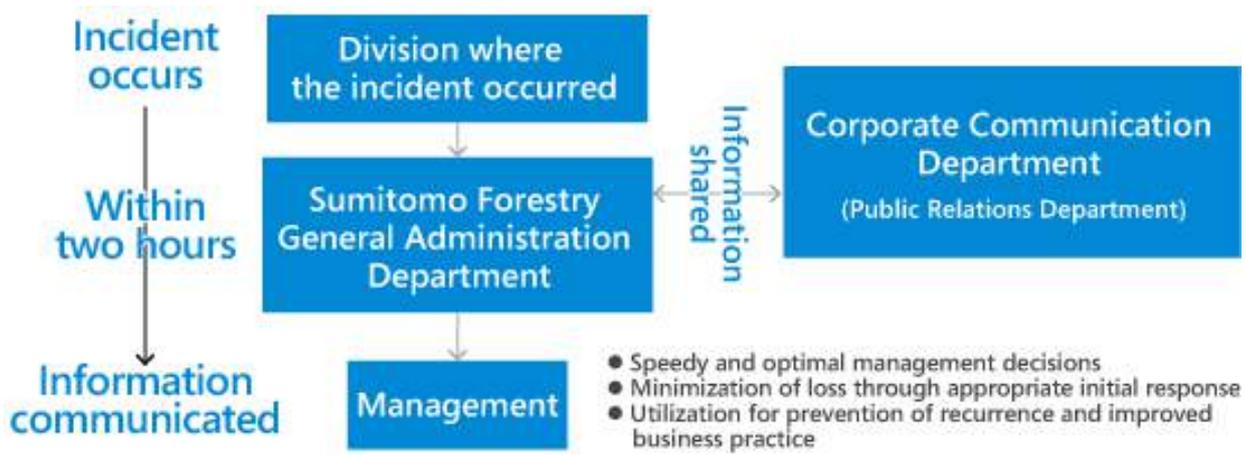
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## ■ Rapidly Comprehending and Dealing with Risks

The Sumitomo Forestry Group operates a two-hour rule system designed to quickly and accurately communicate information to management in the event of an emergency situation that may have a grave impact on company management. In addition to the regular reporting line, it utilizes communication via the Division responsible for risk management. Through this system, management can take the best decision speedily, ensuring an initial response which avoids loss and controls the situation. Moreover, it serves a role in collecting and accumulating reported cases and assists in improved business practice and prevention of recurrence.

Furthermore, the structure is organized so that, by sharing information with the public relations departments, important facts are disclosed to stakeholders properly and in a timely manner.

## Two-Hour Rule and Use of Risk Information



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## ■ Compliance Promotion Framework

Sumitomo Forestry established the Compliance Subcommittee as a subordinate organization under the Risk Management Committee, chaired by the general manager of the General Administration Department and comprised of the persons responsible for risk management, including those from the responsible departments at each Group company. As a cross-cutting organization across the Group, the subcommittee promotes responses to compliance risk. It has established the Group standard risk management system and tools to ensure compliance with the Construction Business Act and other laws, for efficient response to compliance risk.

During fiscal 2015, the subcommittee met twice, and continuing on with its Group-wide initiatives from the previous fiscal year, it worked to make continuous improvements to its compliance system, such as making a comprehensive examination of risks with respect to legal requirements, such as for business activities requiring government permits and licenses.

In addition, by acquiring the latest knowledge in the field through compliance seminars featuring external expert instructors, the Company endeavors to align the perspectives of those persons throughout the Group who are responsible for compliance, working bottom-up. The seminars also provide an opportunity to build an awareness of dangers that can be shared across the Group.

In addition to making monthly reports on these activities to auditors and internal audit divisions, any particularly important initiatives or risk information that is common to the Group is shared with the auditors in each Group company via the Group Audit Committee. Thus, the Group has developed a system for promoting compliance in its lines of business execution using internal and external approaches.

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## ■ Compliance Training

In order to heighten awareness among each and every employee about compliance, Sumitomo Forestry conducts compliance training for new employees to promote their understanding about traffic safety, information security and intellectual property. In fiscal 2015, training was delivered to 294 new graduate recruits and 60 mid-career recruits. Compliance training was also provided to groups of employees at specific levels, including “Training for New Management.”

Furthermore, two e-learning courses, “Legal Compliance and Risk Management” and “Information Security” have been set as compulsory courses to be taken by all Group employees, and employees are required to take these courses every year. In addition, each Group company in Japan and overseas also has its own arrangements for training, such as for new employees.

## Compliance Counter

The Sumitomo Forestry Group is committed to creating a workplace environment equipped with a self-corrective function for catching any impropriety concealed in day-to-day operations at an early stage. To this end, the Group established the Compliance Counters (advice desks) in 2002 in order to prevent corruption such as anti-bribery, written in “Our Values and Ideals”.

The Group has two Compliance Counters, one within the Group (general manager of the General Administration Department) and one external to it (lawyer), ready to provide advice and receive reports via telephone or a dedicated email address. The Counters not only assist Group company employees but are available for anyone who works continuously for the Group, such as employees at collaborative workshops. As well as stipulating in the relevant regulations and user manual about the protection of rights for persons seeking advice or making reports, and publishing this on the Sumitomo Forestry intranet, the user manual is also distributed to all Group employees.

In fiscal 2015, the Compliance Counters were contacted eight times about such topics as the workplace environments and working hours. In cases where the facts were confirmed, in addition to implementing the necessary corrective measures, initiatives were promoted aimed at preventing recurrence including using these examples in training for managers.



**リスク・コンプライアンス**  
リスク・コンプライアンスの様々な情報を集めました。

コンプライアンス・カウンター

**はじめに**

最近の企業不祥事を振り返ってみますと、消費者の健康・安全にかかわる不正行為について、会社側が事実を隠蔽したにも拘わらず、内部告発によって情報が外部に流出し、それによって企業の経営姿勢に厳しい批判が集中し、ひいてはその企業の存続すら危うくなり兼ねない状況が続いています。

ところで、そもそも「内部告発」は何故生じるのでしょうか。不正を発見したときに、その事実を上司に伝え、その不正行為が是正されるならば、何ら問題はありません。一方、我々は人間ですから、「この件が知れたら、処分されるのではないだろうか。」と考え、見て見ぬふりをして、何事もなく事が収まって欲しいと考えることも当然だと考えます。

しかし、現在の社会において、消費者・投資家を欺き、信頼を損ねることは、即企業の存立問題にまで発展してしまいます。その意味で、企業活動の違法性や倫理性に対し、企業自らがこれを改め、コンプライアンス（法令遵守）を徹底させることが強く求められています。

そこで、今般、通常の業務プロセスのなかにおいて発見、解決し難い違法行為、企業倫理に反する行為について、当社自ら解決するための体制を整え、当社をコンプライアンスの徹底された優良企業とすることを目的に、「コンプライアンス・カウンター」を設けています。

**利用方法**

(1) 受付窓口

### Manual for the Compliance Counters

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## **Preventing Corruption**

Based on the Sumitomo Forestry's Regulations for Prevention of Bribery of Officials including Public Servants, we aim preventing illegal corruption both in Japan and overseas. The Regulations stipulates that monetary and other forms of benefit offering, agreement, provision, and acceptance are forbidden. Also, as basic principles notion to facility payment as well as conditions and pre-approvals for political contributions are stated.

Aiming at Group employees, the Company facilitates dissemination of corruption and bribery prevention. One of the Company's CSR targets is the establishment of separate regulations at consolidated subsidiaries in Japan during fiscal 2014. Furthermore, consolidated subsidiaries overseas will conduct risk analysis, prepare regulations, implement staff training and promote general awareness. Subsidiaries in China have already prepared and implemented regulations. Moreover, in fiscal 2015, the Company pushed forward the establishment of regulations based on an aspect of the risk-based approach, to Indonesian and Vietnamese consolidated companies.

When new contractors and representative agencies are hired, the Company oversees that these new business partners pose no risks of bribery whilst conducting appropriate due diligence including on corruption status in the case of a merger with other companies. In fiscal 2015, no violation of corruption and relevant laws was identified.

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## **Promotion of Fair Competition and Appropriate Transactions with Subcontractors**

For the purpose of promoting fair competition, Sumitomo Forestry published the Antimonopoly Act Guide Book, and via its intranet website and through training for new general managers, it works to enhance understanding and awareness regarding the intent and outline of the Antimonopoly Act and about the risk of cartels stemming from contact with competitors.

Given that the Group's business activities are supported by many business partners, every year, Sumitomo Forestry also makes a comprehensive examination of its compliance with the Subcontract Act and the Construction Business Act for the purpose of promoting appropriate transactions with subcontractors.

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## Rejection of Influence from Anti-Social Forces

The Sumitomo Forestry Group's basic policy is that the “influence from anti-social forces will be met with a resolute attitude and no compromises will be tolerated.” The General Administration Department is designated as the division to coordinate overall response and systematically cooperates with external expert bodies such as the police and lawyers in order to gather information about anti-social forces, and when required, gives guidance in issuing warning notices. In addition, in accordance with the enforcement of laws of each prefecture for the exclusion of crime syndicates, Sumitomo Forestry takes appropriate action including standardization such that all contracts that Group companies enter into with third parties include a clause to exclude anti-social elements.

To further strengthen its efforts, since fiscal 2013, the Company has requested that all business partners, including its existing contracted partners, provide declarations guaranteeing that neither they nor their parent, subsidiary or subcontracting companies are anti-social forces.

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## Prevention of Traffic Accidents and Violations

Given that the Sumitomo Forestry Group has a fleet of about 7,000 vehicles used for either work or commuting in Japan, it promotes use of a standard Group system for safe driving to manage the risks associated with traffic accidents and violations.

Specifically, as well as establishing related rules, standardizing accident report forms, and acquiring Certified Driving Records\*, Sumitomo Forestry has rolled out a Safe Driving Management System to each Group company which centrally manages basic driver and vehicle information (licenses, traffic violation histories, vehicle inspections, insurance, etc.), and has established systems for ensuring that the fulfillment of statutory obligations and driver instruction are carried out in a timely and appropriate manner.

Sumitomo Forestry also holds monthly meetings for the Safe Driving Working Group, which is comprised of safe driving coordinators from Head Office and business divisions. The group shares and analyzes the state of traffic accidents and violations, helping in the formulation of prevention measures and awareness-raising activities.

Furthermore, Sumitomo Forestry also conducts driving aptitude assessments authorized by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), targeting new employees who are at a greater risk of accident due to insufficient driving skills and experience, so that they can be aware of their own driving aptitude. Training is also provided to give participants hints on how to avoid traffic accidents and so that they can reaffirm their mental readiness for safe driving.

\*A certificate issued by the Japan Safe Driving Center showing a driver's violations and administrative punishments, etc.

# Business Continuity Management

Management System

## System for Managing Business Continuity

To counter risks which could significantly impact Head Office functions and are beyond a company's capacity to prevent, such as natural disasters and new strains of influenza, Sumitomo Forestry has established the BCP Subcommittee. The subcommittee sits under the Risk Management Committee, is chaired by the general manager of the General Administration Department and is comprised of the persons responsible for risk management at each Group company. Additionally, the Company promotes initiatives based upon business continuity plans (BCP). Since Sumitomo Forestry Group companies are an integral link in the supply chain of one another's business, each Group company is committed to constantly improving the resilience of the whole Group, and tackling Group-wide issues with the intention of enhancing business continuity.

In fiscal 2015, Sumitomo Forestry held five BCP subcommittee meetings. Critical initial responses in the event of a powerful earthquake, in particular the one striking directly underneath the Tokyo metropolitan area was revised; in the meantime various training programs were planned and implemented.



BCP simulation training

## Measures for Employee Safety and Systems for Business Continuity

### Portable guide for risk responses, Safety Confirmation System

Portable guide for risk responses have been distributed to all Group employees, promoting the basic response procedure to take in the event of a disaster. A safety confirmation system has also been introduced, allowing the safety of employees to be checked quickly in the event of a natural disaster. Safety confirmation drills are conducted at domestic Group companies every year, and in fiscal 2015, a sum of 12,578 employees have participated in them.



Portable guide for risk responses

## Disaster Prevention and Damage Minimization Measures

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By way of preparation for employees walking long distances back home on foot or those stranded at the office unable to return home in the event of a massive earthquake, Sumitomo Forestry has stipulated a minimum stockpile of common emergency supplies for each workplace, and has had these distributed to all Group bases. In particular, at bases in large metropolitan areas (Tokyo, Osaka, and Nagoya), where it is expected there would be large numbers of stranded employees, enough supplies have been stored for employees to stay at the office for up to three days.

Also, when selecting new offices and other facilities, rather than deciding merely on cost and convenience, the person responsible for disaster prevention at Head Office gets involved, and measures for preventing disasters and reducing damage are implemented, such as measures for preventing office equipment from falling over and multifunction printers on wheels from rolling.

Furthermore, Sumitomo Forestry has also implemented measures from a perspective of data integrity, such as backing up data at locations physically distant from the data center.

## BCP Simulation Training

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In order to overcome the chaos immediately after a large-scale earthquake strikes and to transition quickly to action for business continuity, it is vitally important that the people in charge can make an initial response and can make decisions according to the situation at hand. For this reason, since fiscal 2011, the Sumitomo Forestry Group has continued to conduct BCP Large Scale Earthquake Countermeasures Simulation Training, targeted at the persons in charge at each Group company. The aim of this training is to get participants to experience a simulated “crisis” in an earthquake and to acquire an awareness of the issues, by getting them to make spur of the moment decisions again and again based on rigorous hypothetical scenarios. During the training, since Group companies from neighboring areas are assembled together in one place, another aim of the exercise is to share an awareness of risks and to strengthen cooperation among them in an emergency. To date, a cumulative total of more than 420 people have participated in this training.

Systems have also been developed so that, in situations where employees find getting to work difficult, payment of salaries, payments to business partners and other important business operations can still be carried out from home or other remote locations while maintaining a high level of security. Simulation drills for this have also been conducted every year.

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## Supply Chain Business Continuity Initiatives

In readiness for potential disruption of its housing business supply chain following a disaster, Sumitomo Forestry shares the specifications and processes for property construction along with site progress status information with business partners including component makers and building contractors. By enabling advanced procurement of materials and production in this way, the Company is striving to reduce the risk of a disruption to operations.

Sumitomo Forestry also reviews its suppliers of building and construction materials, with supplier evaluations conducted every year for determining whether to continue business with them. Business continuity items, such as systems for ensuring alternative supply routes during a disaster, have been added to these evaluations.

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## Continuity of Customer Service

While establishing nighttime call centers in Tokyo and Fukuoka, thereby facilitating a 24-hour after-sales service, Sumitomo Forestry has also developed a mechanism whereby any call center can back up the functions of another call center in the event it is affected by a disaster.

By managing information for each base through a unified emergency system, the Company can share damage information pertaining to owners nationwide, enabling us to respond quickly to requests for repairs.

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## Information Security Policy

In order to ensure the confidentiality, integrity and availability of its information systems, the Sumitomo Forestry Group has raised the security level of its systems while maintaining the “regulation” aspects and “technology” aspects of information security in a mutually complementary manner. Based on the recognition that the protection of customer information in particular is of utmost importance, the Group continues to conduct employee training to ensure dissemination of the rules, and verifies their level of awareness.

With respect to the regulation aspects of information security, the Group has established the Sumitomo Forestry Group Information Asset Protection Guidelines for Group companies in Japan. At the same time, it has prepared a checklist based on these guidelines, and every year, the person responsible for the department in charge of information systems at each Group company runs a check for the purpose of ascertaining the level of information security. In fiscal 2012, the Group also formulated guidelines for Group companies outside of Japan. As for education on information security, Sumitomo Forestry has made it compulsory for all Group employees with access to its intranet (including temporary and part-time employees) to take an e-learning course on an annual basis.

On the other hand, with respect to the technology aspects of information security, the Group has introduced encrypted start-ups and restrictions on the data export from computers that are taken outside the Company.

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## Systems for Managing Information Security

Under the supervision of the executive officer in charge of information systems, the general manager of the Information Systems Department promotes information security measures for the Sumitomo Forestry Group, such as the formulation and management of rules and regulations, the proposal and implementation of technical measures, the education and training of employees, and the investigation of accidents and implementation of countermeasures.

Furthermore, the person responsible for each department provides guidance and management for the execution of that department's operations as the information security supervisor, and assigns an information security officer who is the working-level manager for the department's information security.

The Group also holds regular meetings of the Affiliated Companies IT Managers Council, which is attended by the persons responsible for departments in charge of information systems at Group companies in Japan. The council checks the content of the guidelines and promotes the introduction of security systems.

## ■ Initiatives to Strengthen Information Security

In recent years, the threat to information security in Japan has severed as evident in the increased personal information leakage incidents and targeted attacks. The Sumitomo Forestry Group, as a countermeasure, has expanded the contents covered in the e-learning training on security provided for all employees by, for example, adding extra questions, in fiscal 2015.

In addition, once a year, the Group commissions an assessment from an external IT vendor and carries out a security assessment on the public websites of Sumitomo Forestry and each Group company.

In May 2016, the Security Information Office, a division specifically takes responsive measures against cyber-attacks was set up at Sumitomo Forestry Information System Co., Ltd., and so as to strengthen employee consultations regarding cyber-attacks related cases.

# Intellectual Property Management

Management System

## Intellectual Property Policy

Imitation and unauthorized use of trademarks and copyrights have become one of the risks for corporate management. The Sumitomo Forestry Group strives to protect the intellectual property it creates, such as by claiming rights for proprietary technology and concealing its know-how.

The Group is also putting effort into preventing rights violations by or to the Group. It is working to raise awareness about compliance among all Group employees, not least those in the research and development departments and in the marketing and planning departments.

## Systems for Managing Intellectual Property

Sumitomo Forestry established the Intellectual Property Department and it employs a number of patent lawyers on its department staff. In addition to providing support for creating intellectual property, support for filing applications and preserving rights for intellectual property, and support for concluding various technology-related contracts, the department also raises awareness for intellectual property among employees, conducts internal and external intellectual property trend analysis, and makes recommendations for the direction of research and development.

Furthermore, in order to prevent rights violations from being caused by or to the Group, the Company has also established an Intellectual Property Hotline and promotes this service to employees.



Poster advertising the Intellectual Property Hotline

## Initiatives for Intellectual Property

### Intellectual Property Education

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The Intellectual Property Department conducts classroom training for Sumitomo Forestry Group employees as required, for the purpose of promoting the creation of intellectual property and preventing any conflicts with the rights of other companies. Each year since fiscal 2012, a compliance-focused e-learning program for all Group employees has been conducted using the intranet. In addition, every year, Sumitomo Forestry enlists employees from research and development departments, including at Group companies, and sends them to training provided by external organizations, such as the Japan Intellectual Property Association.

In fiscal 2015, the Company held two study sessions on intellectual property at the Tsukuba Research Institute in an effort to ensure thorough compliance and risk management. In addition, training on trademarks was conducted, targeted at employees in product development divisions, to emphasize the importance of trademarks and raise the level of awareness of key points.



Study session on intellectual property at the Tsukuba Research Institute

### Intellectual Property Award

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The Intellectual Property Awards are conducted annually by the Group based on an Intellectual Property Award Code to recognize groups and individuals who have contributed to enhancing the Group's business competitiveness through inventions and other notable achievements.

In fiscal 2015, an awards ceremony was held at Head Office and seven employees received awards or commendations.

## Education through the Company Intranet

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Sumitomo Forestry has set-up a company intranet site called Intellectual Property Farm. The site provides Sumitomo Forestry Group employees with a fundamental grounding in intellectual property as well as a simple explanation about trademark rights that employees ought to understand when promoting business activities. The site also posts information on the latest topics concerning intellectual property.



Front page of the Intellectual Property Farm

## Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

Based on its Corporate Philosophy of “utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to a prosperous society through all types housing-related services” and its Action Guidelines, the Sumitomo Forestry Group has established such policies as, an Environmental Policy and a Procurement Policy, as well as various guidelines. In addition, the Group has also prescribed “Our Values and Ideals” as a set of ethical guidelines for all Sumitomo Forestry Group employees, and carries out business activities in accordance with these. Furthermore, based on ISO26000, the International standard requiring organizations to practice social responsibility, the Sumitomo Forestry Group actively communicates with all stakeholders. Incorporating the Group’s shared values into its brand message “Happiness Grows from Trees,” it will further promote CSR management, thereby contributing to a sustainable society.



### Corporate Philosophy

The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services.

## Action Guidelines

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### Sumitomo Spirit

We conduct business that is beneficial to society based on the principles of integrity and sound management.

### Respect for Humanity

We work to create an open and inclusive corporate culture that values diversity.

### Environmental Responsibility

We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.

### Putting Customers First

We are thoroughly committed to customer satisfaction through the provision of high-quality products and services.

- ▶ [Sumitomo Forestry Group Environmental Policy](#)
- ▶ [Sumitomo Forestry Group Procurement Policy](#)

## Our Values and Ideals

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The Group sets great store by the following three ideals: “Inspire Emotion,” “Blaze a Trail to the Future,” and “Act with Dignity.”

### 1. Inspire Emotion

1. Customer Satisfaction
2. Partnership
3. Independence and Support
4. Freedom and Vigor
5. Reflection and Learning

### 2. Blaze a Trail to the Future

1. Sustainable Development
2. Respect for Families
3. Accumulation and Creation
4. Giving Back to the Community
5. Environmental Responsibility

### 3. Act with Dignity

1. Passing on Sumitomo’s Business Spirit
2. Legal Compliance
3. Information Handling
4. Respect for Human Rights and Diversity
5. Autonomous Actions

## Participation in the United Nations Global Compact

In December 2008, we formally signed the United Nations (UN) Global Compact to declare our support for its principles. The ten principles of the UN Global Compact are based on globally established agreements, including the Universal Declaration of Human Rights, and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. They incorporate support of and respect for the protection of human rights and the eradication of forced labor and child labor.

### The Ten Principles of the UN Global Compact

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and  
Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;  
Principle 4: the elimination of all forms of forced and compulsory labour;  
Principle 5: the effective abolition of child labor; and  
Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;  
Principle 8: undertake initiatives to promote greater environmental responsibility; and  
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



# Sumitomo Forestry Group's Businesses and CSR

[Management System](#)

## Origin of Sumitomo Forestry CSR

“The Large-Scale Afforestation Project” –the project restored the Besshi Copper Mine beginning in 1894 is where our CSR originated.

Sumitomo Forestry has valued and honored the Sumitomo Spirit for generations. It is the way of thinking that seeks benefit for the individual, the nation and society as a whole and management that does not pursue easy gains and that takes a long-term perspective. The business spirit of Sumitomo that values fairness, integrity, and sound management serves as the source of the firm trust from society.

Sumitomo Forestry can trace its beginnings to the use of wood harvesting operations in neighboring forests to fortify the Besshi Copper Mine opened in Ehime Prefecture in 1691. Timber was crucial for the mining operation, however, by the end of the 19th century, the forests around the Besshi Copper Mine were facing severe degradation due to long periods of excessive harvesting and smoke pollution. The then principal of the mine, Teigo Iba, believed that “allowing this land to be degraded while moving forward with business made possible by its fruits runs counter to the proper course of our relationship with nature. We must return all the mountains of Besshi to their verdant state.” With this belief, he launched the Great Reforestation Plan in 1894 to restore the forests that had been lost. Through a process of trial and error, and by implementing large-scale planting efforts of up to more than two million trees per year, the mountains were eventually returned to a state of rich greenery.

It is the sustainable forest management based on the gratitude for the nature's resources that serves as the starting point for Sumitomo Forestry's business activities and for its corporate social responsibility (CSR) efforts.

## Sumitomo Forestry Group's Businesses

In recent years, the global environmental issues and social issues have grown prominent, and society is challenged by the significant turning point. As a corporate group that conducts forest management and provides timber and homes to customers both within Japan and overseas, Sumitomo Forestry Group believes that it can play a major role in resolving these problems.

## Environment and Resources Business

Based on the principle of sustainable forestry, the Sumitomo Forestry Group carries out systematic forest management across about 46,000 hectares of vast Company-owned forests in Japan, and is actively engaged in the supply of timber and the revitalization of the forestry industry. The Group promotes sustainable forest operation overseas, managing some 230,000 hectares of plantation forest. The Group also contributes to the preservation of biodiversity and the development of local communities. Consulting services are also provided in Japan and overseas, meeting the diversifying needs of forestry management.



## Timber and Building Materials Business

As Japan's leading timber and building materials trading company, the Sumitomo Forestry Group pursues a broad range of operations, from the procurement of timber and building materials to manufacturing and logistics. The Group also offers logistics systems that streamline the distribution of home building materials to manufacturers, distributors, housing companies and other businesses. Leveraging its strengths in procurement and functionality proposals which draw on its global network, the Group has achieved a stable supply of high-quality timber and building materials to satisfy a wide variety of needs. The Sumitomo Forestry Group has established bases in Indonesia, Australia, New Zealand, Vietnam, Thailand and the United States, and manufactures high-quality environmentally conscious wood building materials. It is reinforcing its capacity to supply, not only to Japan, but also to emerging countries where increased demand is expected in the wake of economic growth.



## Overseas Housing and Real Estate Business

The Sumitomo Forestry Group is expanding the scale of its housing and related businesses in the United States and Australia, in areas that expects steady populations growth and demand for housing. In Asia, where a wide range of housing demand is expected to grow, the Group is actively exploring businesses to leverage synergy with its existing businesses.



## Housing Business

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Sumitomo Forestry Home houses are the leading brand of custom-built wooden houses in Japan, utilizing the unique characteristics of wood and employing advanced construction methods. They enjoy a reputation of being comfortable, safe and secure houses that are environmentally conscious and durable for many years of residence. The Group also supplies apartments, utilizing its design capabilities accumulated in developing custom-built houses to offer refined exteriors, interiors abound with the qualities of wood and a level of comfort only possible with wood.



## Housing Stock Business

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Amid a changing sense of values toward housing, from flow to stock, the Sumitomo Forestry Group is involved in the remodeling and renovation businesses, raising the value of existing homes. From detached houses to condominiums and shops, the Group provides a variety of services that enable customers to live in their homes and operate stores longer and with more peace of mind.



## Greenery Business

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The Sumitomo Forestry Group conceptualizes optimal greening initiatives in a variety of areas, including housing, city planning, office buildings, urban spaces and satoyama (mountain areas linked to local communities). From the perspectives of biodiversity and sustainability, support is also provided for the environmental greenification of corporations. Comprehensive support is offered, from consulting, through to planning and design, construction and maintenance.



## MOCCA (TimberSolutions) Business

Additional increases in production and consumption of wood has been in the spotlight as one of Japan's national policies. With this in mind, the Group is promoting a shift to the previously less common wood construction of medium to large buildings in non-residential sectors, as well as a greater use of wood qualities in interiors. Through the construction of facilities in fields where there is a strong fondness for wood—namely medicine, education and commerce—the Group aims to create a new wood culture by increasing opportunities for people to be inspired by wood.



## Residential Property Development Business

Based on the Group's expertise developed through a wide range of wood-related businesses, it is engaged in a new form of property development unique to Sumitomo Forestry. From space design to planting and designing lifestyles, the Group fully leverages its comprehensive capabilities to produce detached spec homes in harmony with the local natural environment and culture. Through the development of residential property that grows along with its residents, the Group is helping to realize a higher quality of life.



## Lifestyle Service Business

Japan is a country faced with a super-aging society, and here, the Sumitomo Forestry Group operates community-based nursing care facilities and day care services for the elderly. In addition, the Group also provides a variety of businesses closely connected to people's lives, including the production and sale of agriculture-related products. The Group is constantly focused on creating new services that contribute to a higher quality of life.



## Environment and Energy Business

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The Group is committed to promoting energy businesses that utilize wood resources and natural energy. With wood biomass power generation, the Group is currently participating at four facilities in Japan using construction debris and unused forest materials as fuel, thereby contributing to the supply of environmentally conscious energy and to the effective use of forest resources.



## Overseas Manufacturing Business

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The Sumitomo Forestry Group has established bases in Indonesia, Australia, New Zealand, Vietnam, Thailand and the United States, and manufactures high-quality environmentally conscious wood building materials. It is reinforcing its capacity to supply, not only to Japan, but also to emerging countries where increased demand is expected in the wake of economic growth.

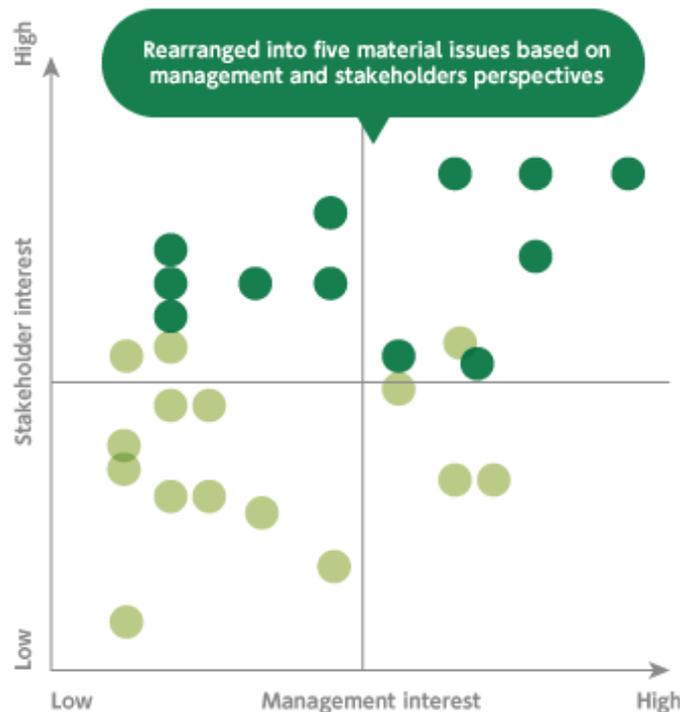




## Identifying Sumitomo Forestry Group CSR Material Issues

Following changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified new CSR material issues to replace the ones specified in 2008.

The Group surveyed both internal and external stakeholders as well as outside experts, receiving responses from about 2,700 people. In preparing the questionnaire, 27 issues most closely related to the Sumitomo Forestry Group were specified, based on the Sumitomo Forestry Group’s Corporate Philosophy and Action Guidelines, and taking into account such matters as ISO 26000, the international standard on the social responsibility of organizations, and evaluation points linked to socially responsible investment (SRI). After incorporating management perspectives, the survey results were mapped out against axes of “management” and “stakeholders,” before determining the materiality of each issue. 12 of these issues were identified as being highly material, and rearranged into 5 issues for the Sumitomo Forestry Group CSR Material Issues.



## Sumitomo Forestry Group CSR Material Issues

- Continue to procure wood and materials that take sustainability and biodiversity into consideration
- Promote the reduction of the environmental impact of our business activities
- Promote the development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality
- Strengthen and promote risk management and compliance mechanisms
- Promote the development and sales of products and services that are safe, reliable and environmentally conscious

### Formulating the Sumitomo Forestry Group Mid-Term CSR Management Plan

In March 2015, the Sumitomo Forestry Group formulated the Sumitomo Forestry Group Mid-Term CSR Management Plan with fiscal 2020 as its target year.

The Plan sets basic strategies and specific targets aimed at resolving the five “Sumitomo Forestry Group CSR Material Issues” which were mapped out based on “management” and “stakeholders” perspectives. Regarding social and environmental issues to be accomplished by fiscal 2020, each Group company and department has commenced initiatives starting in fiscal 2015 aimed at achieving targets segmentalized for each fiscal year.

A PDCA cycle is steadily followed, with progress and attainment of the annual targets based on the Sumitomo Forestry Group Mid-Term CSR Management Plan being regularly checked twice a year by the Executive Committee, which is attended by those directors who also serve as executive officers as well as by senior statutory auditors.

The Sumitomo Forestry Group aims to promote CSR management even further.



## CSR Material Issues and CSR Mid-Term Plan

### Material Issue 1 Continue to procure wood and materials that take sustainability and biodiversity into consideration.

As the world's forests continue to decrease in size as a consequence of illegal logging, excessive slash-and-burn farming and other practices, various countries are proceeding to introduce laws and strengthen regulations to eliminate illegally logged timber from the market. Meanwhile, in Japan, maintenance of forests, and of planted forests in particular, has halted in part because of an aging and declining forestry workforce, and there are growing concerns about some forests becoming devastated.

Amid this situation, the Sumitomo Forestry Group is engaged in business centered around wood, and is promoting sustainable forest management and sustainable procurement of wood both in Japan and overseas.

Furthermore, since its fields of business are directly linked to forests that nurture biodiversity, the Group has positioned conserving biodiversity as one of its key CSR themes.



Sales of “KIKORIN-PLYWOOD,” the environmentally-friendly plywood



Greenery of a home mainly with indigenous plant species

Current awareness of issues and basic strategies		Evaluation metrics	FY2015 target	FY2015 result	Rating	FY2016 target	FY2020 target	
Environmentally responsible society	Increase volume of sustainable wood handled, and utilize sustainable forest resources by verifying legal compliance	Percentage of certified timber among all imported timer sold	11%	8% 	△	9%	12%	
		Volume of exported Japanese timber	117 thousand m <sup>3</sup>	104 thousand m <sup>3</sup> 	△	158 thousand m <sup>3</sup>	200 thousand m <sup>3</sup>	
		Volume of plantation timber, certified timber, and Japanese timber handled at distribution hubs overseas	659 thousand m <sup>3</sup>	706 thousand m <sup>3</sup>	○	781 thousand m <sup>3</sup>	783 thousand m <sup>3</sup>	
		Volume of fuel wood chips handled	758 thousand m <sup>3</sup>	777 thousand m <sup>3</sup> 	○	773 thousand m <sup>3</sup>	800 thousand m <sup>3</sup>	
		Volume of certified timber (by SGEC) handled at distribution hubs in Japan	43 thousand m <sup>3</sup>	35 thousand m <sup>3</sup> 	△	55 thousand m <sup>3</sup>	85 thousand m <sup>3</sup>	
		Volume of unused wood materials handled from Japanese timber	88 thousand tons	119 thousand tons 	○	181 thousand tons	185 thousand tons	
		Percentage of Japanese timber used for new custom-built detached housing in the housing business	Multi-Balance Construction Method	72%	71% 	△	72%	75%
			Big-Frame Construction Method	52%	50% 	△	51%	55%
		Percentage of reviews conducted for timber product suppliers who handle directly imported timber and timber products with verified legal compliance		100%	100%	○	100%	100%

Establish forestry management that enables conservation of biodiversity, and value as natural capital	Percentage of certified (by SGEC) forests in newly acquired forests managed by the Group	100%	100%	○	100%	100%
	Number of native species planted at new detached housing sites	38,800 trees	36,050 trees 	△	40,000 trees	210,000 trees /6 yrs

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

▶ [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

## Material Issue 2 Promote the reduction of the environmental impact of our business activities

As the impact of climate change becomes more urgent globally, companies are being asked to reduce their emissions of greenhouse gases as a measure to counter global warming.

Being engaged in the housing business and in the timber, building materials and sawn wood businesses, the Sumitomo Forestry Group is considerate of its impact on the environment, and is committed to reducing the volume of greenhouse gases emitted from its business activities. Furthermore, in an effort to reduce its environmental impact and to use resources effectively, the Group promotes the reduction, recycling and reuse of industrial waste.



Promoting switching to fuel efficient vehicles



Operation of the Metropolitan Area Recycling Center, capable of undertaking the advanced sorting of waste

Current awareness of issues and basic strategies		Evaluation metrics	FY2015 target	FY2015 result	Rating	FY2016 target	FY2020 target
Low-carbon society	Reduce CO <sub>2</sub> emissions in the Group	In the office segment (consolidated company within and outside Japan)	3.1% reduction Total emissions 34,345 t-CO <sub>2</sub>	6.7% reduction Total emissions 33,055 t-CO <sub>2</sub>	○	4.5% reduction Total emissions 33,746 t-CO <sub>2</sub>	7% reduction Total emissions 32,859 t-CO <sub>2</sub>
		Sumitomo Forestry (offices in Japan)	4.9% reduction	10.6% reduction	○	8.1% reduction	—
		Affiliated companies in Japan (offices)	2.1% reduction	3.3% reduction	○	2.2% reduction	—
		Affiliated companies outside Japan (offices)	2.4% increase	1.2% increase	○	5.6% increase	—
	Kutai Timber Indonesia (Indonesia)	Change in CO <sub>2</sub> emissions per production volume compared to the previous year	1.4% reduction	5.9% increase	×	1.9% reduction	At least 1% reduction per year on average per production volume in FY 2015 - 2020
			0.9% increase	5.7% reduction	○	2.2% increase	
			2.6% reduction	7.3% increase	×	0.9% increase	
			4.5% reduction	5.5% increase	×	4.6% increase	
			2.4% increase	5.2% reduction	○	0.4% reduction	
			12.8% reduction	53.1% increase	×	18.3% reduction	
	Vina Eco Board (Vietnam)	AST Indonesia (Indonesia)	Alpine MDF Industries (Australia)	Nelson Pine Industries (New Zealand)	Rimba Partikel Indonesia (Indonesia)		

Reduce CO <sub>2</sub> emissions outside the Group (products, service recipients)	Solar power generation systems (sets) handled by distribution hubs in Japan	2,400 sets	2,140 sets (10,700 kW)	△	1,900 sets (8,930 kW)	2,330 sets (10,951 kW) *1
	Percentage of Green Smart houses Number of Green Smart houses when an order is placed for new custom-built detached housing / total number of houses ordered	68.0%	58.2% 	△	70.0%	80.0%
	Percentage of Green Smart · ZEH type Number of Green Smart · ZEH type when construction started / total number of houses that started construction	12.0%	2.0% 	*2	6.0%	At least 50%

\*1. Starting fiscal year 2016, the unit of evaluation will be changed to kW to examine the level of contribution to the environment

\*2. The fiscal year 2015 result is not evaluated because the product definition was revised

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

Current awareness of issues and basic strategies		Evaluation metrics	FY2015 target	FY2015 result	Rating	FY2016 target	FY2020 target
Recycling society	Achieve zero emissions	Recycling rate at new housing construction sites	93.3%	90.8% 	×	91.5%	98.0%
		Recycling rate at remodeling sites	76.3%	70.2% 	×	74.1%	80.0%
	Reduce volume of industrial waste generated	Reduction in industrial waste generated at new construction sites compared to fiscal 2013	14.7% reduction	2.5% reduction	×	17.6% reduction	30% reduction
		Change in industrial waste per sales cost* <sup>3</sup> compared to FY2014	2% reduction	4.3% increase	×	3.7% increase	At least 2% reduction

\*3 Cost of in-house sales for manufacturing facilities in Japan

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

### Economic Effect Seen by Promoting the Reduction of the Environmental Impact of Our Business Activities

Effects		Value (million yen)
Income	Profit on sales of securities	31
Cost Reduction	Cost Reduction Amount saved as a result of energy-saving efforts *Include the fluctuation of petroleum price	266
	Amount saved as a result of waste reduction efforts	62
Total		359

### Material Issue 3 Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality

The Sumitomo Forestry Group aims to foster a safe and healthy workplace environment where motivated employees can be actively involved irrespective of gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group released the “Sumitomo Forestry Group Declaration on Empowering Women.” It was issued to the entire Group under the name of the President, and has been the basis for subsequent efforts.



Brainstorming for the “Development through Women’s Perspective Project”



Safety inspection at a building construction site

Current awareness of issues and basic strategies	Evaluation metrics		FY2015 target	FY2015 result	Rating	FY2016 target	FY2020 target
Promote fair employment and treatment	Female employees in management positions	Non-consolidated	2.6%	2.8%*1	○	2.9%	At least 5%
		Consolidated in Japan	—	3.2%*1	—	—	—
	Female employees	Non-consolidated	19.2%	19.9%*1	○	19.5%	At least 20%
		Consolidated in Japan	—	23.3%*1	—	—	—
	Employees with disabilities (Achieve mandatory employment rate)	Non-consolidated	2%	2.12%	△	At least 2%	At least 2%
		Consolidated in Japan		1.48%*2			

	Paid leave usage	Non-consolidated	7 days	6.3 days	×	8 days	At least 10 days
		Consolidated in Japan	Target set by each company	7.1 days	—	Target set by each company	—
	Overtime working hours (Reduction from the average overtime working hours in FY2013)	Non-consolidated	▲10%	▲2.5%	×	▲14.8%	▲30%
Strengthen occupational health and safety	Number of occupational injuries in Company-owned forests <sup>*3</sup>	Non-consolidated	0	1	△	0	0
	Number of occupational injuries at new construction sites <sup>*4</sup>	Non-consolidated	0	6	△	0	0
	Number of occupational injuries in other places <sup>*4</sup>	Consolidated in Japan	—	10	—	Target set by each company	0

\*1. Data as of April 1, 2016

\*2. Data as of June 2015

\*3. Number of occupational injuries involving contractors at work sites in Company-owned forests

\*4. Number of cases covered by temporary absence with work compensation benefits under the Industrial Accident Compensation Insurance Act

Rating

○ : Achieved. △ : Did not achieve but improved from the previous year. × : Did not achieved and no improvement or worse performance.

## Material Issue 4 Strengthen and promote risk management and compliance mechanisms

We are working to reinforce the mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee.

Current awareness of issues and basic strategies	Evaluation metrics	FY2015 target	FY2015 result	Rating	FY2016 target	FY2020 target
Strengthen risk management framework		Check the progress on the 39 prioritized risk items at the quarterly Risk Management Committee meeting.	In addition to discussions on the target items, case reports on emerging risks were started at the monthly Executive Committee meeting.	○	Check the progress on the 36 prioritized risk items at the quarterly Risk Management Committee meeting.	Manage risks by using prioritized risk items set by the Risk Management Committee.

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

## Material Issue 5 Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. In addition, Sumitomo Forestry actively promotes the use of the Excellent Long-term Housing Certification and the Japanese Housing Performance Indication System for customer’s peace of mind and safety and in order to enhance property value.



Sumitomo Forestry Home houses set the standard specification to meet “Excellent Long-term Housing” standards

Current awareness of issues and basic strategies	Evaluation metrics	FY2015 target	FY2015 result	Rating	FY2016 target	FY2020 target
Improve safety and quality	Ratio of design performance evaluations implemented for new custom-built detached housing	At least 90%	98.6%	○	At least 90%	At least 90%
	Ratio of construction performance evaluations implemented for new custom-built detached housing	At least 90%	97.3%	○	At least 90%	At least 90%

	Ratio of houses certified as Excellent Long-Term Housing for new custom-built housing	At least 90%	92.8%	○	At least 90%	At least 90%
Improve communication with customers	Pass rate for after-sales maintenance advisors and housing inspectors (All persons assigned to Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance)	100%	100%	○	100%	100%
	Ratio of early completion of handing the as-built drawing for new custom-built detached housing	80%	69%	△	80%	90%

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

# Housing Safety and Quality Control

Social Report

## Basic Policy for Product Safety and Quality Control in the Housing Business

Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. Based on this belief, and taking the opportunity of the enforcement of the Excellent Long-Term Housing Promotion Act in Japan in June 2009, the Company formulated a basic policy for product safety and quality control in its housing business in fiscal 2009.

### Basic Policy for Product Safety and Quality Control in the Housing Business

1. Make houses more reliable by improving their basic functions
2. Increase future options for layout to accommodate changes in lifestyles
3. Enhance maintenance programs to support long-term upkeep
4. Monitor information on any production faults, and share information on handling faults promptly

## Framework for Product Safety and Quality Control in the Housing Business

Sumitomo Forestry sets the standard specifications for its Sumitomo Forestry Home houses to exceed the highest level of Excellent Long-Term Housing\*<sup>1</sup> certification conditions\*<sup>2</sup> (applying the evaluation under the Japanese Housing Performance Indication System\*<sup>3</sup>). From product development through to construction and after-service, the Company has established its framework for product safety and quality control in order to deliver high quality homes with superior overall balance. In addition, the Company is actively promoting the use of the Japanese Housing Performance Indication System for customer peace of mind and safety and in order to enhance property value. In fiscal 2015, under the Japanese Housing Performance Indication System, Implementation of Design Performance Evaluation reached 98.6%\*<sup>4</sup> (97.7% in FY2014), Implementation of Construction Performance Evaluation reached 97.3% (94.9% in FY2014), and the acquisition of Excellent Long-term Housing certification reached 92.7% (91.2% in FY2014).

- \*1 Excellent Long-term Housing: A life-long housing certification system which aims to popularize housing that will help realize a society that values its housing stock.
- \*2 Detached housing is evaluated for durability, seismic resistance, ease of maintenance and energy efficiency in accordance with the Japanese Housing Performance Indication System.
- \*3 The Japanese Housing Performance Indication System: Third-party evaluation of design performance at the time of design and of construction performance upon completion so that customers can objectively assess the quality and performance of a house. The system comprises 10 evaluation items, including structural stability, fire safety, alleviation of deterioration, and thermal environment.
- \*4 The ratio of the number of applications against the total number of detached houses constructed, including extensions and/or alterations (applications for design and construction performance evaluation, April 1, 2015 – March 31, 2016).

### Japanese Housing Performance Indication System Implementation Rate

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Design performance evaluation	98.2%	98.9%	100.6%	97.7%	98.6%
Construction performance evaluation	87.6%	91.0%	95.4%	94.9%	97.3%

### Ratio of Certified Excellent Long-Term Housing

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Ratio of certified Excellent Long-Term Housing	85.1%	88.4%	90.7%	91.2%	92.7%

### Excellent Long-Term Housing Standards and Standard Performance of Sumitomo Forestry Home House

Certification Type		Certification Criterion	Standard Performance of Sumitomo Forestry Home House
Durability	Long lasting	Rating of measures against deterioration Highest level 3 Measures that are able to be inspected periodically	Equivalent to highest level 3
Seismic Resistance	High earthquake resistance	Rating of earthquake resistance 2 or higher	Equivalent to highest level 3
Maintenance Requirement	Easy to maintain	Rating measures for maintenanc Highest level 3	Equivalent to highest level 3
Energy-saving performance	Energy efficient	Rating measures for energy conservation Highest level 4 (Compatible with next-generation energy conservation standards)	Equivalent to highest level 4

\*The higher the rated level, the better evaluated.

## Framework for Product Safety and Quality Control



- Product development proposals are deliberated at the regularly held Product Strategy Committee based on consumer needs and owner questionnaires.
- The Housing Division and Tsukuba Research Institute are collaborating in experiments at validation facilities and testing of prototypes, promoting the creation of products that incorporate customer feedback, including even in the details of guarantees.



The Product Strategy Committee



- Sumitomo Forestry uses a unique system to check design and structure at the time of contracting and through the final design stage.



A dedicated designer responsible for the work



- The Materials Selection Subcommittee, which meets once every month to decide upon all materials, conducts design reviews. All materials are checked to ensure that they meet the acceptance and quality standards set by the Tsukuba Research Institute and the Materials Selection Subcommittee.
- The Quality Improvement Committee, which meets once every two months, shares information on materials that have been newly accepted, and discusses improvements to materials that have already been accepted. During fiscal 2015 they reported and discussed progress relating to eight themes.



- Sumitomo Forestry centrally manages and shares up-to-date information on the construction, process management, quality control and safety management of each building through its own site management system.
- Each on-site operator, contractor manager and construction manager during such stages as foundation, construction and completion, conducts inspections covering 170 items which are managed using a construction management record. Additionally, the Head Office inspection division checks the status of the inspection and management.



Construction Management



- Sumitomo Forestry includes 20 years of regular inspections with its homes. After the 20th year, customers can pay for an inspection once every ten years, although those customers in the 30-year warranty system receive a free inspection in the 25th year if they choose to extend their warranty in the 20th year.
- Sumitomo Forestry has developed a Long-Term Support System that offers renovation and maintenance proposals and manages maintenance records in order to support its customers.



Regular inspection

Renovation

- Based on the Company's own performance evaluation chart, Sumitomo Forestry quantifies the performance grade of existing and planned homes for seismic resistance, thermal insulation and accessibility to indicate to customers the degree to which the performance grade has been enhanced.
- The performance and reliability of Sumitomo Forestry's original materials used in seismic reinforcement and so on are verified at the Tsukuba Research Institute.

The Company's own performance evaluation chart

Renovation  
(Purchase for Resale)

- In order to make a diagnosis of the seismic resistance and deterioration conditions of a condominium, the original construction drawings and specifications are checked, and construction reviews, reinforcement checks, concrete strength measurements and other inspections are conducted in collaboration with third-party surveyors. Conducting major renovation work properly based on the results of these inspections increases the life-span of the building. In addition, all of the inspection results and descriptions of the renovation work are disclosed at the time of sale.
- Sumitomo Forestry has a number of support programs in place, including issuing its own warranty, providing existing housing home buyer's defect warranty and latent defect insurance, and offering regular after-sales maintenance checks during the first year.



Pre-renovation



Post-renovation

## Improvement of Safety and Comfort in the Housing Business

Sumitomo Forestry offers homes that integrate seismic resistance, fire resistance, thermal insulation, Net Zero Energy Houses (ZEHs), age-deterioration countermeasures and universal design to improve all aspects of home performance so as to offer customers homes where they can live in peace of mind and comfort for many years to come.





### Improved Seismic Resistance and Durability

- For newly constructed homes, standard specifications are set at Level 3—the highest level—for evaluations based on the Japanese Housing Performance Indication System in regards to structural stability (seismic resistance, etc.).

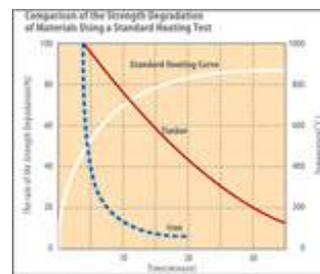


- With renovation, Sumitomo Forestry offers its dual construction method for vibration control and seismic resistance (recipient of a Good Design Award in fiscal 2013), whereby the Sumirin REP construction method (the Company's original seismic resistance technology) is used to help to increase the seismic rating by at least 1.0,<sup>\*1</sup> followed by the fitting of S-shaped vibration dampers.



### Ensuring Safety in the Event of a Fire

- Sumitomo Forestry's products ensure fire prevention and resistance while taking advantage of the merits of wood.
- The Company is boosting its lineup of products which offer government-regulated semi-fire-resistant construction<sup>\*2</sup> as standard specifications.



Results of standard heating test



Char layer on the surface of structural material

### Reduced Deterioration and Measures Addressing Operation and Maintenance of Equipment

- The Company uses the highest specifications in the Japanese Housing Performance Indication System relating to deterioration alleviation, and maintenance.

### Improvement of Crime Prevention Capabilities

- Based on the “crime prevention” category under the Japanese Housing Performance Indication System, Sumitomo Forestry provides customers with proposals for crime prevention measures from the site survey and design stage.



Comparison of damage caused by breaking glass (Left: Double-glazed security window, Right: Float glass window)

### Universal Design

- Sumitomo Forestry is driving research based on human lifestyle engineering using 3D motion and view-tracking analysis equipment. The Company offers homes which take universal design into consideration.



### Preserving Air Quality inside Houses

- Sumitomo Forestry is working to reduce emissions of volatile organic compounds (VOCs), which have been identified as a cause of “sick house” syndrome to below the guidelines prescribed by the Ministry of Health, Labour and Welfare, and has separate provisions for prohibited chemical substances.
- In accordance with the standards contained in these guidelines, F☆☆☆☆-rated timber, building materials, insulation and adhesives,—which have the lowest level of formaldehyde emissions—are used in the Company's products. Moreover, F☆☆☆☆-rated furniture, lighting and curtains are recommended in interior design proposals.

\*1. Seismic rating of 1.0: Level where the building will avoid complete collapse in an earthquake of intensity level 6.

\*2. Government-regulated semi-fire-resistant construction: A house that meets the standards prescribed by the Japan Housing Finance Agency as being a construction with fire prevention properties corresponding to semi-fire resistance prescribed in the Building Standards Act.

▶ [Crime Prevention \(Link to Products\)](#)

## New Laboratory Block Equipped with Large Multipurpose Furnace at Tsukuba Research Institute

A new laboratory block equipped with a large multipurpose furnace for fire-resistance experiments was constructed at Tsukuba Research Institute in January 2016.

The laboratory block is designed to create the test body and conduct thermal tests with the aim of developing technologies for fire resistance. With maximal furnace capacities of 2.5m width by 4m length for flat materials and 3.5m width by 3.5m height for tall materials, the lab can carry out thermal testing for large materials and will contribute to greater utilization of timber in large-scale architecture as well as development of wooden houses and other buildings.

Further, the construction of the lab block has been listed in FY2014 Wooden Building Technological Advancement Projects pushed forward by Ministry of Land and Infrastructure, Transport and Tourism, and it was Sumitomo Forestry's sixth project to be accepted.



Outside of the Laboratory Block



Inside the Lab (the large multipurpose furnace)

## Development of Earthquake Resistant Reinforcement Method Using Existing Mortar Outer Walls

Sumitomo Forestry has developed a unique earthquake resistant reinforcement method called ReFo Mo Wall Construction Method to strengthen the resistance of houses against earthquakes through renovation using existing mortar outer walls and without demolishing the inner building. The Method underwent the technological evaluation by the Japan Building Disaster Prevention Association.



Earthquake-Resistant Mortar Outer Wall Net Temporary Fix



Earthquake-Resistant Mortar Outer Wall Base Sheets Installed

## Ever Advancing Big-Frame construction method

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Sumitomo Forestry has consistently provided fire resistant housing products. In April 2015, fire and earthquake resistance levels achieved by Big-Frame (BF) construction method have improved substantially and enabled construction of up to four-story buildings (“BF-Fireproof”) in areas where regulations for fire resistance are strict. The other products launched as a result of this development is “Forest Maison BF-Fireproof,” the product targeted for rental and sublet homes.

The BF construction method is the Company's proprietary construction technique that has realized robust structure and expansive interior spaces at the same time by using “metal-touch joints” and large columns, the laminated wood with large sectional areas. The BF-Fireproof and Forest Maison BF-Fireproof newly adapted “twin-bolt columns” that strengthens the structural functionality by 1.5 times enabled by the increased number of joining metals compared to ordinary methods. Moreover, “double-columns” -- two large columns placed next each other, was also developed. Sumitomo forestry arranges the right column of these three types in the right place to produce open and comfortable home living spaces even as the land conditions restrict the house design, and is successfully providing diverse houses with higher freedom of design.



Exterior view of “BF-Fireproof” (four story)



## Basic Concept of Product Safety and Quality Control in MOCCA Business (Timber Solutions)

Sumitomo Forestry is promoting MOCCA Business (Timber Solutions) in which proposes wider use of wood in non-residential buildings such as industrial and public facilities. The MOCCA Business Department consistently provides high-quality buildings with consideration for people's health, safety, and comfort via wooden architecture, and obtained ISO9001 in September 2015 in response to customer expectations. Complying with this international standards, policy were established as shown in the following link. Each plant sets tangible quality targets and a business expansion plan adhering to the policy to attain maintained safety and enhanced product quality.

- ▶ [MOCCA \(Timber Solutions\) Department Quality Management Policy "What MOCCA Aims to Achieve -Creation of Future with Wood"](#)

## Product Safety and Quality Management System in MOCCA (Timber Solutions) Business

Sumitomo Forestry MOCCA Department consolidates the quality management system under the aforementioned policy and is building a strict process management system. The Department also conducts biannual internal audits at all construction sites to follow the PDCA cycle incorporated in the quality management system as stipulated by ISO9001.

## First Domestic CLT<sup>\*1</sup>-Built Hotel Huis Ten Bosch's "Henn-na Hotel" – Second Round Construction Completed

In the second round of the hotel construction project led by Huis Ten Bosch Co., Ltd., Sumitomo Forestry collaborates in designing and building "Henn-na Hotel" facilities with Kajima Construction and completed the construction of an accommodation facility in March 2016 using the CLT construction method. This was the very first CLT hotel in Japan.

The hotel is wooden, and hence, can be well integrated in the abundant nature at Huis Ten Bosch, meaning in Dutch a "Forest House." Henn-na Hotel was selected among the second Fiscal 2013 Leading Projects for Wood Construction Technology<sup>\*2</sup> promoted by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT). The lamina (sawn planks) used in CLT for this project is constructed of Japanese cedar timber, an abundant resource in Japan, with the aim of helping promote the use and distribution of Japanese timber. The cedar lamina, which includes produce of Nagasaki Prefecture, is being sourced from regions within Kyushu.



\*1 Stands for cross laminated timber; One of the Massivholz construction materials experiencing growth in Europe, CLT comes in large panels of layered and bonded sawn planks with the grain direction of each plank running perpendicular in each layer. CLT was first standardized in Japan on December 20, 2013 under the Japanese Agricultural Standard (JAS).

\*2 An initiative aimed at contributing to the realization of low-carbon societies by developing buildings that use large quantities of timber, which is a reproducible, circulative resource. It subsidizes part of the cost of large constructions using timber that employ leading design and construction technologies especially in the areas of construction and fire prevention.

# Product Safety and Quality Control of Building Materials

Social Report

## Product Safety and Quality Control in the Manufacture of Wood Building Materials in Japan (Sumitomo Forestry Crest Co., Ltd.)

### Basic Policy for Product Safety and Quality Control

Sumitomo Forestry Crest Co., Ltd. has established quality policy for fiscal 2016 based on ISO 9001 as described below. Each plant and division has formulated specific quality targets and action plans in line with this quality policy, and is committed to maintaining safety and improving quality.

In fiscal 2016, the company plans to standardize its quality information management system in an effort to integrate information and improve quality and service.

### Sumitomo Forestry Crest Co., Ltd.'s Quality Policy

1. Provide products that always give first priority to customer satisfaction, from product development and manufacture, to distribution and post-construction follow-up.
2. Cooperate with internal and external partners, understand appropriate costs, and manufacture in a way that ensures safety, performance and quality.
3. Establish quality targets, and develop systems that allow all employees to make continual improvements.

## Framework for Product Safety and Quality Control

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Since October 2010, Sumitomo Forestry Crest Co., Ltd. has been operating with integrated ISO 9001 at its plants nationwide. Having developed a framework for quality control based on the quality policy as well as a strict framework for process control, the company manufactures products of high quality. Furthermore, by utilizing a quality information management system, the company endeavors to reflect market feedback and demands back into the production site.

Internal audits are also carried out twice a year at all plants for the purpose of following the PDCA cycle for the quality management system established under ISO 9001. In order to build the capacity of employees in quality control, the company also puts effort into education on how audits are conducted and into employees getting qualifications.

## Promotion of Quality Improvement Activities Based on Company-Wide Targets

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Sumitomo Forestry Crest Co., Ltd. has set quality targets at each plant and division, and is promoting quality improvement activities. During fiscal 2015, a Quality Improvement Committee was launched to undertake a companywide review of control systems at manufacturing locations and to review the control systems at partner plants. In fiscal 2016, the company will maintain the control systems agreed upon by the Quality Improvement Committee, and will continue to improve activities, aimed at achieving a 20% reduction of complaints from fiscal 2015.



Quality check in plant

## Sumitomo Forestry Launches Full-scale Sales of Light, low-cost and Attractively-Designed Wooden Fire-prevention Door Using Balsa

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Sumitomo Forestry Co., Ltd. launched in May 2015 full-scale sales of original wooden fire-prevention doors, made from “balsa” known as the lightest timber in the world, which are lighter, less-expensive and more attractively-designed than existing products. The product was developed to meet the needs of wooden fire-prevention doors in three- and four-story buildings in urban areas, and in constructions for mixed use such as medical facilities with adjacent accommodation. The doors are also environmentally-friendly products, with the raw material balsa being sourced from plantation timber raised from saplings and processed by a Group company, PT. Kutai Timber Indonesia.



Unique wooden fire-prevention doors made from balsa

## Product Safety and Quality Control in the Overseas Manufacturing Operation of Wood Building Materials

### Basic Policy and Framework for Product Safety and Quality Control

Group companies engaged in the manufacture of wood building materials overseas have acquired quality certifications such as ISO 9001, Japanese Industrial Standards (JIS) and Japanese Agricultural Standards (JAS). In line with the requirements of these certifications, each company has established policies and standards for quality control, and through education and training, strives to ensure that its employees understand them well. Furthermore, each company has also built systems for production and quality control, and by means of annual audits by external organizations as well as periodic internal audits, they are making ongoing improvements to those systems.

#### ▶ [Acquisition of Quality-Related Certification](#)

### Standardization of Operations, and Promoting Acquisition of ISO 9001 Certification

Vina Eco Board Co., Ltd. (VECO), which started commercial production of particleboard in Vietnam in May 2012, acquired ISO 9001 certification in April 2014 and Japan Industrial Standards (JIS) labelling certification in December 2015. In conjunction with acquiring ISO certification, the company has proceeded to standardize its manufacturing operations, and has built a production system which allows it to provide products of consistent quality.

Furthermore, in order to differentiate itself from its competitors, the company attaches the product specifications on the packaging of each product. This practice is still not common in Vietnam, and so by clearly stating the product specifications, the aim is to establish VECO as a high-quality brand.



Quality control laboratory at VECO



# Acquisition of Quality-Related Certification

Social Report

## Certification of Group Companies

Group Company	Country	Type of Certification	Date Acquired
Sumitomo Forestry Co., Ltd. MOCCA (Timber Solutions) Department	Japan	ISO9001	9/2015
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001	3/1999*1
Sumitomo Forestry Landscaping Co., Ltd. Environmental Greenification Division	Japan	ISO9001	9/2002
Sumitomo Forestry Home Engineering Co., Ltd.	Japan	ISO9001 JISQ9001	3/2006
Alpine MDF Industries Pty Ltd.	Australia	JIS certification (MDF)	5/2003
		New JIS certification (MDF)	9/2008
		CARB certification*2	1/2009
Nelson Pine Industries Ltd.	New Zealand	JIS certification (MDF)	3/2003
		ISO9001 (MDF)	7/2003
		ISO9001 (LVL)	7/2004
		JAS (LVL)	5/2008
		New JIS certification (MDF)	5/2008
		CARB certification (MDF)	10/2008
		ISO9001	9/2011

<b>PT. Kutai Timber Indonesia</b>	Indonesia	ISO9002	9/1997
		JAS (plywood, LVL, laminate)	7/2000
		Q-Mark (door flux)	6/2010
		ISO9001	8/2010
		CARB certification (PB)	11/2012
		CARB certification (plywood)	12/2012
		CE Marking (plywood)	12/2012
<b>PT. Rimba Partikel Indonesia</b>	Indonesia	ISO9001	12/1999
		JIS certification (PB)	3/2007
		CARB certification (PB)	2/2009
<b>PT. Sinar Rimba Pasifik</b>	Indonesia	JAS (Floor laminate)	3/2012
<b>PT. AST Indonesia</b>	Indonesia	ISO9001	10/2002
<b>PT. Wana Subur Lestari</b>	Indonesia	Timber Legality Verification	2/2013
<b>Vina Eco Board Co., Ltd.</b>	Vietnam	CARB certification (PB)	11/2012
		ISO9001	4/2014
		JIS certification (PB)	12/2015
<b>Canyon Creek Cabinet Company</b>	United States	ISO9001	3/2007

\*1 Acquired first by the Kyushu plant in March 1999 and all other plants subsequently. All plants had acquired integrated certification by October 2010.

\*2 Air pollution regulation stipulated by the California Air Resources Board in the United States. CARB standards are stricter than federal regulations.

# Communication with Our Customers

Social Report

## Basic policy

Putting Customers First is an element of the Sumitomo Forestry Group's Corporate Philosophy and Action Guideline and Stipulated in the Group's code of ethics and conduct, Our Values and Ideals. the Company operates customer consultations and call centers, as well as promotes improvement and development of business and services that have adapted customers' feedback.

## Respect for and Application of Customer Feedback

### Operation of Sumitomo Forestry Customer Service Department

To attain greater customer satisfaction across the Group, Sumitomo Forestry implemented the measures while setting up Customer Service Department in 2000 demonstrating its Group organizational ability. At Customer Service Department, business departments and Group companies hold meetings and also set up working groups regularly to share the information. Problems and responsive actions are discussed and assessed, summarized as tangible measures. Then, the measures are executed throughout the Group, and Customer Service Department regularly evaluates progress and efficacy of the measures, and undertakes reviews and corrective actions, in line with the PDCA cycle.

Additionally, the Company introduces example creative solutions that can be easily adapted in daily work routine and attributable to customer satisfaction as well as heart-warming stories on the intranet every month. Direct feedbacks and opinions of customers sent to Customer Service Department, details of the consultations and their analysis results, and examples of superior response are consistently communicated. The support for internal training and one-on-one meetings with Group companies are also provided.

## Operation of Sumitomo Forestry Call Centers

In order to enhance customer service, Sumitomo Forestry established an after-hours call center in 1999, providing a prompt response in situations such as when customers need a lifeline in the event of an emergency. Additionally, in 2010, the Company upgraded its call centers into Sumitomo Forestry Call Centers, unified national 24-hour 365-day toll-free call centers dedicated to receiving calls for repairs and maintenance. In order to raise broad awareness of the centers among customers, direct mail was sent to those who had already moved into their homes, magnets with contact details were given to new home owners at handover, and the Company has also featured them on its website and magazine exclusively for home owners.

Presently the centers are located in Tokyo and Fukuoka, and are linked together, shortening wait times for customers who call via the unified national free-dial number. In addition, the system is organized to enable response in emergency situations. The system facilitates prompt response to customer requests and consultations and also strives for improved customer satisfaction.



A Sumitomo Forestry Call Center

### Volume of calls to Customer Support Centers and the Sumitomo Forestry Call Center, and breakdown of those calls



\*The Call Center has become a “general housing support” since July 2015 and has been receiving increased number of calls.

## Customer Surveys

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To accurately assess customer views and customer satisfaction, Sumitomo Forestry distributes a questionnaire three times: once when an owner moves in, and then during the second and tenth year of their residence. The survey questions primarily cover specifications, design, building materials, systems and fixtures, and the support service provided by the staff. The Company then statistically processes and analyzes these results, and applies any findings to product development and employee training. Customers are also given a short questionnaire at the end of any after-sales maintenance visit or inspection, requesting feedback on such subjects as the attitude and behavior of the maintenance contractor, as well as their response speed and repair techniques.

In fiscal 2015, the percentage of customers who responded “I would recommend Sumitomo Forestry Home houses” was 86.5% in the survey of new owners, and 84.6% in the survey of second-year owners.

Because the benefits of improvements in customer satisfaction will only appear after ongoing efforts, Sumitomo Forestry will continue to improve its efforts, following a cycle of PDCA.

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## Communicating Information to Customers in the Housing Business

### Hosting Home Building Consultation Meetings at Commercial Facilities

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Sumitomo Forestry hosted “Home Building Consultation Meetings and Seminars Concerning Inheritance Advice” in collaboration with Matsuzakaya department store’s Ueno branch in July 2015.

The event provided a forum for people considering new construction, rebuilding, renovation or utilization of land to learn about Sumitomo Forestry’s home building technology, the quality of wooden house, and the latest technology without having to visit model house in a casual manner. The Company is considering holding such events again in the future.



Home Building Consultation Meetings event site

## Technology Exhibition

At House Exhibitions at which fosters opportunities to communicate with customers about home building, Sumitomo Forestry set up “technology exhibition houses” where displays special technologies and functionalities of Sumitomo Forestry Home Houses in major cities. The exhibition houses put in creativity in explaining excellent competencies of wooden homes and structural features of Big Frame Construction Method –Sumitomo Forestry’s own building method that is Japan’s first timber rigid frame structure so that visitors are able to understand through direct exposure to the basic structures of the homes. Currently, the exhibition houses are in Tokyo, Osaka, and Nagoya, and total visitors exceeded 2,954 people in fiscal 2015.



Technology Exhibition House's external and internal views

## Participating in the Sixth Eco-House and Eco-Building EXPO

For three days from March 2 through 4, 2016, the Sixth Eco-House and Eco-Building EXPO was held at Tokyo Big Site, and the Sumitomo Forestry Group set up a booth for the first time. The EXPO is one of the largest of its kind in and brought together approximately 2,000 small to large companies operating in building materials, energy-saving devices, home equipment, and HEMS and BEMS business areas. The Sumitomo Forestry Group set up a booth for BF columns and domestic cedar laminated timber and introduced its wide-ranging business cases encompassing from rehabilitation of old and historic houses, building medium- to large-sized houses, construction of green walls, and woody biomass power generation. In addition, the Group staff gave a talk at the “Eco-House and Eco-Building EXPO Specialized Technology Seminar” during the event.



Company booth at the EXPO

## Website Operation and Magazine Publication

Sumitomo Forestry operates its Club Forest special website for owners of Sumitomo Forestry Home houses. As of March 2016, about 87,000 owners had registered as members. *Lovely Family* is a home and lifestyle magazine sent out twice a year. It also features details about Group company activities such as renovation and utilization of lands. About 260,000 prints were issued in fiscal 2015.



The cover of *Lovely Family*

## Sumitomo Forestry Home Tech Co., Ltd. Establishes Century-old Home Club

Sumitomo Forestry Home Tech Co., Ltd. established a Century-old Home Club in July 2013 as part of its safe and reliable renovation ideas. It is a members-only club with an aim of preserving historical family houses for future generations.

Members include owners of historic houses (constructed prior to 1950) renovated by the company, people currently living in a historic house, or those who plan to purchase a historic house. In 2015, in continuation from 2014, the club held its second social gathering, which included a tour of preserved houses built by Sumitomo Forestry Home Tech and "Former Home of the Nakamura's," a designated important cultural property, in which 10 pairs and 20 people have participated.



Regular meeting

## Appropriate Dissemination of Information and Protection of Personal Information

### Observance of Laws, Standards and Norms in Advertising and Publicity

When creating advertisements, Sumitomo Forestry complies with relevant legislation, including the Building Lots and Buildings Transaction Business Act, the Act against Unjustifiable Premiums and Misleading Representations, and the Copyright Act. The Corporate Communications Department, the Intellectual Property Department and the Legal Group in the General Administration Department cooperate to confirm and verify the content of advertisements as required. Furthermore, the Company holds monthly meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and relevant Japanese affiliates, and publicizes any matters necessary for preventing non-compliance. Through these efforts, the Company made certain of prior checks, and endeavored to ensure that unreliable information was not communicated and customers not otherwise misled.

In fiscal 2015, the Group made efforts to drive a unified sense of branding within the Group. At the same time, internal training was provided on self-regulation and on laws related to advertising and labeling, such as the Act Against Unjustifiable Premiums and Misleading Representations. In fiscal 2015, the Committee held its internal study session on product registration laws. While it held a briefing on “VI Guidelines” which regulates labelling of the Company logos for strengthened Group branding, laws surround advertising and labelling were also reminded. Additionally, the Committee hosted a web opinion exchange, created website management guidelines, provide Group website teams with information and instructions on personal information and information security.



The Brand Communication Executive Committee

## Systems for Protecting the Privacy of Customers (Protection of Personal Information)

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Sumitomo Forestry has formulated internal rules to safeguard the personal information of customers, such as the Personal Information Protection Policy and the Personal Information Protection Regulations. In addition, the executive officer responsible for general administration is designated as chief executive in charge of protection of personal information. The Company has also placed an information security officer in each department. In these ways, the Company has established a protection system covering Head Office through to each office.

The Company has also established a help desk for inquiries regarding the handling of personal information within the Customer Service Department. In addition, collective training is provided for the head and general administration representative for each organization. E-learning is provided for all other employees and efforts are made to increase awareness at subcontractors, in order to prevent the leaking of personal information. It is also mandatory for employees at Group companies to undertake the e-learning training.

- ▶ [Information Security](#)
- ▶ [Personal Information Protection Policy](#)

# Fair and Responsible Procurement

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Social Report

## Basic Policy of Our Procurement

The Sumitomo Forestry Group has been committed to responsible timber procurement, having established Timber Procurement Philosophy and Policy in 2007, to bring contributions to sustainable society via business activities of “wood” –a renewable resource.

In July 2015, Timber Procurement Philosophy and Policy was extended beyond timber and became subject to procurement of building materials, raw materials of products, and end products, and reestablished as Sumitomo Forestry Group Procurement Policy. The Group’s economically, socially and environmentally responsible procurement today is being carried out based on the policy.

## Sumitomo Forestry Group Procurement Policy

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

### 1. Procurement based on legal and highly reliable supply chains

Our procurement activities will strictly adhere to all relevant laws, regulations and societal norms, and be built on mutual understanding and trust with our business partners. Furthermore, to provide the highest quality products and services, we will work with our business partners to ensure that our procurement takes place within a sound and fair supply chain.

### 2. Procurement based on fair opportunity and competition

We will provide all our suppliers, both Japanese and foreign, a fair opportunity for business. Selection of our business partners will be based on a comprehensive evaluation of the company's reliability and technological expertise, the product's quality, economic efficiency, delivery date and environmental performance, and the company's CSR (Corporate Social Responsibility) initiatives, such as advocacy of basic human and worker rights, anticorruption efforts and so on.

### 3. Procurement of sustainable timber and wood products

Wood is a renewable natural resource. To actively utilize it, we will work with our business partners on the following initiatives related to the procurement of timber and wood products:

- Procure timber from forests that are sustainably managed
- Work to improve the traceability of procured timber and wood products
- Strictly adhere to the laws and regulations of the countries and regions we log in, protect biodiversity and forests with high conservation value, and respect the cultures, traditions and economies of regions that coexist in harmony with forests.

### 4. Communication

To ensure the transparency of our procurement efforts, we will disclose information appropriately. In addition, we will communicate with our stakeholders to further improve our procurement activities.

Revised July, 2015

## Green Procurement and CSR Procurement

The Sumitomo Forestry Group formulated the Green Procurement Guidelines in 2002. The Guidelines establish standards for procuring products from two perspectives: the supplier's stance toward the environment (corporate activities assessment) and the product's impact on the environment throughout its life cycle (product assessment). In 2013, the Group revised the Green Procurement Guidelines and added items to ensure progress of CSR initiatives concerning occupational health and safety and human rights under "corporate activity assessment." As to suppliers of imported timber and timber products from abroad, the Group conducts survey of CSR activities and their progresses individually.

### Green Procurement Guidelines (extract)

#### Corporate activities assessment

- 1.Acquisition of ISO 14001 certification, and adoption of environmental policies and philosophy.
- 2.Active in global environmental conservation, such as biodiversity preservation and the prevention of global warming.
- 3.Committed to CSR in its entirety, such as workplace health and safety and respect for human rights.

#### Product assessment

- 1.No use of hazardous materials which are likely to have an adverse effect on health and the environment.
- 2.No leaching of hazardous materials from the product during construction or use.
- 3.Ability to be reused or recycled after use.
- 4.Use of processes and materials to lengthen the lifespan of the product.

Revised January, 2013

# Responsible Timber Procurement

Social Report

## Basic Policy of Timber Procurement

Forests around the world are decreasing due to illegal logging, excessive slash-and-burn farming, conversion to agricultural land and other practices, and this has been a social issue on a global scale.

Also, since timber, one of renewable resources, is essential to Sumitomo Forestry's businesses, deforestation and forest degradation are significant challenges concerning sustainability of our business operations.

As a responsible builder of wooden houses and buildings as well as a trader of timber and building materials, we work with our suppliers to build a reliable supply chain and contribute to developing a sustainable society.

## Promotion System of Timber Procurement Management

Sumitomo Forestry Group established the Timber Procurement Committee, chaired by the head of CSR Department and comprising managers from departments in charge of timber procurement for the trading and housing operations. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.



Timber Procurement Committee

## Enabling Sustainable Timber Procurement

### ● Procurement Policy

Under the Sumitomo Group Procurement Policy, Sumitomo Forestry Group carries out due diligence on timber procurement to ensure that the procurement is performed in a sustainable manner and consideration of compliance, human rights, labor practice, biodiversity, and local communities.

## ● Compliance

When performing due diligence, the Company ensures suppliers supply the timber that meet logging compliance requirements and use only the timber products made with raw materials that satisfy the requirements by consulting the provided information. Normally, the information include names and locations of the producers, held certifications or permits, procured product names, quantities of the products, used wood species, their logging sites, and their main buyers. Additionally, the aforementioned information sorted by country, region, wood species, and timber type is then compared with the procurement standards stipulated by Timber Procurement Committee for a risk assessment against illegal logging. For timber products found at medium to high risk, the Company requests additional information from their suppliers, sends its investigators for on-site inspections, and implement measures to mitigate the risk.

## ● Sensitivity to Human Rights and Labor Practice as well as Consideration for Biodiversity Conservation and Local Communities

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

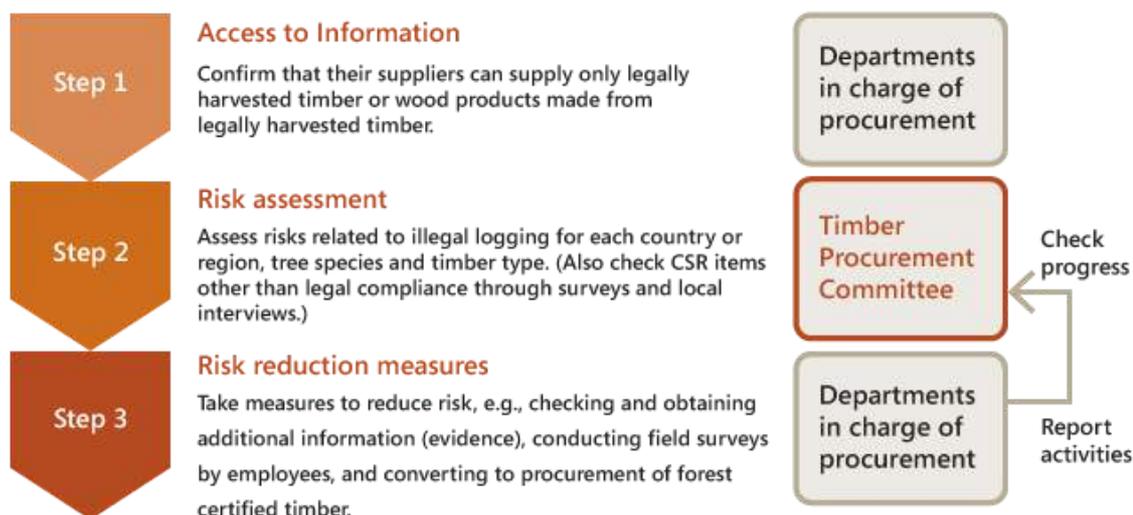
-Whether the rights of workers and local inhabitants are abused in the area where we procure (the raw material for) the products from. If it is the case, whether suppliers check their logging practices take place with consideration.

-Whether the high conservation values forests are included in the area where we procure (the raw material for) the product from. If it is the case, whether suppliers check their logging practices take place with consideration.

## ● Review

Continued efforts to improve the supply chain is encouraged through the reports on the progress of these activities from sections in charge of timber procurement.

### Timber Procurement Management System



\*In addition, non-compliance matters are reviewed through surveys and interview assessments.

Timber Procurement Committee met three times in fiscal 2015 and conducted surveys at 77 suppliers for import timber to confirm their compliance. Moreover, an on-site inspection was undertaken in Malaysia in April 2015.

## On-Site Inspection in Malaysia

Several environmental groups have expressed their concerns over illegal logging at the timber production sites in the Sarawak State of Malaysia. However, Sarawak is implementing a reliable timber traceability system in which utilizes the information of the tagged wood logs and quality assurance at distribution points, under oversight of International Tropical Timber Organization (ITTO)\*.

During the on-site inspection, Company's own investigators visited the supplier's plywood plants and oversaw the risk of illegally logged timber accidentally entering plywood product line meanwhile checking the documents containing the information of the raw wood log tags and their arrivals at the plants. Moreover, the staff actually visited the concession sites specified on the tag and confirmed that it was possible to trace the procured wood to the concession sites. This inspection was extended to the production site of seedling stocks to be planted at the plantation and has witnessed the local industry's thorough commitment to timber production derived by sustainable plantations.

\*International Tropical Timber Organization (ITTO) is an international organization with its headquarters located in Yokohama, Japan that promotes conservation of tropical forest resources and sustainable management and use of the resources. Across the globe, 72 countries including the European Union are the registered members of ITTO, covering approximately 80% of planet's rainforest areas and 90% of the international timber trade in sum.



Seedling Production



Transport



Arrival of Raw Wood

## Current Timber Procurement

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### ■ Procurement of Timber for House Building Materials

The Sumitomo Forestry Group's primary products, wooden houses, require a significant amount of wood materials which constitute about 15% of weight of all materials used. In fiscal 2015, the Group used approximately 123,000 tons of wood in total.

#### Total Per-House Material Weight

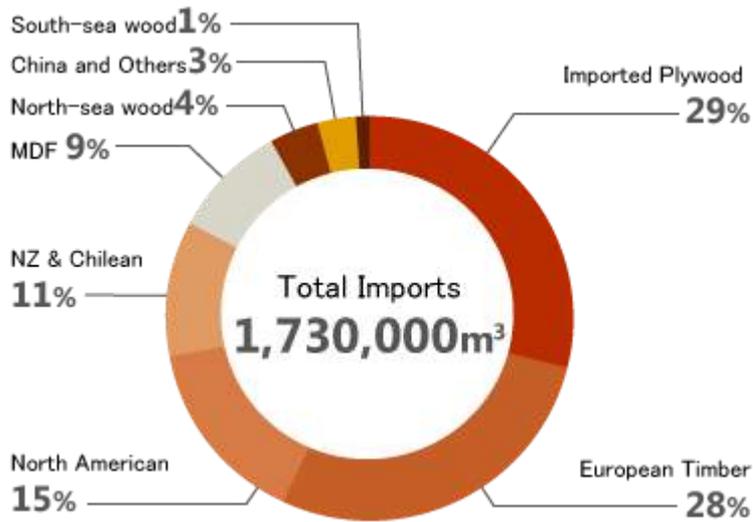
Material Type	Weight
Wood	15.46t
Metal	3.66t
Plastic	1.90t
Paper, Fiber	0.11t
Glass, Ceramic, Unburnable Building Material	13.60t
Concrete	53.17t
Rubble	14.30t
Housing Equipment	1.08t
<b>Total</b>	<b>103.28t</b>

\*The weight per material type was provided by Sumitomo Forestry Tsukuba Research Institute based on 2012 BM147 Plan.

### ■ Purchase and Sales of Timber and Timber Products

Sumitomo Forestry Group is a trading company of timber building materials imports about 1,730,000 m<sup>3</sup> yearly of timber products such as wood and plywood from abroad.

### Breakdown of Imported Materials



# Encouraging Use of Forest Certification Systems

Social Report

## Basic Policy of Forest Certification Systems

The Sumitomo Forestry Group is committed to building reliable supply chains with its suppliers and procuring sustainable timber, and accordingly, uses and supports third-party certification—forest certification systems as indices that insure the timber are procured from sustainably managed forests.

Moreover, the Group believes that by obtaining certifications itself and providing certified timber to markets and consumers, it is able to contribute to promote the forest certification systems.

### Status of Sumitomo Forestry Group Forest Certification/ FM Certification\*<sup>1</sup>

Certified Forests (Company)	Certified Area (ha)	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. Company-Owned Forests	42,405	SGEC	2006/9/25	JAFTA-010	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Co., Ltd. Company-Owned Forests (Hokkaido)	215	SGEC	2012/5/18	JAFTA-010-1	JAFTA
Sumitomo Forestry Co., Ltd. Company-Owned Forests (Miyazaki)	17	SGEC	2012/10/1	JAFTA-010-2	JAFTA
Sumitomo Forestry Co., Ltd. Company-Owned Forests (Hyogo)	459	SGEC	2013/11/1	JAFTA-010-3	JAFTA

Certified Forests (Company)	Certified Area (ha)	Certification System	Date Certified	Certification Number	Certification Issuing Body
<b>Sumitomo Forestry Co., Ltd. Company-Owned Forests (Hokkaido)</b>	1,930	SGEC	2014/8/8	JAFTA-010-4	JAFTA
<b>Sumitomo Forestry Co., Ltd. Company-Owned Forests (Okayama, Mie, Wakayama)</b>	547	SGEC	2014/12/25	JAFTA-010-5	JAFTA
<b>Sumitomo Forestry Co., Ltd. Company-Owned Forests (Hokkaido)</b>	441	SGEC	2016/3/30	JAFTA-010-6	JAFTA
<b>Company-Owned Total</b>	46,014				
<b>OBT (Papua New Guinea)</b>	11,770	FSC™	2011/9/12	SW-FM/COC-005600	Rainforest Alliance
	8,150	FSC	2012/10/11	RA-CW/FM-003093	Rainforest Alliance
<b>OBT Total</b>	19,920				
<b>WSL (Indonesia)</b>	40,750	PHPL*2	2013/6/25	LPPHPL-006-IDN	PT Almasentra Konsulindo
<b>MTI (Indonesia)</b>	74,870	PHPL*2	2013/9/24	015/EQC-PHPL/IX/2013	PT Equality Indonesia
<b>KAM KTI (KSU ALAS MANDIRI KTI)</b>	1,005	FSC	2008/12/22	SA-FM/COC-002083	Woodmark

\*1 Forest Management (FM) certification authenticates sustainable forest management by having a third-party inspect based on objective indicators with focus on: (i) compliance with laws and system frameworks, (ii) forest ecosystem and biodiversity maintenance and conservation, (iii) respect for rights of indigenous people and local communities, and (iv) maintenance and enhancement of forest productivity.

\*2 Pengelolaan Hutan Produksi Lestari (PHPL) is an Indonesian certification of sustainable production forest maintenance.

**Status of Sumitomo Forestry Group Forest Certification/ CoC Certification\***

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
<b>Sumitomo Forestry Co., Ltd. Timber and Building Materials Division</b>	FSC	2006/3/28	CU-COC-823910 / CU-CW-823910	Control Union Certifications
	PEFC	2008/9/22	CEF1201	JIA
<b>Sumitomo Forestry Co., Ltd. Housing Division</b>	SGEC	2007/10/1	JAFTA-W038	JAFTA
<b>Sumitomo Forestry Forest Service Co., Ltd.</b>	SGEC	2006/9/25	JAFTA-W017	JAFTA
<b>Sumitomo Forestry Crest Co., Ltd.</b>	FSC	2009/9/13	SGSHK-COC-006693	SGS
	SGEC	2007/12/26	JAFTA-W041	JAFTA
<b>Alpine (Australia)</b>	FSC	2004/9/1	RA-COC-001320 / RA-CW-001320	Rainforest Alliance
	PEFC	2011/2/1	001	Engineered Wood Products Association
<b>NPIL (New Zealand)</b>	FSC	2009/6/22	SAI-COC-001290 / SAI-CW-001290	QMI-SAI CANADA Limited
<b>KTI (Indonesia)</b>	FSC	2005/1/10	TT-COC-002009	BM TRADA
<b>RPI (Indonesia)</b>	FSC	2012/10/15	TT-COC-004325	BM TRADA
<b>SF Indonesia</b>	FSC	2016/4/26	TT-COC-005903	PT. Mutuagung Lestari
<b>SF Singapore</b>	FSC	2008/1/28	RA-COC-005542 / RA-CW-005542	Rainforest Alliance
<b>SF Dalian</b>	PEFC	2014/11/17	SGS-PEFC/COC-1730	SGS

\*CoC (Chain of Custody) certification is a system to certify companies operating processing and distribution of forest products. It tracks the certified forest products (logged in the certified forests) in the course of processing and distribution and certifies that the risk evaluation is conducted for non-certified timber, and allows to the certification label on the products whose entire production process is CoC certified.

## Major Forest Certification Systems

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### ■ Forest Stewardship Council™ (FSC) FSC-C113957

FSC is an organization founded in 1993 led by World Wide Fund for Nature (WWF) and consists of representatives from environmental organizations, forest workers, timber users and traders, human rights organizations, and local forestry unions. It is considered a pioneer amongst forest certification system operators.

Adhering to the 10 principles and 56 regulations encompassing environmental impact, local society, and indigenous people's rights, FSC-accredited certification bodies will undertake reviews. Recently, country or regional standards as well as the review procedure for small-scale forest owners have been introduced to provide greater support for diverse forests and owners.

### ■ Program for the Endorsement of Forest Certification (PEFC)

Forestry organizations of eleven European countries established PEFC together in 1999 as an organization to mutually authenticate the system of each country. PEFC does not directly authenticate an individual forest, but when the PEFC's required conditions that adapted "the inter-governmental process" implemented by 149 countries is met, the country's own forest certification system is authenticated by PEFC. Joined by non-European countries in 2003, the organization originally called Pan European Forest Certification Schemes changed its name to Program for the Endorsement of Forest Certification. Since then, PEFC has shown drastic growth, and to date its total certified area is the largest across the world.

### ■ Sustainable Green Ecosystem Council (SGEC)

SGEC authenticates forest management that demonstrates both rich natural environment and sustainable timber production in Japan. With reverence for Japan's indigenous natural environment, social customs, and culture, the review premises on seven criteria. SGEC can also authenticate forestry operations and distribution systems under CoC. SGEC joined PEFC in November 2014 and submitted an mutual authentication application to PEFC in March 2015, which was mutually approved in June 2016.

## Promoting Wider Use of Certified Timber

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The utmost importance in the sales of certified timber is the separate management of certified and non-certified materials. The CoC certification by incorporating a third-party authentication insures that the timber sold to customers are produced in the certified forests.

The Sumitomo Forestry Group sets the proportion of certified timber among the sales volume of imported timber as an indicator and is working to increase the figure to 12% or above by 2020. In fiscal 2015, indicative figure was 8%. As for timber certified by SGEN, the certification system for domestic produce, the Group has set the 2020 sales volume target at 85,000 m<sup>3</sup>. The figure in fiscal 2015 was 35,000 m<sup>3</sup>.



# Protecting and Utilizing Domestic Forest Resources

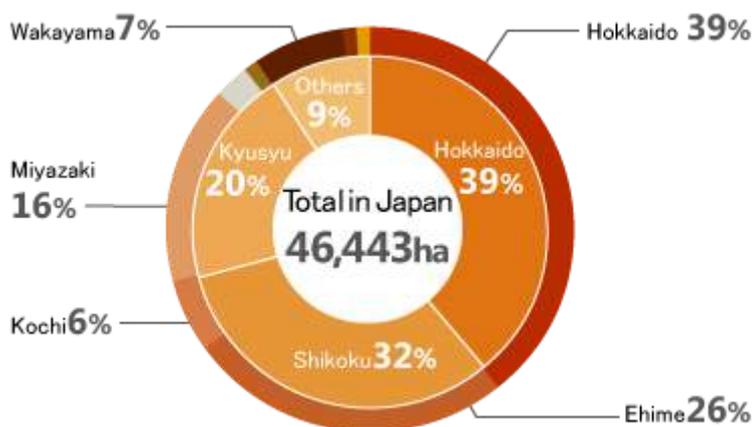
Social Report

## Basic Policy of Conserving Domestic Forest Resources

In recent years, depredation of anthropogenic forests having farmed cedar and Japanese cypress trees have been a major concern across Japan, caused by worsened timber prices and consequent unprofitability of forestry as well as inability to carry out proper maintenance procedures such as thinning. The Government of Japan in order to avert exacerbation of the forest depredation by revitalizing the forestry industry, established a goal to raise Japan’s timber self-efficiency.

Sumitomo Forestry Group has acquired SGEN forest certifications for the Company-owned forests of approximately 46,000 hectares as part of its sustainable forest management practice while using more domestically produced timber in all business areas in order to assist in vitalizing domestic forestry industry.

### Breakdown of Company-Owned Forests



## Using More Domestic Timber in Home Products

Sumitomo Forestry is working to increase the ratio of domestic timber usage for Sumitomo Forestry Home house through development and incorporation of various component materials. Further into the future, the Company will continue doing so with determination to enhance and maintain the ratio to achieve the 2020 targets.

FY2020 Target	FY2015 Performance
Increase the ratio of domestic timber under MB Method to 75% or greater	71%
Increase the ratio of domestic timber under BF Method to 55% or greater	50%

## Utilizing Unused Wood Materials Such As Residual Timber

Residual timber are wood biomass unused in primary products; e.g. branches, wood residues, and unused thinning residues, produced due to logging. Sumitomo Forestry Forest Service is developing an efficient logging system and has set the target for 2020.

FY2020 Target	FY2015 Performance
Increase the sales of unused wood material to 185 kt or greater	119 kt

## Exporting Domestic Timber

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Although timber consumption in Japan is on the decline, overseas demand for timber is forecasted to grow in emerging countries including China propelled by economic development and population growth. Influenced by such circumstance, Japanese timber exportation is also on the rise in recent years, and thus, the Sumitomo Forestry Group is exploiting new overseas market opportunities for domestic timber.

FY2020 Target	FY2015 Performance
Increase the volume of domestic timber export to 200 thousand m <sup>3</sup> or greater	104 thousand m <sup>3</sup>

▶  [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

## Using Overseas Plantation

Social Report

### Basic Policy of Overseas Plantation Utilization

Properly managed forests, which are planted regularly and logged based on annual growth provide sustainable timber and hold promise in mitigating our dependence on natural forests. At overseas plantations where growth of woods are faster than in Japan, the Sumitomo Forestry Group operates the plantation business well-thought-out for local communities and biodiversity and proactively procures products made with woods harvested from the plantations, and thereby develops sustainable supply chains.

### Overseas Plantation Data

(ha)

Country	Plantation Business Partner	Managed Area	Logged Area	Planted Area
Indonesia	Mayangkara Tanaman Industri (MTI)	104,625	0	61
	PT. Wana Subur Lestari (WSL)	40,750	0	32
	PT. Kutai Timber Indonesia (KTI)	8,531	520	1,659
	PT. Rimba Partikel Indonesia (RPI)	3,162	6	724
	Others	3,428	30	474
		160,496	556	2,950
Papua New Guinea	Open Bay Timber Ltd. (OBT)	31,260	451	581
New Zealand	Nelson Pine Industries Ltd. (NPIL)	5,134	97	132
	Tasman Pine Forest (TPF)	30,966	–	–
<b>Total</b>		<b>227,856</b>	<b>1,104</b>	<b>3,663</b>

\*TPF completed the acquisition of the plantation area in June 2016.

## Using Plantation-Derived Raw Materials in Wooden Boards

Sumitomo Forestry sets its goal to increase the proportion of products made with raw materials derived from plantation woods among procured import wooden boards (e.g. plywood) by 2020. The plywood whose majority of raw materials originate in plantation is marketed as "Kikorin Plywood," and some of its sales are invested in plantation business in Indonesia.

FY2020 Goal	FY2015 Performance
Increase the ratio of plantation-derived import wooden panels to 33% or greater	27.2%

### Sales of Kikorin Plywood

(m<sup>3</sup>)

2011	2012	2013	2014	2015
31,500	36,700	31,100	31,900	28,100

## Distribution of Free Seedlings and Buy Back Guarantee of Logs

Indonesian Group companies Kutai Timber Indonesia and Rimba Partikel Indonesia distribute free tree seedlings to local communities guaranteeing that the companies will buy logs once the seedlings grow into harvestable woods. In November 2015, the Companies' aforementioned operation was recognized by Indonesia Ministry of Environment and Forestry and awarded the Minister's Prize for contributing to local communities by generating stable income while protecting communal societies as well as environments, and granted the Minister's Prize.

### Number of Shipped Seedling Stocks in Indonesia

(ten thousand stocks)

Company	FY2015 Performance
PT. Kutai Timber Indonesia (KTI)	368
PT. Rimba Partikel Indonesia (RPI)	80

## Promoting Certification of Forests Together With Local Communities

Kutai Timber Indonesia (KTI) organizes KSU ALAS MANDIRI KTI—a plantation cooperative association with local communities. In 2008, KTI obtained the first FSC®-FM certificate for the 152-hectare plantation and has been expanding its certification with the target of exceeding 3,500 hectares by 2020.

The certified area at the end of December 2015 was 1,005 hectares and produced approximately 8,000 m<sup>3</sup> of falcata material.

## Sustainable Plantation Business by Leveraging Forestry Certification System

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Of approximately 30,000-hectare plantation owned and managed by a Papua New Guinean company, Open Bay Timber (OBT), about two-third, equivalent to 20,000 hectares, is certified with FSC®.

Under the goal to plant on the 500-hectare land a year, OBT practices sustainable forest management that lays basis for communities and environment to function in harmony. The area planted in fiscal 2015 was 581 hectares.



## Communication with Our Business Partners

Social Report

### Communication with Sumitomo Forestry's Business Partners

Sumitomo Forestry's housing-business worksites are found in every region of the country, and they rely on the many supporting partner companies that the Sumitomo Forestry Group collaborates with. The Company considers communication with these companies to be vital in order to share with them its philosophy of improving the quality of homes while protecting the environment.

#### Main Communication Activities with the Business Partners of Sumitomo Forestry's Housing Division

Name/scale	Description
<b>Evaluation and feedback based on the Supplier Evaluation Standards</b> <b>Response rate: 100% of main business partners (2015)</b>	Every year, the Company evaluates its main business partners in the housing business after visiting their manufacturing plants. Feedback is then provided to them for the future improvement of their operations.
<b>Annual Survey on Production Systems and CSR</b> <b>Response rate: Approximately 70% of all contractors (2015)</b>	This survey is useful for detached housing building contractors to improve their operational viability, safety and technical capabilities, and as an opportunity to familiarize their employees with the concepts underlying corporate social responsibility (CSR), such as compliance, environmental protection, respect for human rights, and contributions to local communities. The results of the surveys and the associated trends are provided as feedback to the Association of Sumitomo Forestry Safe Building Contractors and to the Matsu Association of Building Contractors, an annual social gathering of superior building contractor partners.

### Communication with Our Timber and Building Materials Business Partners

In the Timber and Building Materials Business, given that it is characterized as being a regional industry, Sumitomo Forestry maintains close communication with the supplier and purchasers of timber and building materials in each region.

## Main Communication Activities with the Business Partners of the Timber & Building Materials Division

Name/scale	Description
<p><b><i>The Sumirin club</i></b> –a membership organization to communicate with regional suppliers of timber and building materials  <b>Number of members: 858 companies (as of March 2016)</b></p>	<p>Established in different regions around Japan as a forum for communication with business partners of timber and building materials. Training sessions and information exchange meetings are held two or three times a year in each region, allowing members to deepen mutual friendships, promote product R&amp;D, enhance production and distribution, and support improvements in the industry as a whole.</p>
<p><b>Publication of <i>Building Materials Monthly</i></b>  <b>Monthly print run of approximately 4,200 copies</b></p>	<p>With a history spanning more than half a century, this monthly magazine publishes timely information and topics regarding timber and building materials from a distinctive perspective unique to Sumitomo Forestry.</p>

## Basic Policy on Information Disclosure and Communication

In the interest of greater management transparency, Sumitomo Forestry takes a proactive approach to information disclosure. At the Annual General Meeting of Shareholders held every June, the Company presents reports and information as clearly as possible and publishes printed and online versions of its Annual Report in both English and Japanese, as well as Japanese reports for shareholders on business activities. It also discloses a range of other IR information on its English and Japanese websites, including financial information such as the short financial statements, summary of financial results and forecasts, and also information on monthly orders. Moreover, the Company publishes notifications of its Ordinary General Meeting of Shareholders in both English and Japanese, in these and other ways creating opportunities to communicate with its stakeholders.

The Company will continue to communicate the business operations, corporate stance and future vision of the Sumitomo Forestry Group to not only shareholders, but all investors from overseas or domestic institutional to individual investors in a fair and appropriate manner, and it will expand IR activities that are appropriately rated in stock markets.



Annual Report  
2015



Japanese reports  
for shareholders  
on business  
activities (Year  
ended March 31,  
2016)

▶ [Investor Relations](#)

## Two-Way Communication with Shareholders and Investors

### General Meeting of Shareholders

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Sumitomo Forestry holds its Ordinary General Meeting of Shareholders every June. Through various initiatives, the Company endeavors to get as many shareholders as possible to participate at the meeting and exercise their right to vote. These initiatives include sending out and posting online convocation notices (in Japanese and English) earlier than legally required, scheduling the meeting to avoid the date when most other shareholder meetings are held, and accommodating shareholders who wish to cast their votes online or via mobile phone.

### Explaining Business Performance and Conference Calls

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In its efforts to continue gaining greater trust from shareholders and investors, Sumitomo Forestry holds earnings briefings and individual meetings to explain its business performance to institutional investors and analysts following the announcement of interim and year-end results, as well as conference calls following the release of Q1 and Q3 results.

### Individual Meetings

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Sumitomo Forestry holds individual meetings for institutional investors following the announcement of its quarterly results. In fiscal 2015, the Company held 132 of these individual meetings both inside and outside of Japan.

### IR Informative Meetings for Individual Investors

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Sumitomo Forestry holds regular IR informative meetings for individual investors. During fiscal 2015, the meetings took place in Osaka and were attended by 273 investors. The meetings presented the growth strategy of the Sumitomo Forestry Group in addition to its business operations while its exhibition booth set up at the venue provided those investors who have requested with briefings on customized housing, rental housing, and renovation.

## **IR Activities for Overseas Institutional Investors and Shareholders**

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Sumitomo Forestry distributes English versions of financial documents to institutional investors and shareholders residing overseas. In addition, in fiscal 2015, senior management visited institutional investors and shareholders in Europe, North America, and Singapore, to present the Company's business performance and strategies as well as to exchange opinions.

# Returns to Shareholders

Social Report

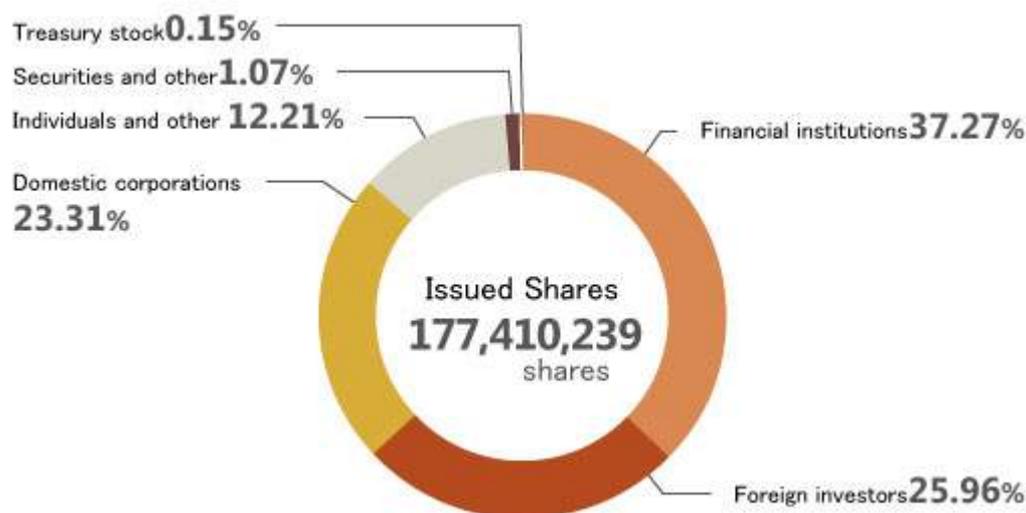
## Basic Policy on Returns to Shareholders and Retained

Acknowledging that providing returns to shareholders is one of its most important tasks, Sumitomo Forestry has adopted a basic policy of paying stable and continuous returns. Going forward, in addition to improving return on equity (ROE) and enhancing shareholders' equity by making good use of retained earnings for effective investment and research and development activities that help improve long-term corporate value, Sumitomo Forestry will continue to pay an appropriate level of shareholder returns in line with earnings while reflecting an overall balanced consideration of factors such as business fundamentals, financial conditions and cash flow.

## Dividends in Fiscal 2015

In fiscal 2015 (the year to March 31, 2016), a year-end dividend of 12 yen per share and an interim dividend of 12 yen per share were issued. This corresponds to a full-year dividend of 24 yen per share.

## Share Distribution by Shareholder Type (As of March 31, 2016)



\*Digits below unit values displayed are cutoff on the chart.

## Fair Employment and Benefit

Social Report

### Basic Policy on the Employment and Treatment of Employees

Sumitomo Forestry aims to be a “truly excellent company” in housing and wood products businesses, by making efforts to put in place effective personnel systems, carrying out appropriate and efficient placement of “human assets,” developing and training personnel, and building a group of employees who are always willing to take up challenges, all in accordance with one of the Company’s action guidelines: “Respect for Humanity—We work to create an open and inclusive corporate culture that values diversity.”

With respect to the employment and treatment of employees, in addition to respecting equal opportunity and diversity, the Company has prescribed in “Our Values and Ideals,” a set of guidelines on ethical conduct, that it will not discriminate on a basis of gender, age, nationality, race, religion or disability. In its recruitment activities too, the Company emphasizes the ambition and volition of the applicant, and does not differentiate selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender. As for the disciplinary punishment and dismissal of employees, if there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations. Unfair dismissals are not allowed.

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

▶ [Our Values and Ideals](#)

## Promoting the Active Involvement of Female Employees

The Sumitomo Forestry Group is committed to a workplace environment where motivated employees can be actively involved irrespective of gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group has sought to improve its systems relating to childcare, education and training, and at the same time, has taken a proactive stance on promoting the use of these systems.

During fiscal 2013, the Group surveyed the attitude and needs of employees with respect to: work and careers; promoting the active involvement of female employees; and childbirth and parenting. A survey was conducted to gauge the awareness of all female employees at Sumitomo Forestry to assist the Group in promoting the active involvement of female employees and in supporting the workstyles of employees currently raising children. In December 2013, the Group released the “Sumitomo Forestry Group Declaration on Empowering Women.” It was issued to the entire Group under the name of the President, and formally summarizes the significance of promoting the active involvement of female employees into three policies. The Group is actively engaged in activities under the policy described in the Declaration.

In December 2014, numerical targets for appointment of women to managerial posts have been set in order to foster further empowerment of female employees. The Company has publicly announced its goal of raising female managers to more than 5% by 2020 (2.8% as of April 1, 2016), and is working to achieve this goal. In fiscal 2016, in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace of the Japanese Government, the Company's first phase action plan (April 1, 2016 –March 31, 2019) was implemented and has been available to the public.

- ▶ [Parental Support for Employees](#)
- ▶ [Sumitomo Forestry Co., Ltd. First Term Action Plan](#)

## Women's Perspective Project

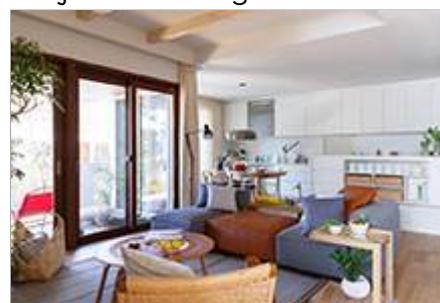
Having started in March 2013, Women's Perspective Project which gathered diverse female employees from the headquarters, branch offices across Japan, and Group companies in intention to bring homes designed from their residents' perspectives. Previously, the project provided the "comama" spatial design proposal and also nine houses built and sold in just half a year at East Hills Seya in the Ikoma district in Nara Prefecture.

In February 2015, the new product "konoka" model house that incorporated female customer feedback was launched, and two months later in April, sales of the product began. Continuous efforts in campaigns, internal training for sales, and event proposals and operations since the product launch resulted in over 700 contracts for new "konoka" houses in the first fiscal year compared to the target of 500 contracts.

The project members led the creation of popular "konoka" catalogue which always sits in top three in the catalogue ranking.



Project Briefing



"Konoka" Open House at the No.2 Mitaka Housing Plaza

## Sumitomo Forestry Group's Declaration on Empowering Women

Sumitomo Forestry Group is committed to creating “an open and inclusive corporate culture that values diversity,” as set out in its Action Guideline. We believe a diverse workforce and a business strategy developed from a wide range of ideas is important for the Company. As part of this effort, we are striving to promote the participation of women in the belief that this will meet the social needs and significantly contribute to increased corporate value.

By expanding opportunities for women and by leveraging the creative power of women, we will integrate a diverse range of values that will spur innovation and enhance corporate value.

1. We will create a positive work environment for women
2. We will leverage women's unique creative powers
3. We will spur innovation through the participation of women

### Main Initiatives Aimed at Increasing the Motivation of Female Employees

	Name of seminar	Date	Main participants
<b>Sales training</b>	Female Sales Staff Training	December 2015	35
	Networking Event for Female Housing Sales Staff: Joint Program by Nine Housing Builders	November 2015	8
<b>Production training</b>	Production Training for Female Employees	October 2015	7
<b>Management training</b>	External Management Leadership Training	May 2015–March 2016	6
	Joint Cross-Industry Business Female Management Training	February 2016	2

## Promoting the Employment of Persons with Disabilities

Sumitomo Forestry promotes the employment of people with disabilities, giving the highest priority to matching the individuality of each person with a disability with the workplace and business activities. The ratio of disabled employees as of end March, 2016 was 2.12 %.

Furthermore, to improve the retention rates for current employees, the Company provides regular face-to-face meetings as well as phone interviews and career advice as required.

### Promoting Proactive Employment of Persons with Disabilities –Sumirin Wood Piece Co., Ltd. Founded

Aiming to provide employment opportunities for persons with disabilities the Company in July 2015 founded a subsidiary in Niihama, Ehime Prefecture in Japan with business lines such as shiitake mushroom farming, wooden products manufacturing, processing, and printing, and is currently preparing for full operations. The Sumitomo Forestry Group is working to proactively hire persons with intellectual and psychological disabilities to raise the rate of persons with disabilities with an assumption to obtain the certification of a special subsidiary company in accordance with the Act for Promotion of Employment of Persons with Disabilities.

## Re-Employment of Retirees

Sumitomo Forestry has a system in place whereby it re-employs personnel, who retired at 60, on temporary contracts until they turn 65, on the condition that they have had at least 10 years of continuous service, they have specific qualifications and experience, and they wish to be re-employed. The Company re-employed 34 people in fiscal 2015. They are all actively involved in the Company, making the most of their abilities and experience.

Over the past three years, Sumitomo Forestry has re-employed 79% of employees who retired. As an interim measure following revision of the Act on Stabilization of Employment of Elderly Persons on April 1, 2013, the Company re-employs all workers who wish to return to work.

### Number of Re-Employed Retirees

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
27	33	28	43	34

## Return to Work Application System

Sumitomo Forestry has operated the Return to Work Application System since fiscal 2008. The aims of the system are to meet the re-employment needs of workers to secure talented personnel who resign due to unavoidable circumstances such as childcare and eldercare. Employees register their wish to return to work at the time they resign, and applicants must have had worked for at least three consecutive years before the resignation. As at the end of March 2016, the Company received 121 applications.

When the Company receives an application, it goes through a selection process based on the Company's needs and the skills of the applicant. Applicants who are successfully re-employed within three years of the resignation are able to regain the same levels of position as before.

## Direct Employment of Non-Permanent Employees

In recent years, regulations for dispatched employees have been strengthened to correct disparities arising out of different forms of employment. In response, Sumitomo Forestry reviewed its personnel systems from a compliance perspective, and in April 2011, changed the status of its dispatched employees to directly employed fixed-term employees, referred to as "partner employees." The Company also operates a system for promoting partner employees to permanent status. It promoted 28 workers to permanent employee status in fiscal 2014, 19 in fiscal 2015, and 14 in fiscal 2016.

### Number of Directly Employed Non-Permanent Employees

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
17	18	38	28	19	14

# Occupational Health and Safety (OHS)

Social Report

## Basic Policy on Occupational Health and Safety

Sumitomo Forestry has established Rules for OHS Management with an aim of fostering a workplace environment in which employees can perform their jobs in a safe and healthy manner. The rules prescribe that a general OHS manager is to be stationed at each place of business regardless of how big it is, and every year, the Company checks on the status of the officer and OHS committee meetings.

With an aim of preventing accidents at construction sites and maintaining the health of their workers, each division, such as the Environment and Resources Division and the Housing Division, has also established separate OHS management policies and manuals in view of the distinctive characteristics of their respective businesses.

## Occupational Health and Safety Management System

In addition to developing occupational safety and health management systems in accordance with the laws and regulations of the respective country, each Sumitomo Forestry Group company also promotes acquisition of certifications such as OHSAS\*1.

Human Resources (HR) Department is responsible for OHS across the Group, and heads of HR provides OHS instructions and support with the aim of establishing OHS system on each Company's level. The OHS Committee where the heads and the chairman meet monthly has been established, and matters discussed are posted on the intranet for the purpose of information sharing and enlightenment.

\*1 Occupational Health and Safety Assessment Series (OHSAS): An international standard developed for the purpose of reducing occupational health and safety risks and clarifying where responsibilities lie.

## Acquisition of Occupational Safety-Related Certification

Company	Country	Type of certification	Date acquired
Sumitomo Forestry Crest Co., Ltd.	Japan	OHSAS18001	February 2013
PT. Rimba Partikel Indonesia	Indonesia	OHSAS18001	March 2013
PT. Kutai Timber Indonesia	Indonesia	OHSAS18001	October 2013
Nelson Pine Industries Ltd.	New Zealand	AS/NZS4801	December 2012
		ACC WSMP Tertiary	November 2009
Alpine MDF Industries Pty. Ltd.	Australia	AS/NZS4801	August 2010

## Targets and Performance Concerning Occupational Injuries

In CSR Mid-Term plan, Sumitomo Forestry sets the critical target by FY2020 as “zero occupational injury and lost worktime.” Its progress and results are explained below.

### Initiatives in Forestry

In Japan, the Sumitomo Forestry Group manages 46,443 hectares of Company-owned forests and 1,014 hectares of forests contracted for management. Contractors conduct planting, weeding, improvement cutting, thinning and clear cutting operations. For the purpose of preventing occupational injury to these contractors, the Group conducts safety patrols and holds Workplace Safety Conferences at each forestry office once every half year. In fiscal 2015, there was one occupational injury\* involving contractors at forestry work sites in Company-owned forests. As a result, with the contractors involved, response measures to prevent recurrence were discussed and agreed. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.



A safety patrol

\* Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

## Number of Occupational Injuries Involving Contractors at Forestry Work Sites in Company-Owned Forests

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
0	1	0	2	1

## Lectures Given by External Experts

The Sumitomo Forestry Group in Japan has enhanced awareness-raising activities at its Workplace Safety Conferences, including occupational safety education using examples of common forestry accidents, as well as environmental education, lectures given by experts on such topics as emergency first aid, and on-site safety guidance. Furthermore, so as to prevent lack of concentration when performing dangerous work by becoming accustomed to the work, the Group conducts safety education repeatedly. At the Workplace Safety Conferences held at various forestry offices in fiscal 2015, experts have been invited from the Forestry and Timber Manufacturing Safety & Health Association to hold lectures on accident prevention measures based on analysis of causes of recent forestry occupational injuries, and on-site work safety guidance was conducted.



On-site guidance by experts (Hyuga Forestry Office)

## Initiatives in the Manufacture of Wood Building Materials

### Initiatives in Japan

Sumitomo Forestry Crest Co., Ltd.'s basic policy is to move "from zero accidents to zero danger." Its goal is to achieve zero occupational injuries by nipping danger in the bud. To achieve this, Sumitomo Forestry Crest began operating an Occupational Health and Safety Management System (OHSMS) in July 2012, and acquired OHSAS 18001 certification in February 2013. Through repeating the PDCA management cycle with near-miss incident reports submitted voluntarily employees and sharing opinions through small-circle activities at each workplace, efforts are being made to reduce risks while engaging in production. There were no occupational injuries in fiscal 2015.\*

## Number of Occupational Injuries in the Manufacture of Wood Building Materials

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Domestic Manufacturers</b>	2	4	5	0	0

\* Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

## Safety Patrols and Risk Assessments

With an aim of “zero danger,” Sumitomo Forestry Crest Co., Ltd. conducts regular workplace safety patrols at each of its plants. If any burgeoning risks are discovered during a patrol, safety measures are promptly implemented to prevent the risk from being realized.

Furthermore, the Company is committed to ensuring the safety of its workplaces, by identifying operations and facilities at risk, such as of workers getting caught in machinery, and by focusing on reducing those risks.



A safety patrol

## Overseas Initiatives

Overseas manufacturing companies\*<sup>1</sup> are taking initiatives for better OHS such as acquiring the OHSAS certification at a company level; however, total occupational injuries have unfortunately increased in fiscal 2015.

In order to strengthen manufacturing activities with foremost priority on safety across all overseas manufacturing companies, Company’s overseas business head office has begun reviewing the current OHS system implemented at each of the companies. For instance, identification of causes of danger found during regular safety patrols and in near-miss incidents reports; safety education to develop “eyes” to be able to detect defects and risk sources; and evaluation of risks through risk assessments and enforcement of the resulting remedial actions are to be incorporated in PDCA and standardized in order to raise each manufacturer’s OHS management system to the same level among all.

Additionally, unify the information sharing concerning OHS promotion and the sharing methods with those of domestic manufacturers.

\*<sup>1</sup> Seven consolidated companies: Nelson Pine Industries, Alpine MDF Industries, Kutai Timber Indonesia, AST Indonesia, Rimba Pacific, Canyon Creek Cabinet, and Vina Eco Board

## Number of Occupational Injuries in the Manufacture of Wood Building Materials\*2

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Overseas Manufacturers	8	196	13	6	18

\*2 Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

## Initiatives for Expatriates Living Abroad

The Company has medical services such as introducing medical institutions and making appointments with physicians and consultants for expatriate employees and their accompanying families as well as employees on business trips in case of injuries or illnesses including infectious diseases. In particular, Overseas Risk Management Manual that encompasses measures against infectious diseases such as AIDS, tuberculosis, and malaria, stipulates the safety management system. "The guidelines for expatriates and business travelers" is also included in the manual in which the Company summarizes risks in each country where it operates, and reviewed annually. Employees to be newly posted abroad are provided with instructions based on the manual.



Overseas Assistance Card

## Initiatives in the Housing Business

At the beginning of every fiscal year, a notice on the OHS Management Policy is sent to all branches under the name of the Housing Division head. Based on this, each branch sets specific targets for reducing the risk of occupational injury, and promotes activities for enhancing awareness for the prevention of occupational injuries and for reducing risk. Subcontractors are also advised about these branch-specific targets, and they are requested to manage the targets and prevent accidents. Furthermore, the results of each branch's activities are verified at monthly OHS meetings, and efforts are made to reinforce the activities by reviewing them every month.



Safety check at construction site

At the same time, flow charts of emergency contacts have also been prepared in case of an accident, and systems have been developed so that quick action can be taken 24 hours a day in case of an emergency. In addition, a Worksite Access Control System has been introduced for all construction sites, and the certainty of on-site management has also been enhanced, such as checking the safety of workers and allocating qualified workers appropriately. In the unlikely event an accident occurs, an OHS meeting for accident countermeasures is held, at which an investigation is conducted to determine the cause of the accident and to consider countermeasures from the perspectives of people, objects and management, and the findings of this investigation are shared with all branches. During fiscal 2015, there were 6  occupational injuries\*<sup>1</sup> involving contractors at housing construction worksites. Sumitomo Forestry will continue to use onsite guidance to lead to a reduction in occupational injuries, and will strive to improve both health and safety and quality by continually holding training sessions.

## Lost-time injury frequency rate for contractors on housing construction sites

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Number of occupational injuries* <sup>1</sup>	12	10	11	11	6
Lost-time injury frequency rate* <sup>2</sup>	2.34	2.16	1.98	3.63	2.23
Work-related illness frequency rate	0	0	0	0	0

\*1 Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

\*2 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000  
After review into housing construction-related working hours in fiscal 2014, the total working hours have been reduced in comparison to fiscal 2013 and earlier.

▶ [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

## Training Designed to Improve Awareness for Occupational Health and Safety

Based on the results of the monthly safety patrols and worksite surveys, the Housing Division organizes training programs with specific cases promoting health and safety, targeting the OHS managers of each branch or region, as well as the leaders (subcontractors) in each job category on construction sites.

In addition, training is provided for branches nationwide, designed for maintaining safety such as when workers use grinders, which are fraught with great hazard, and when they work with circular saws, which are susceptible to accidents due to misuse despite being simple and easy to use.



Training for circular saw work

## Labor Agreement

As of April 1, 2016, all 3,476 employees at Sumitomo Forestry, who are eligible to join the labor union, are registered members as stipulated in the labor agreement. In fiscal 2015, the labor union and the Company deliberated on measures against long-hour labor as part of OHS.

# Human Resources Development

Social Report

## Basic Policy on Human Resources Education

Guided by the policy for human resources development of “autonomy” and “support,” Sumitomo Forestry aims to realize its Corporate Philosophy by developing employees with a strong sense of pride and motivation, and by creating a culture that is open and inclusive.

## Development of the Sumitomo Forestry Business Institute

In an effort to strengthen the Sumitomo Forestry Group's development of human resources, the Group has been improving and expanding the Sumitomo Forestry Business Institute since fiscal 2011 as a common Group platform for human resources development. Under a theme of “Supporting Motivated People,” since its establishment, the Institute has shifted emphasis, from “training for each level,” which had previously been advocated across-the-board, to more “self-development” and “selective” training, and the content of e-learning has been expanded.

Since fiscal 2013, a Skills Development Sheet has been utilized in the goal-setting interview conducted every half year in an effort for supervisors to strengthen their educational support, and for employees to improve themselves. In addition, the Group is focusing on providing training programs available to Group company employees in Japan. The Group aims to continue improving its overall capacity for human resources development.

## Sumitomo Forestry Business Institute Training Structure and Training Program (Fiscal 2015)

Level/ grade	Management track				Staff track			Proposed recruits
	Officers	General manager class	Department manager class	Section manager class	Supervisor class	Assistant supervisor class		
Training for specific levels (across-the-board attendance)	Officers training	Training for managers	SM grade aptitude training		PM aptitude training Preparation program for general management	OJT trainer training Training for 5th year general management (the Group)	Training for 3rd year general management Shikoku forestry training for 3rd year graduates Follow-up training for 1st year general management New employee training (new graduates)	Follow-up training for proposed graduate recruits
Selective training (nominated / open invitation)		Selective training for senior employees	Selective training for middle employees	Selective training for young employees	Cross-industry exchange training (inside and outside of the Group)	Training for female managers	Selective training for female employees	External graduate studies programs Overseas trainees Training prior to overseas posting
Self-development training (voluntary)	Sumitomo Forestry Business Institute courses (conducted in-house: group training delivered by Sumitomo Forestry instructors or by invited instructors) External public courses (conducted outside the company: external training, open/correspondence courses at university) Support for tuition fees (providing assistance for the cost of attending a preferred external course found independently) Support for obtaining qualifications (providing assistance for the cost of taking examinations, registering and reviewing qualifications, and for attending courses to obtain qualifications) Language learning support (providing support for learning languages, such as language schools and language testing)							
Sumitomo Forestry Business Institute / e-learning	Shared learning (Sumitomo Forestry's history, corporate policies, legal compliance, environment, information security) Business skills (document writing, logical thinking, marketing, etc.) Management skills (team management, coaching, etc.) Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.) Specific learning for each business division (Timber & Building Materials Division, Housing Division, etc.)							

■ Shading indicates training courses that are also partly available for employees from Sumitomo Forestry Group companies in Japan.

## Number of Employees Attending Main Training Programs (Fiscal 2015)

Training program	Number of people attending (non-consolidated)	Number of people attending (Group companies)
<b>Follow-up training for management (3 courses)</b>	14	45
Training for specific levels (11 courses)	931	1
Selective training (16 courses)	52	32
Self-development training (90 courses)	432	61
e-learning (6 mandatory courses only)	4,951	3,965

## Support for Obtaining Qualifications and Attending External Education

Sumitomo Forestry promotes independent efforts for capacity building and career development. For instance, the Company's Regulations for Assistance in Obtaining Qualifications and Attending External Education include provisions for assistance when an employee seeks to obtain qualifications or use an external educational institution. With regard to obtaining qualifications needed for managing operations and qualifications recommended for capacity building, the regulations prescribe assistance limits for preparation costs, examination fees, registration costs, renewal costs and transportation costs for each qualification.

As for using external educational institutions approved by the Company, in addition to contributing up to 50,000 yen per person each fiscal year, the regulations also state that the Company will bear the costs of admission fees and tuition fees incurred by an employee who enrolls into a graduate school while continuing to work their scheduled working hours. Furthermore, the Group has also established Regulations for External Study Opportunities for cases when an employee remains employed, but leaves their workplace to enroll in a graduate school in Japan or overseas. In fiscal 2015, three employee used this system to study at graduate school.

## New Business Proposition Program—Power for the Future Project

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Sumitomo Forestry has established the Power for the Future Project, a program for soliciting new business proposals, harnessing the ambitions and skills of employees to create new businesses. The project enables everyone who works in the Sumitomo Forestry Group in Japan to make new businesses proposals based on their own ideas. This program has held five times every couple of year since the inaugural program in fiscal 2006. Up until fiscal 2015, there have been six projects, including a day care service project, started.

## Handing Down the Techniques Used in Building Wooden Houses

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Sumitomo Forestry recognizes that in order to preserve the way of building houses that makes best use of the traditional Japanese wooden post-and-beam construction method, it is important to pass on these skills and techniques to the next generation of workers. The Sumitomo Forestry School of Professional Building Techniques is an in-house educational institution certified by the governor of Chiba Prefecture, and was founded by the Company in 1988 as a corporate boarding school for vocational training. Implementation of a one-year training curriculum, the school provides training for new employees at Sumitomo Forestry Home Engineering Co., Ltd. who aspire for a job in carpentry. In terms of construction-related subjects, students study classroom-based subjects such as an introduction to building, structure, drawing, methods of construction, materials and supervision, as well as practical subjects, such as tool operation and maintenance, the traditional technique of marking timber with sumi ink and a carpenter's square, processing, safety work, model-based practical training, demonstration-based practical training and computing. On completion of their training, graduates are assigned to places all around Japan, and after a few years, they return to the school to undertake 7–10 days of training in Japanese rooms<sup>1</sup> and in a preparatory course for acquiring certification as a certified specialist.

In fiscal 2015, the school welcomed 64 new enrolments, including carpenters employed at partner firms outside the Company and saw 57 graduating. In fiscal 2016, the school had another 64 new enrolments.

\*1 Training designed to hand down time-honored techniques used around the tokonoma alcove, from generation to generation. Studies include fitting cedar posts and cross-pieces.



Practical training in construction of a house

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## Basic Policy on Employee Work Styles

Sumitomo Forestry recognizes employees' diverse work styles and strives to create a workplace where they can be motivated in their jobs, and still enjoy a fulfilling private life. Reflecting these aims, the Company has worked on such initiatives as providing childcare and family care programs, promoting greater participation by women, and reducing overtime. In fiscal 2013, the Workstyle Diversification Department was established within the Personnel Department, bringing together support desk functions relating to work styles and careers, including childcare and family care, career support, mental health and post-retirement re-employment. In developing a counseling system which is easier for employees to access, the Company supports diverse work styles.

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## Supporting the Workstyles of Employees Currently Raising Children

Sumitomo Forestry has put in place a number of support programs that allow employees to work while also raising children.

For example, interviews are arranged for employees who are planning to take childcare leave, allowing them to discuss with their supervisors and Personnel Department staff about childcare leave programs and work style options when returning to work, as well as to hear about the experiences of other employees who are balancing both work and parenting.

## Family Open Day

Since July 2014, Sumitomo Forestry holds the “Family Open Day,” an event for the families of employees to visit their offices. The ultimate aim of this event is to create pleasant work environment and lively atmosphere for all employees by expressing the Company's appreciation for the support provided by employees' families, assisting the families in understanding about the work at Sumitomo Forestry better, and fostering opportunities for employees to gain mutual understanding with others.

In 2015, four branches held the event with 85 participants from 27 families. The children took part in the morning briefing, exchanged “business cards,” and interviewed employees about their work. They also toured the showroom and experienced 3D house modeling. Sumitomo Forestry plans to continue this initiative in 2016, expanding it to multiple branches.



Family Day at Shizuoka East Branch

## The 6th Next Generation Law Action Plan (for Fiscal 2015 to 2016)

Sumitomo Forestry formulates and implements action plans for supporting employees who are raising families, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children (Next Generation Law). From fiscal 2013, the Company acted based on the three goals set forth in its 5th Action Plan (for fiscal 2013 to 2014): create new intranet content encouraging employees to take paid leave; establish a new childcare grant program to support employees who are raising children; and create workplace environments that facilitate employees in using childcare support programs. In July 2015, the Company has achieved these goals and met the criteria for the certification. Based on this action plan, during fiscal 2013, the Company redesigned its intranet, and created a lump-sum childcare assistance program. Furthermore, since fiscal 2014, the Company holds Family Open Days.

Sumitomo Forestry has also formulated its 6th Action Plan for fiscal 2015 to 2016 with following targets.

1. Host seminars themed on work style reforms in order to foster a work environment where actively involves female employees who are rearing infants
2. Hold “family days” to create a pleasant work environment for all employees to execute their talent
3. Establish a system in which male employees in childcare and their seniors can discuss about using childcare support programs as a means of promoting paternal involvement in childcare. Also, disclose the participation status of childcare-related programs on the Company's intranet.



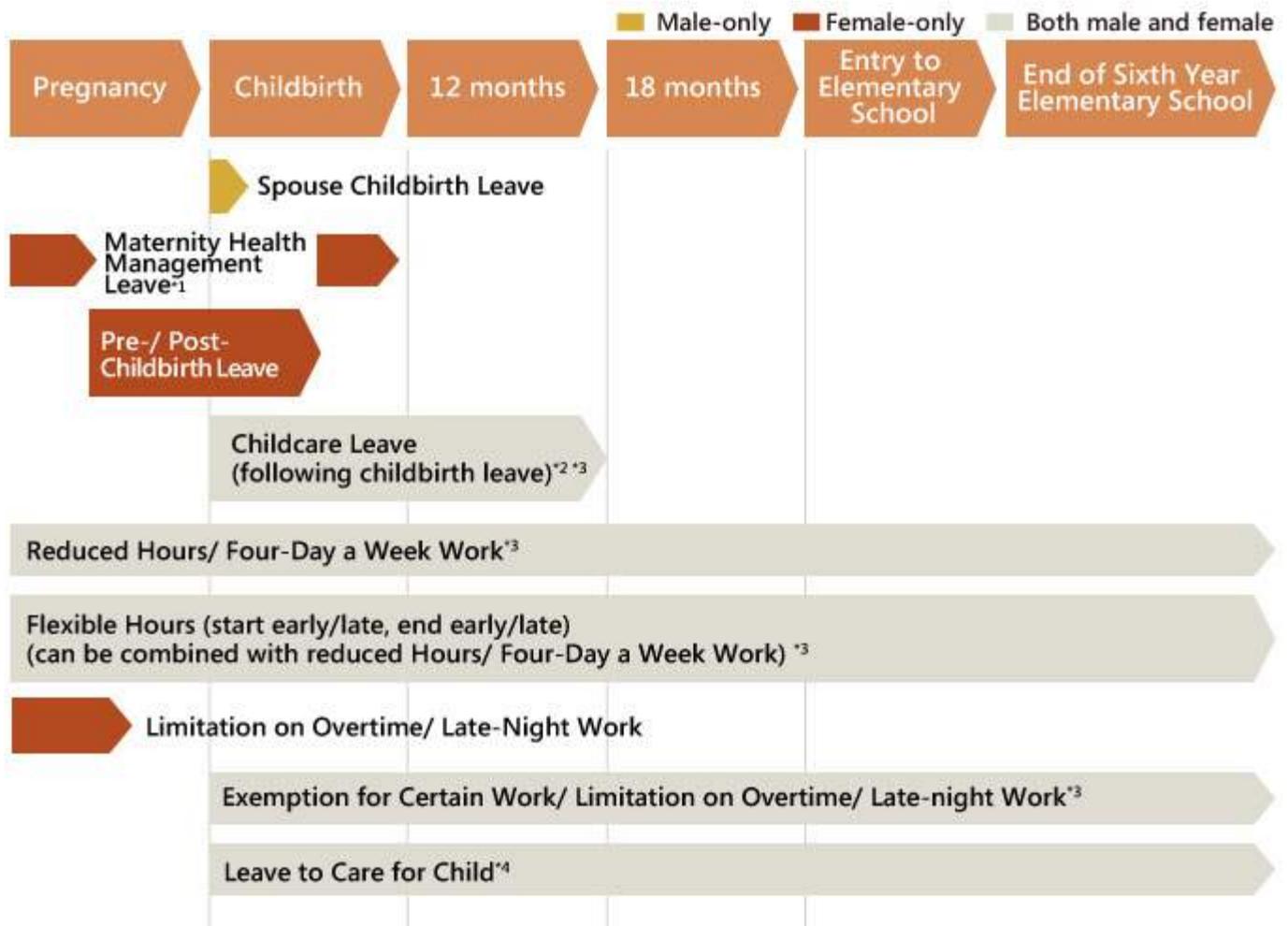
The *Kurumin* mark of certification

### Promoting Paternal Support for Male Employees

In the process of receiving the lump-sum childcare allowance offered to male employees with newly born children, the employees are required to submit “the questionnaire for a parental support request,” which is followed by an interview with a direct supervisor about the answers to the questionnaire as well as details of the request. The supervisor then adds resulting comments on the questionnaire including instructions for the subordinate and consideration that should be made by the Company, at the end of the process. This system is believed to encourage more male employees to take part in the parenting duties and raise mutual understanding between the parenting males and their colleagues.

### Main Childcare Support Programs (FY2015)

Program	Description
<b>Childcare leave</b>	Childcare leave may be taken by employees for the longer of the first 18 months of the child’s life or until March 31st immediately following the child’s first birthday.
<b>Shorter working hours</b>	Until the child completes the sixth grade of elementary school, employees may begin or end work earlier or later, work shorter hours, or work a four-day week, and be exempted from overtime work.
<b>Leave to care for child and attend special events</b>	Employees may take the equivalent of ten days a year in one-hour increments (with full pay) to care for a sick or injured child until their children have completed the sixth grade of elementary school. Of these ten days, up to five days may be used for attending special events with their children. Employees with two or more children are granted an additional five days.



\*1 During pregnancy, childbirth leave, childcare leave, within one year after the childbirth  
 \*2 Longer of 18 months or until March 31st following first birthday  
 \*3 Employees who have worked continuously for one year or more  
 \*4 Employees who have worked for six months or more

## Supporting Workstyles for Employees Caring for Family Members

Sumitomo Forestry provides support to employees who are working while also nursing family members. In fiscal 2010, family care leave was revised so that employees may take up to 365 days of leave per applicable family member, and provisions were introduced enabling employees to begin and end work earlier or later, work shorter hours, or work a four-day week. The Company has also established family illness and injury leave, enabling employees to take up to 10 days of leave each year in hourly increments.

### Main Family Care Support Programs and Usage (FY2015)

Program	Description	Usage in FY2015
<b>Family care leave</b>	This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees and contract employees.	
<b>Shorter working hours</b>	Participants may also begin and end work earlier or later, work shorter hours, or work a four-day week.	<ul style="list-style-type: none"> <li>No. of family care support program users: 3 (earlier starting and finishing times; reduced overtime)</li> </ul>
<b>Family illness and injury:</b>	Regular and contract employees may take the equivalent of ten days a year (measured by the hour) to care for their family. Five of the days annually may be used to care for family members who are ill or injured. Employees with two or more family members requiring care are granted an additional five days.	<ul style="list-style-type: none"> <li>No. of employees who took family care leave: 1</li> </ul>

## Family Care Support Program Performance (Non-consolidated)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Family care leave	0	0	1	1	1
Family care support programs (special work hour arrangements including later start and earlier end times; and restricted overtime work)	2	1	1	2	3

## Refresh Leave and Family Friendly Day Leave

So that employees can engage energetically in their jobs with healthy body and mind, Sumitomo Forestry is developing workplace environments that allow employees to take leave as they wish. As part of those efforts, employees are encouraged to take consecutive days of “refresh leave” at a time that suits them in addition to the summer and New Year holiday periods. Each workplace is required to draw up refresh leave schedules for individual employees, and ratios showing the percentage of schedules formulated and the percentage of employees who take refresh leave are tabulated for each department and posted to the in-house Web. This has created an environment making it easy for employees to take leave. At housing business branches, which are regularly closed on Tuesdays and Wednesdays, employees often meet with customers on the weekends, which sometimes makes it hard to take time off to participate in family events and other private occasions. This has been addressed with the introduction of Family Friendly Day leave, which allows employees to take either one Saturday or one Sunday off each month to spend with family or on a chosen pursuit. Branch employees are encouraged to cooperate on adjustment of job responsibilities and meeting schedules, thereby helping to create a workplace environment that makes it easy to take leave on the weekends.

## Refresh Leave and Family Friendly Day Programs Performance (Non-consolidated)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percentage of refresh leave takers	42.0%	38.0%	42.0%	50.0%	46.0%
Percentage of family friendly day takers	22.8%	23.0%	26.0%	29.5%	26.0%

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## Encouraging Employees to Take Paid Leave

Sumitomo Forestry encourages employees to take at least 10 days of planned paid leave each year, inclusive of refresh leave and the summer holiday period. Each business site draws up an Annual Vacation Schedule every January, and periodically reports to the Personnel Department on how much paid leave has actually been taken. Based on this, the results for each site are published on the intranet to encourage employees to take their paid leaves.

As for fiscal 2016, the Company has consolidated the working hour management system in the way that not only employees but also their supervisors can see their leave plans, and thereby, enabled employees to plan their paid leaves better.

The percentage of paid leave taken was 31.6%, 35.2%, and 32.8% in fiscal 2013, 2014, and 2015, respectively.

The Company has again listed “take at least 10 days of paid leave” in its Mid-Term CSR Management Plan, and will continue to further promote this initiative during fiscal 2016.

▶ [Employee Data](#)

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## Addressing Long Working Hours

At Sumitomo Forestry, average overtime hours and individual overtime hours are reported to the head of each department to increase awareness on long working hours mitigation. Additionally, “Work Style Enhancement Committee” has been set up at branches of the Housing Division and each of the branches implement an initiative to address long working hours.

As to the working system and operational flow reform that are difficult to tackle at a branch level, “Long Working Hours Mitigation Committee” set within the Housing Division continuously leads the long working hours mitigation campaign by making proposals for the systems improvement.

## Mental Health Care

Based on the Guidelines for Maintaining and Improving Workers' Mental Health formulated by the Ministry of Health, Labour and Welfare in August 2000, Sumitomo Forestry implements four types of care for mental health: self-care; care provided by line managers; care provided by occupational health staff within the workplace; and care using resources from outside the business.

In April 2013, the Company established the Workstyle Diversification Department within the Personnel Department. It is responsible for providing support related to childcare and family care, career support and support for mental health. In order to further enhance mental health care, the Company put effort into providing mentally ill individuals with follow-up support and help in returning to work. The Company assigned an employee, who is a qualified clinical psychologist, to the Workstyle Diversification Department, and it worked in close cooperation with Medical Consultation and Treatment for Mind and Body, an external provider of the employee assistance program (EAP).<sup>\*1</sup> Furthermore, since fiscal 2013, as part of its prevention of mental health disorders, the Company has offered an online Mental Health Checkup (Self-Check) to employees covered by health insurance (excluding those employees on long-term leave, such as maternity leave or convalescence leave). The percentages of eligible employees who took the checkup was 85.8% in fiscal 2013, 92.8% in fiscal 2014, and 91.6% in fiscal 2015. The Company has also provided an education program for managers run by the company counselor (clinical psychologist). The aim of this program is for those employees in managerial positions to appreciate the importance of mental healthcare and to implement appropriate prevention measures in their respective workplaces. The number of participants reached 161, 187, and 198 in fiscal 2013, 2014, and 2015, respectively. In fiscal 2016, the Company plans to continue with the Mental Health Checkup (Self-Check) and with the mental health education program for management.



Mental health education for management

\*1. Employee assistance program (EAP): A workplace mental health service

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## ■ Telework Program

Sumitomo Forestry introduced the telework option in fiscal 2009 for such reasons as the time saved from commuting can be spent on work or family activities, and employees can concentrate when working in a quiet home environment.

The program is limited to employees who are paid based on a deemed number of working hours and excludes managers and supervisors, but there is no limit to the length of the period of use. In fiscal 2016, in order to promote diverse workstyles further, the Company will again work to expand use of the program, such as by explaining the program details and recommending its use to employees on an individual basis when they appear for childcare interviews or work style consultations.

▶ [Employee Data](#)

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## ■ Transfer Request Application Systems (Spouse Relocation / Family Care)

In fiscal 2008, Sumitomo Forestry established a program facilitating the transfer of employees to a certain destination for reasons limited to marriage or a spouse transfer accompanied by a change of residence. The program enables employees to continue working for the Company even after marriage or their spouse being transferred.

In fiscal 2014, with the new addition of “childcare” to the reasons for application, transfers are now considered in cases where an employee wants to live with their spouse for the purpose of balancing work and parenting. Also, a new system was established whereby employees can submit a transfer request for reasons of “family care.” Transfers are now also considered in cases where the location of employment restricts the employee from balancing work with family care.

As at the end of March 2016, a total 24 employees have made use of these programs to transfer to a different location.

# Communication with Employees

Social Report

## Basic Policy on Communication with Employees

Sumitomo Forestry strives to create an environment that facilitates free and vigorous expression and exchange of opinions by employees, where they can perform their responsibilities with vigor, integrity and consideration for others. The Company wants each and every employee to grow within a corporate culture of respect for individual employees, and fair evaluation of accomplishments and efforts.

## Communication in Employee Evaluation and Job Execution

Sumitomo Forestry has a policy of providing all employees feedback on their evaluation results, with the main objective of nurturing and developing human resources through employee evaluations. Meetings between individual employees and supervisors must be held once every six months, providing an opportunity to set targets and receive an explanation of evaluation results. In addition, the Personnel Department conducts direct self-report hearings of all employees once a year to ascertain opinions on jobs and workplaces, transfer requests and family circumstances, among other matters.

## Open Discussions

Open Discussions have been held on a regular basis since 2007 as a platform for discussion between the President and employees, with an aim of facilitating new ideas for the Sumitomo Forestry Group.

In two discussions held during 2015, dialogue on a wide range of subjects unfolded on a theme of “How can we make the Sumitomo Forestry Group better?” As an opportunity for face-to-face dialogue between management and employees, discussions will be organized again in 2016.



An open informal discussion

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## Employee Satisfaction Survey

In August 2015, Sumitomo Forestry conducted its seventh Employee Satisfaction Survey, targeting its 4,823 employees. The response rate was 92.5%. The level of employee satisfaction was 80.6%, resulting in a third consecutive increase in satisfaction.

In light of the survey results, the Company made improvements on employees' career support, for example, the expansion of career growth support for professionals with certain expertise. In the meantime, the Workstyle Improvement Committee was established within the Housing Division to work on reducing long working hours.

The next survey will be conducted in July 2017.

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## Relations with the Labor Union

As of April 1, 2016, all 3,476 employees eligible under the collective labor agreement to join the Sumitomo Forestry Labor Union had done so. Within the labor agreement completed between the Company and the Sumitomo Forestry Labor Union, the Company recognizes the Labor Union's right to freely engage in activities and to collective bargaining, and promises to guarantee the stable livelihoods of labor-union members, and to maintain and improve labor conditions by establishing an OHS Committee comprised of both labor and management members.

In 2015, joint labor-management discussions were held on 16 occasions, and following on from the previous year, consideration was given to measures aimed at reducing long working hours. With an aim of further improving the Company, views were also exchanged at regular meetings and other forums on revising the various employee programs.

# Employee Data

Social Report

## Employee Data Trends

### Number of Employees

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Non-consolidated	4,452	4,416	4,486	4,499	4,417
Consolidated	14,736	14,890	17,413	18,137	17,001

### Breakdown of Number of Employee (Non-Consolidated)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Management level	1,981	1,983	2,053	2,047	1,995
Non-management level	2,343	2,303	2,292	2,297	2,292
Contract employees (fixed-term contracts)	17	8	3	1	0
Contract employees (all other contract types)	96	106	108	124	98
Hosted from other companies	15	16	30	30	32
<b>Total</b>	<b>4,452</b>	<b>4,416</b>	<b>4,486</b>	<b>4,499</b>	<b>4,417</b>

**Breakdown of Number of Employee (Domestic Group Companies)**

	FY 2015
Management level	1,509
Non-management level	3,383
Contract employees (fixed-term contracts)	572
Contract employees (all other contract types)	116
Hosted from other companies	330
<b>Total</b>	<b>5,910</b>

**Breakdown of Number of Employees By Age (Non-Consolidated)**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Younger than 30	834	782	749	707	693
30-50	3,102	3,069	3,084	2,881	2,959
Older than 50	516	565	653	911	765

**Number of New Employees — New Graduates\* (Non-Consolidated)**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Housing sales	Male	55	55	60	73	80
	Female	15	16	13	17	21
Housing engineering	Male	19	22	23	22	27
	Female	6	7	8	13	7
General management	Male	14	20	14	17	22
	Female	6	7	6	5	6
Clerical	Male	0	0	0	0	0
	Female	1	0	13	6	4
<b>Total</b>		<b>116</b>	<b>127</b>	<b>137</b>	<b>153</b>	<b>167</b>

\*Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

## Employment and Promotion of Women (Non-Consolidated)

(%)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Female employees including contract employees *</b>	17.2	17.7	18.4	19.2	19.9
<b>Female employees in management positions *</b>	1.5	1.8	2.2	2.6	2.8
<b>Female new graduates</b>	24.1	23.6	28.7	26.8	22.8

\*Calculated based on the number of employees as of April 1 of each fiscal year.

▶ [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

## Employment and Promotion of Women (Domestic Group Companies)

(%)

	FY 2016
<b>Female employees including contract employees*</b>	26.2
<b>Female employees in management positions*</b>	3.8
<b>Female new graduates</b>	47.0

\*Calculated based on the number of employees as of April 1, 2015.

## Average Length of Service\* (Non-Consolidated)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Male</b>	13 years and 3 months	14 years and 8 months	15 years and 0 month	15 years and 5 months	15 years and 3 months
<b>Female</b>	9 years and 11 months	10 years and 11 months	11 years and 0 month	11 years and 0 month	11 years and 1 month

\*Calculated based on the figures at the end of a fiscal year (i.e. March 31)

**Job Separation Rate\*<sup>1</sup> (Non-Consolidated)** 

(%)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Voluntary separation rate</b>	3.4	3.3	2.3	2.6	2.1
<b>Separation rate*<sup>2</sup></b>	4.2	4.2	2.9	3.2	3.1

\*1. Calculated by dividing the number of people who left during the year by the number of employees at the beginning of the year.

\*2. The separation rate includes voluntary separations.

**Employment of Persons with Disabilities (Non-Consolidated)**

(%)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Ratio of Disabled Employees</b>	1.93	1.95	2.18	2.24	2.12

**Employment of Persons with Disabilities\* (Domestic Group Companies)**

(%)

	FY 2015
<b>Ratio of Disabled Employees</b>	1.45

\*As of June 2015

**Rate of Local Employment in Group Companies Outside Japan\***

(%)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>Rate of local employment in Group companies outside Japan</b>	99.3	99.3	99.2	99.3	99.2

\*Calculated by dividing the number of employees hired locally by consolidated subsidiaries and working for the company at the end of the year by the total number of employees at the end of the year

### Hours of Training and Expenditure on Training (Non-Consolidated)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Hours of training received per employee	4.7	6.9	7.5	6.8	9.3
Expenditure on training per employee (yen)	105,000	103,000	91,000	91,000	91,000

### Work-Life Balance Program Usage (Non-Consolidated)

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
No. of childcare leave users	Male	15	6	12	7	13
	Female	20	15	29	33	40
Percent childcare leave users* <sup>1</sup> (%)	Male	8.6	3.6	7.2	4.2	7.8
	Female	111.0	78.9	100.0	103.0	105.0
Percent returnees after childcare leave (%)		100	100	92.8	96.4	96.2
No. of reduced hours program users* <sup>2</sup>		24	29	29	32	40
No. of telework program users* <sup>3</sup>		12	15	21	19	19

\*1.The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

\*2.Available for reasons such as childcare and family care; combined figures of employees on programs of the reduced hours of work and the four-day work per week

\*3.Available for any reasons other than childcare or family care

**Work-Life Balance Program Usage (Domestic Group Companies)**

		FY 2015
No. of childcare leave users	Male	1
	Female	68
Percent childcare leave users*	Male	0.6
	Female	115.3

\*The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

**Paid Leave Usage Ratio (Non-Consolidated)**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Average paid leaves taken (day)	6.2	5.9	6.1	6.7	6.3
Paid leave usage ratio* (%) 	30.7	30.4	31.6	35.2	32.8

\*Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

**Paid Leave Usage Ratio (Domestic Group Companies)**

	FY 2015
Average paid leaves taken (day)	7.1
Paid leave usage ratio* (%)	39.7

\*Paid leave entitlements are issued each year in January, therefore the table shows figures for December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

Occupational Injuries (Non-Consolidated)\*<sup>1</sup>

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
No. of work-related accidents* <sup>2</sup>	6	0	6	1	0
Lost-time injury frequency rate* <sup>3</sup>	0.80	0	0.28	0.19	0.19
Occupational illness frequency	0	0	0	0	0

\*1.No work-related accidents resulting in death occurred during the reporting years shown.

\*2.The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

\*3.Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

## Occupational Injuries (Domestic Group Companies)

	FY 2015
No. of work-related accidents*	10

\*The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

## Labor Union Membership (Non-Consolidated)\*

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Labor union membership rate (%)	100	100	100	100	100

\*As of April 1, 2016, the number of eligible employees is 3,476. The scope of eligibility for labor union membership is stipulated in the labor agreement

# Respect for Human Rights

Social Report

## Basic Policy on Respect for Human Rights

The Sumitomo Forestry Group states in Our Values and Ideals, a set of guidelines on ethical conduct, that everyone belonging to the Group shall respect people in terms of diversity such as gender, age, nationality, race, religion and disability and acknowledge that everyone is equal, and that no discrimination whatsoever will be tolerated. The Group makes efforts to raise awareness of these matters, for example through training. Our Values and Ideals is available for viewing on the Sumitomo Forestry website in Japanese, English and Chinese and therefore accessible to a large number of stakeholders. Additionally, the following is stipulated by Our Values and Ideals.

### 3: Act with Dignity

**3-4: Respect for Human Rights and Diversity - We respect human diversity and do not tolerate any discrimination.**

#### 3-4-1: Recognizing that all individuals are equal

We recognize that all individuals are equal and see them as valuable partners in our work. We do not use our authority or position on the job to engage in any form of harassment that would damage the integrity of the workplace.

#### 3-4-2: Respecting the diversity of people in each community

Each community includes many different types of people. We respect each individual's personality, rights and privacy, and we do not engage in any inappropriate discrimination based on gender, age, disability, nationality, beliefs, religion or social position. We recognize the value of one another's unique characteristics.

▶ [Corporate Philosophy · Action Guideline](#)

▶ [Our Values and Ideals](#)

## Measures against Human Rights Risks

Since fiscal 2011, Sumitomo Forestry has carried out a survey on the CSR initiatives at each Group company. In doing so, it also verifies each Group company's efforts with respect to human rights.

Furthermore, the Sumitomo Forestry Group is a signatory to the United Nations (UN) Global Compact in December 2008, and has posted this on the Company's website in both Japanese and English. For the purpose of more widely disseminating the Global Compact's ten principles in four areas (human rights, labor, the environment and anti-corruption), in April 2014, the Company also prepared a poster in English, Chinese and Indonesian, and has distributed it for display to all Group companies overseas.



A poster promoting the UN Global Compact

▶ [Participation in the UN Global Compact](#)

## Participation in a Human Rights Initiative

Sumitomo Forestry addresses human rights issues by participating domestic and international initiatives concerning human rights such as the UN Global Compact.

▶ [Participation in the UN Global Compact \(News Release\)](#)

## Human Rights Due Diligence

The Sumitomo Forestry Group strives to identifying, preventing, and mitigating adverse impact on human rights through the human rights due diligence system. Since 2012, the Group ensures human rights statuses of fifty Group companies of which 28 are domestic and 22 are overseas from survey results conducted annually. As to suppliers, surveys and one-on-one interviews are conducted to avert potential human rights breach.

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## Human Rights Training

Since fiscal 2011, the Sumitomo Forestry Group requires all Group employees with access to the intranet to take the “Work + Human Rights” module in e-learning every year with the intention to promote respect for human rights and working place where no discrimination is tolerated. In fiscal 2015, 10,183 employees of which 5,527 and 4,656 employees belong to the parent company employees and Group companies, respectively. The effort in raising human right awareness via e-learning will be continued into the future.

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## Prevention of Sexual Harassment and Workplace Bullying

Sumitomo Forestry makes its policy on sexual and power harassment in the workplace clear, having included in its Employment Regulations, under one category of rules to be observed by employees (discipline on the job), a provision prohibiting such harassment as well as disciplinary standards. “Our Values and Ideals,” a set of guidelines on ethical conduct, also prohibits all forms of harassment and this is communicated via the in-house Web and pamphlets. In addition, awareness within the Company is fostered by providing information with case examples and implementing regular awareness promotion notices, through human rights and ethics training and other activities.

Furthermore, a framework for appropriately handling of inquiries and complaints was put in place in fiscal 2000 with the establishment of the Sexual Harassment and Power Harassment Consultation Hotline within the Personnel Department and Compliance Hotlines both inside and outside the Company. When handling a case of harassment, the Sexual Harassment and Power Harassment Consultation Hotline promptly and appropriately verifies the facts and gathers information with the accused, the complainant, and third parties, and then takes the necessary procedures with those concerned. The privacy of all those involved is protected and every effort is made to ensure that neither the complainant nor those cooperating are treated detrimentally.

▶ [Our Values and Ideals](#)

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## ■ Respect for Human Rights at Overseas Plantations

For plantations in Indonesia's West Kalimantan Barat, the Company signed an advisory agreement with International Finance Corporation (IFC), the World Bank's group institute in 2012, and cooperated in the assessment adhering to the concept of "High Conservation Value Forests (HCVF)" mainly on whether the commercial land use plan has been implemented appropriately and whether adequate consideration for biodiversity and local communities are made.

In 2013, the Company invited stakeholders (local residents, neighbor corporations, academics, NGOs, and government workers) to a public hearing to communicate the assessment results as part of its plantation business with thorough consideration for human rights.

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## ■ Respect for Human Rights Through CSR Procurement

Sumitomo Forestry Group is conducting fair and responsible procurement under Sumitomo Group Procurement Policy which obligates suppliers to protect human rights and basic rights of labor as well as preventing corruption. For procurement of imported materials, specifically, the Group ensures whether rights of workers and local communities in the areas where raw materials of the supplies are procured from, have not been violated; if there is a risk, then whether adequate consideration for these rights during logging is inspected through surveys and on-site interviews to the suppliers.



## Policy on Social Contribution Activities

The Sumitomo Forestry Group advances social contribution activities in the areas of environment, community service, and next-generation development to protect abundant forests into the future and to contribute to sustainable use of wood resources and local community development. Fostering greater understanding about forests over a large section of society is particularly important as the social contribution activities concerning forest conservation is closely related to the Group's businesses.

This motivates Sumitomo Forestry to dedicate itself to environmental education for elementary and junior high school students, such as lectures and hands-on learning in forests. The Company is also actively involved in activities which make a contribution to the wider society, such as the restoration of forests damaged by disaster.

Sumitomo Forestry also supports volunteer activities undertaken by individual employees in local communities to create a workplace environment that encourages people to contribute to their local communities.

## Plans and KPIs of Social Contribution Activities

Sumitomo Forestry is continuously holding the following activities.

## Introducing a Volunteer Leave Program

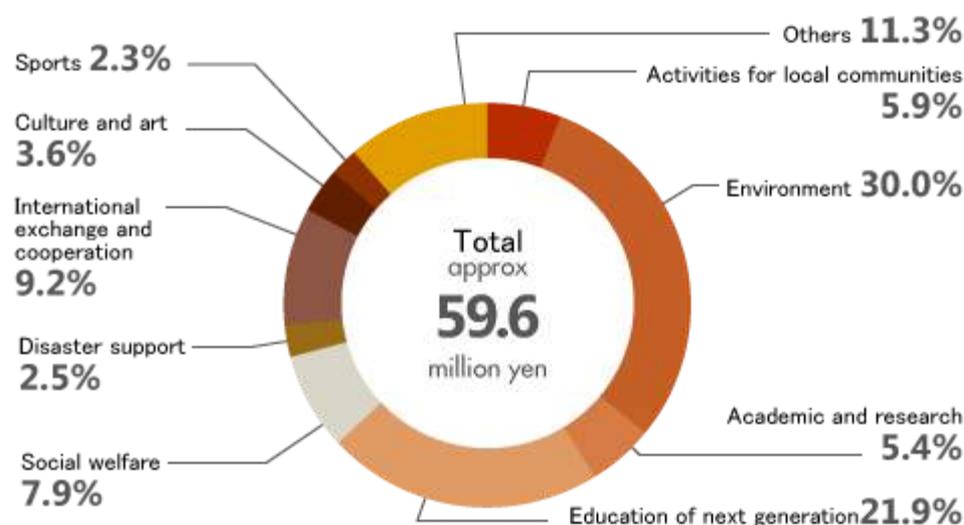
To support its employees' volunteering activities, in May 2011 the Company established a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities.

Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake, for a specific time period, it paid the travel expenses and volunteer insurance premiums of employees who wanted to help.

In fiscal 2013, 2014 and 2015, the number of employees who took leave to participate was six, nine and six, respectively.

## Social Contribution Donations

### Breakdown of Social Contribution Donations by Category (FY2015)

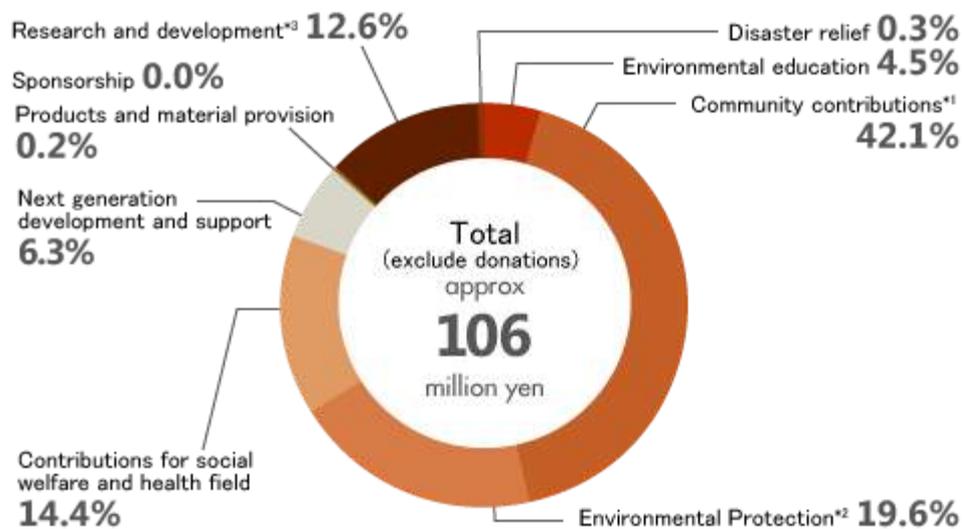


### Donating 100-ton CO2 Offset Credit to Iseshima Summit

Sumitomo Forestry donated 100 tons of J-VER credits in answer to the Japanese Government's call for cooperation of companies in carbon offset for G7 Iseshima Summit held from May 26 through 27, 2016. The credit was given as for Company-owned forests in Sumitomo Forestry Kyushu Area in "Sustainable Forestry Management Promotion-Type Project" in 2009. The offset credit was the forest absorption-type and registered as the first in Japan.

## Expenditure on Social Contribution Activities

### Breakdown of Expenditure on Social Contribution Activities (FY2015)



\*1 Costs of community cleaning activities and the forest house operation

\*2 Manabi no Mori operation costs

\*3 Research and development costs for heritage and precious trees

## Contributions to Public Policy

The Sumitomo Forestry Group coordinates and cooperates with national and local governments, the business community and others, making recommendations toward the improvement and resolution of worsening environmental and social issues.

### Main Public Policy Contributions in FY2015

Organization	Position	Name
Wooden Home Builders Association of Japan	Chairperson	Ryu Yano, Chairman of the Board
Japan Federation of Housing Organizations	Vice-chairperson	Ryu Yano, Chairman of the Board
The Building & Housing Center of Japan	Outside director	Ryu Yano, Chairman of the Board
The Machinami Foundation	Director	
Japan 2x4 Home Builders Association	Director	
Japan-China Association for Building and Housing Industry	Director	
Serviced Housing for the Elderly Association	Auditor	
Japan-Myanmar Association for Industry of Housing and Urban Development	Chairperson	Ryu Yano, Chairman of the Board
Organization for Landscape and Urban Green Infrastructure	Chairperson	Ryu Yano, Chairman of the Board
Greenery by Golf Group	Chairperson	Ryu Yano, Chairman of the Board
Japan Greenery Research and Development Center	Director	
National Land Afforestation Promotion Organization	Director	
National Conference for Promoting Forestry Revival and Reforestation	Vice-chairperson	Ryu Yano, Chairman of the Board
Keidanren Committee on Nature Conservation	Vice-chairperson	Akira Ichikawa, President/Director

<b>Japan Federation of Housing Organizations – Environment Committee</b>	Committee chairperson	Hideki Nose, Adviser
<b>Forest Management Association of Japan</b>	Vice- chairperson	Shigehiko Shiozaki, Adviser
<b>Sustainable Green Ecosystem Council</b>	Director	
<b>The Forest Culture Association</b>	Director	
<b>Institute for Building Environment and Energy Conservation</b>	Director	
<b>Japan Overseas Plantation Center for Pulpwood</b>	Director	
<b>Japan Lumber Importer's Association</b>	Vice- chairperson	Haruhiko Momose, General Manager of International Marketing Department
<b>Japan Southsea Lumber Conference</b>	Chairperson	Haruhiko Momose, General Manager of International Marketing Development
<b>Central Japan Plywood Manufacturers' Association</b>	Director	
<b>Japan Composite Flooring Industry Association</b>	Director	
<b>Japan Printed &amp; Colored Plywood Industry Association</b>	Executive Director	
<b>The Japan Chamber of Commerce and Industry</b>	Special adviser	
<b>The Tokyo Chamber of Commerce and Industry</b>	Special adviser · Council member	
<b>The Tokyo Chamber of Commerce and Industry – Japan Committee for the Japan-New Zealand Business Council</b>	Vice- chairperson	Akira Ichikawa, President/Director

# Examples of Social Contribution Activities in Japan

Social Report

## **Mt. Fuji Manabi no Mori Project**

National forest cloaking the foothills of Mt. Fuji was extensively damaged when a typhoon struck southern parts of the Kanto region in 1996. In 1998, setting out to restore the vitality of the original forest, Sumitomo Forestry launched a natural forest restoration project to commemorate the 50th anniversary of the Company's establishment; encompassing around 90 hectares of the damaged forest named *Mt. Fuji Manabi no Mori*. The *Mt. Fuji Manabi no Mori* is opened up not only for the volunteer activities and environmental education programs, but also for NPOs and other organizations. Between the start of activities in 1998 and the end of fiscal 2015, a total of 23,650 people had visited the *Mt. Fuji Manabi no Mori*; in fiscal 2015, a total of 1,222 people from both inside and outside the Company visited the *Mt. Fuji Manabi no Mori*.

### **Volunteer Activities (Planting, Underbrush Clearing, Thinning, Etc.)**

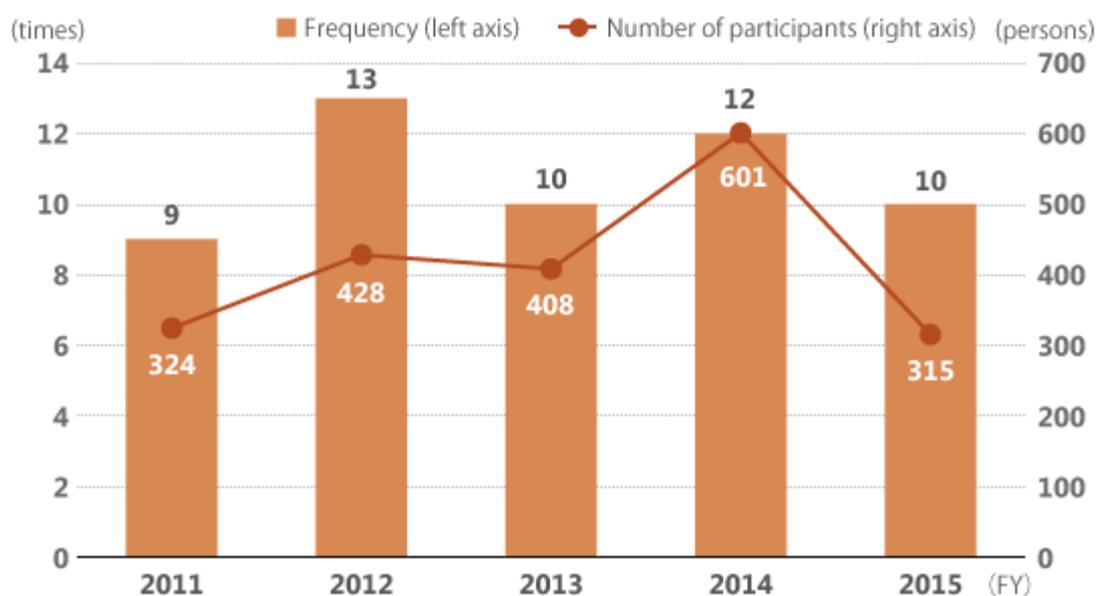
Tree-planting activities carried out by many volunteers from both inside and outside the Company since the start of the project in 1998 have already been completed and the project is now in the cultivation stage. Cultivation activities such as underbrush clearing, pruning and thinning will be continued.

Volunteer activities were implemented on 10 occasions in fiscal 2015, with participation by a total of 315 visitors.



Company-led volunteering

## Forest Recovery Volunteers Trend



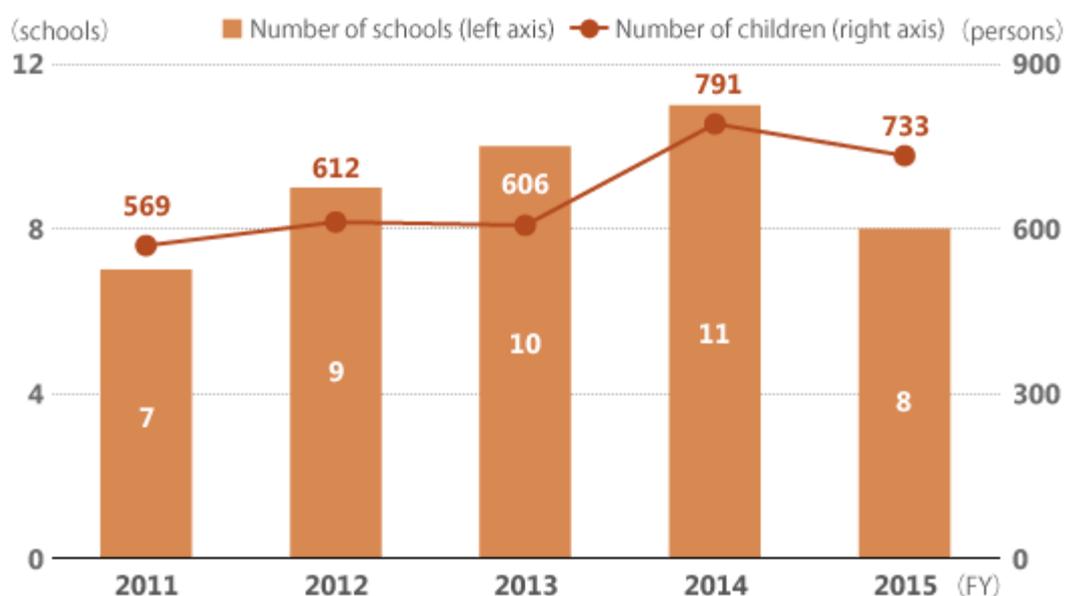
## Environmental Education Program

Sumitomo Forestry has been implementing an Environmental Education Program for local elementary and junior high school students since fiscal 2006 in collaboration with the NPO Whole Earth Institute. Activities include nature observation and games incorporating the five senses. The aim of these opportunities to rediscover the natural world is for the students to learn about the importance of nature and encourage them to consider new ways in which people can coexist with nature in the future. In fiscal 2015, a total of 733 students from 8 schools participated in the program.



Environmental education support project

## Environmental Education Program Trend



## Vegetation Monitoring and Wildlife Censuses

Experts have been carrying out surveys, including vegetation monitoring and wildlife censuses, since fiscal 2000, providing valuable data for understanding the biodiversity of the region.

Cultivating a forest is a never-ending job and *Mt. Fuji Manabi no Mori*, too, is a 100-year project. To ensure that the project is still running 100 years from now, forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.

▶ [Link to Mt. Fuji Manabi no Mori](#)

## Forest Maintenance Activities at *Gunma Manabi no Mori*

In July 2012, Sumitomo Forestry and Gunma Prefecture signed a prefectural forest maintenance partnership agreement, and are working with the prefectural authorities to promote the maintenance of forest at the foot of Mt. Akagi.

Located within the jurisdiction of Maebashi City, Akagi Forest is owned by Gunma Prefecture, which promotes maintenance and conservation of its forests in cooperation with companies and organizations. During fiscal 2015, Sumitomo Forestry held *Gunma Manabi no Mori* as one of the forest maintenance activities in September and October. About 240 people participated, including Sumitomo Forestry home house owner families, as well as employees of Sumitomo Forestry and partner builders and their families. In the activity, the participants experienced planting Japanese cypress seedlings and also thinning of grown trees with guidance from the local forestry. Maintaining and conserving forests requires ongoing care, and so two activities are planned again for fiscal 2016.



Gunma Manabi no Mori

## Development of Technologies to Ensure the Survival of Heritage and Precious Trees

To help ensure the survival of heritage trees and precious trees into the future, Sumitomo Forestry is directing efforts into the development of cloning techniques that enable the qualities of trees to be passed down as-is.

Sumitomo Forestry is working toward propagation of historically and culturally important trees around Japan, particularly cherry trees using the latest clone propagation technique, plant tissue culture, in addition to cloning techniques already acquired, such as cutting and grafting. The Company is also working with the Forestry and Forest Products Research Institute (FFPRI, an incorporated administrative agency), the National Institute of Genetics (NIG, an inter-university research institute corporation) and the Association for Propagation of the Knowledge of Genetics (a public interest incorporated foundation) to build a DNA database for cherry trees and advancing a sophisticated program to identify individual varieties. A proper understanding of individual varieties, species diversity, history and other aspects can be used to preserve precious trees for future generations.

## ***Omurozakura* Research Project—First Blooming of Cloned *Omurozakura* following Their Return to Ninna-ji Temple**

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The *Omurozakura* Research Project, commenced in January 2007, is a collaboration among Sumitomo Forestry, Chiba University and Ninna-ji temple, headquarters of the Omuro school of the Buddhist Shingon Sect and a UNESCO World Heritage Site, under the guidance from the Municipality of Kyoto Cultural Properties Protection Section. The biology of the *Omurozakura* variety of cherry only grows on the temple grounds. The variety hides many secrets. Compared with other varieties, they are late blooming, and shorter, growing to the height of an adult human. But to ensure their survival for future generations, it was necessary to develop management technology rooted in scientific knowledge.

In February 2012, the Sumitomo Forestry Tsukuba Research Institute successfully used tissue culture to clone *Omurozakura*, returning the first trees to Ninna-ji temple, and in April 2014, the trees produced their characteristic multi-layered blossoms. The blooming of these tissue-culture seedlings not only significantly contributes to the preservation of the renowned *Omurozakura*, which are aged 360 years old or more, but also to maintaining the scenery of Kyoto and the transmission of culture. Sumitomo Forestry believes the project to hold social significance, and will continue in its investigations and research.



The first *Omurozakura* cultivated from tissue culture and planted on the grounds of Ninna-ji temple

## Support for “Kyo-no-Mori Project—Cherry Trees Linking People Together.

The “Kyo-no-Mori Project—cherry trees linking people together,” is run by Sumitomo Forestry in collaboration with Daigoji Temple, the head temple for the Daigo school of Shingon Buddhism.

In March 2014, a tree-planting ceremony was held to donate Taiko weeping cherry tree clone saplings, which had been reared for a year by students at Daigo Elementary School, Kyoto, to Sakiyama Elementary School in Miyako City, Iwate Prefecture, an area devastated by the 2011 Great East Japan Earthquake. The project aims to make effective use of fallen leaves, which are in abundance at temples and shrines in Kyoto. The children of the Daigo Elementary School are in charge of gathering fallen leaves, producing fertilizer, and raising the cherry trees. Once the trees have grown, the Daigoji temple sends them to the elementary school in Miyako City, Iwate Prefecture, with which the temple shares ties. The project has been underway since November 2012. Sumitomo Forestry has support the Daigo Elementary School students in their efforts to raise the cherry trees, such as by getting employees to participate in leaf collection, donating two pots of Taiko weeping tree seedlings, organizing environmental workshops run by employees, and through activities to promote the project on the radio. In March 2016, four student representatives from Daigo Elementary School accompanied monks from Daigoji temple, visiting Miyako City. They joined the students of Miyako Elementary School in disaster prevention education, a memorial service for victims of the 2011 disaster, and a tree-planting ceremony for the cherry tree. The Company intends to continue supporting exchange between the elementary school students from Kyoto and Miyako cities, through assisting with raising the donated trees.



Tree-planting ceremony

## Success in Propagating a Sapling Using Tissue Culture from a “Sacred Plum Tree” in front of the Kitano Tenmangu Main Shrine

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Sumitomo Forestry has conducted research and development in relation to the breeding of saplings for the purpose of protecting and preserving the plum trees in front of the Kitano Tenmangu Honden (Main Shrine) in Kyoto that are worshipped as sacred trees. In February 2015, the Company succeeded in using tissue culture, a biotechnological technique, to propagate saplings that will ensure this valuable plum tree is passed down to future generations. This successful propagation from old plum trees and the research and development envisaging seedling production and other practical applications are world firsts\*.

The “sacred plum tree” from which tissue culture was used to propagate seedlings is estimated to be more than 300 years old. Besides protecting and preserving this tree, it is hoped that the seedlings will contribute significantly to maintaining the Kyoto landscape and carrying on its culture. In addition to conducting studies of plant varieties through DNA identification, the Company will also promote the use of tissue culture technologies to protect and preserve other plum trees at the shrine.

\*According to academic reference search site “Web of science/Google Scholar/J DreamIII”

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## Homecoming of “Ebayama Cherry Trees” Proliferated by Cell Culture

A research team at Hiroshima University High School which Sumitomo Forestry has provided technical support, has succeeded in proliferating cells of Ebayamazakura, a wild cherry tree designated by Hiroshima City as a natural monuments, tissue culture in October 2012. The successfully propagated saplings were subsequently taken over by Sumitomo Forestry and planted at Sumitomo Forestry's Tsukuba Research Institute for nurturing until they grew 150 cm tall. Then, in February 2016, it was time to bring them back Hiroshima where they were cultured. Ceremonial planting of the young trees took place at the school (two trees) as well as at a park in Enami District in Naka Ward (six trees).

Additionally, in March 2016, the trees were donated to two SSH-designated public schools in Fukushima: Iwaki High School and Aizu-gakuho High School, which were affected by Great Eastern Japan Earthquake.

\*Hiroshima University High School was designated as Super Science High School (SSH) in 2003 for the first time, and again designated since FY2012 for the third time. Hiroshima University High School was first designated in 2003, and was redesignated for the third term since 2012. The SSH curriculum was undertaken by MEXT aimed at developing future scientific talents for the global arena. The program was implemented in 2002 to designate and support high schools with an emphasis on science and math education in carrying out research and development.

## Owners Social “Fureai no Mori Tree-Planting Tour”

In May 2015, at Niihama Company-Owned Forests in Ehime Prefecture that is where Sumitomo Forestry began its history, the Company held a owners’ networking event called “Fureai no Mori Tree-Planting Tour.” This social event is aimed to provide and opportunity for Sumitomo Forestry home houses owners to witness the Group’s sustainable forest management and also to build good owner relationships.

At this event, 48 people from 18 parties participated and planted about 900 trees in 0.3 ha of land.



Tree-planting scene

# Examples of Overseas Community Development and Regional Contribution Activities

Social Report

## Contributing to Communities Where Sumitomo Forestry Operates

Sumitomo Forestry aims to contribute to sustainable local development through its operations. When starting new businesses or expanding its overseas business sites, the Company's policy is to consider the environment, revitalize local economies and promote employment and thereby operate in harmony with local communities.

## Activities Which Contribute to Local Communities in Indonesia

### Support for Children Through the KTI Educational Foundation

To commemorate the 30th anniversary of its founding, Sumitomo Forestry Group company PT. Kutai Timber Indonesia (KTI) established the KTI Educational Foundation in 2000 to provide scholarships to elementary and middle school students living in the vicinity of the KTI plant and plantation forests. The Foundation also provides relief donations for natural disasters such as earthquakes and floods. In fiscal 2015, the Foundation provided 260,000 yen to 19 elementary, middle, and high school students.



Children at a kindergarten that received desks and other items donated by the KTI Educational Foundation

### Community Development through Project EARTH Initiatives

Sumitomo Forestry has implemented its Project EARTH carbon-offset initiative in Indonesia since 2009, involving reforestation work in collaboration with local residents. The project also encompasses activities leading to enhanced regional infrastructure, such as the preparation of roads necessary for the reforestation work, thereby contributing to improvement of the livelihoods of residents. The project also regularly donates study tools to local elementary schools and kindergartens.

News Release "Sumitomo Forestry 'Project EARTH' Environmental Initiative Three Year Extension"



Kindergarten at the town of Supit Ulan, which has commenced reforestation

► [News Release “Sumitomo Forestry ‘Project EARTH’ Environmental Initiative Three Year Extension”](#)

## Contributing to the Community through Free Seedling Distribution and Support for Infrastructure Provision

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PT. Rimba Partikel Indonesia, which conducts the manufacture and sales of particle board, distributes free seedlings to local residents and purchases the mature trees to use as raw material, which helps the community economically and in terms of greening. In addition, the company continues to support mosque repair work and in road surfacing, making use of donated roadbed materials.



Donation of saplings to the local Kendal Regency

## Provision of Infrastructure and Building a Primary School at Business Site

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PT. Mayangkara Tanaman Industri, a large-scale plantation business operator in Indonesia, views sustainable development of local communities as a vital managerial challenge, and thereby, undertaking community services that meet the needs of local residents in the areas of education, medicine and hygiene, infrastructure development, agriculture, and livelihood enhancement. During fiscal 2015, the main building of an elementary school was built in the neighborhood of the Company's operating area, and the support for volunteer teachers at the school has begun. Additionally, to prevent outbreaks of forest fire which has a risk of destroying the foundation of community livelihood and the natural environment, boards to inform the fire risk was put up in the community, and in the meantime, fire distinguishing training was carried out with the local residents.



Building of an elementary school



Fire risk board put up at a village

## Exhibition as Part of a Green Forestry Expo in Indonesia

In April 2015, five Sumitomo Forestry Group companies\* based in Indonesia collaborated to exhibit at the IndoGreen Forestry Expo. They were awarded third prize in the private industry category of a competition for exhibitors.

At the exhibition, panels of photographs were used to introduce visitors to how the Group is developing a sustainable forestry industry in Indonesia of “harvesting, using and replanting,” which contributes to the environment and society. Topics included social contribution through afforestation, manufacturing business and zero emission efforts.

Visitors to the exhibition were given seedlings of Acacia, Gmelina and fruit trees. In addition, local children, Environment and Forestry Minister Dr. Siti Nurbaya and other visitors were given the opportunity to feel the timber for themselves, in the form of blocks made of balsa. It was a valuable forum to deepen people’s understanding of reforestation and timber and engage their interest in the Sumitomo Forestry Group.



Environment and Forestry Minister Dr. Siti Nurbaya making an inspection of the booth



Children playing with balsa blocks at the exhibition

\*Five companies: PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, PT. Sumitomo Forestry Indonesia, PT. Wana Subur Lestari, and PT. Mayangkara Tanaman Industries

## Improving Social Infrastructure in Papua New Guinea

Open Bay Timber Ltd. (OBT), which is engaged in plantation forestry in Papua New Guinea, started plantation forestry operations in 1984 and has made significant contributions to the economic development of the local community. OBT became a member of the Sumitomo Forestry Group in April 2007 and continues to develop plantation timber resources in a responsible manner and to use those resources effectively.

OBT also runs a medical center, a kindergarten and a supermarket for use by employees and local children to supplement government-provided social infrastructure. In addition, OBT nurses make regular monthly rounds at nine villages located in the vicinity of the plantation forests, performing infant health checkups and providing advice to the sick.

In fiscal 2015, OBT consolidated church facilities in the neighboring villages and dormitories for school teachers in the region. OBT also invited local residents and held a briefing on how to prevent fire incidents.



Local residents participated in the forest fire briefing

## Support for Children’s Hospitals in Australia and the United States

The Henley Properties Group builds and sells detached and multi-unit housing and spec homes in Australia and the United States. The Group’s social contribution activities include the Good Friday Charity Auction, whereby the auctioning of a spec home, built with residential land developer, materials supplier and other business partner cooperation, raises money which is donated to children’s hospitals and other facilities.

Combined with business partners, more than 200 people participate in this activity, for example through the provision of land, cost estimation, manufacturing and procurement of materials, work management and construction. The total value of donations made since the activity began in 1993 now amounts to more than 2 million Australian dollars. A proportion of the donations go toward coverage of medical costs for children suffering from intractable diseases. In 2015, the 22nd year of the activity, a two-story house in Mickleham in northern Melbourne, Victoria, Australia, was auctioned in March, raising 646,000 Australian dollars.



Detached house auction

## Support for the Next Generation in the United States Through Joint Efforts with Local Residents

The Canyon Creek Cabinet Company, which manufactures and sells cabinets in the United States, is actively supporting students in its local area. It provides scrap timber to local boy scouts to help them practice and improve their carpentry skills.

In addition, on facility tours, local students perform tasks together with factory employees, giving the students a better understanding of the work. Canyon Creek Cabinet Company also supports young people to learn business skills through the regional Business Week program, for which it offers bursaries. In addition, it also provides offcuts to a local toy manufacturer which uses them to make wooden toys and puzzles to donate to a local childcare facility and a children’s hospital.



A facility tour for local students

## Construction of Monastic Schools in Myanmar

Sumitomo Forestry is involved in the Myanmar Monastic School Support Team, a body that was established to support the construction of monastic school-style community schools in Myanmar. At the end of October 2014, the first monastic school was completed through the generosity of companies and individuals. A year later, the second three-story monastic school was constructed at the end of November 2015. The buildings can also act as a refuge for members of the local community during heavy rains. At the completion of a school, the donor companies held an opening ceremony with participants from advocating companies and an opportunity to engage with the local children.

Moving forward, the Myanmar Monastic School Support Team will continue to provide support with a goal of building one school per year.



Ceremony to open the monastic school



The monastic school completed in the Mingaladon district

### Construction of Monastic Schools by Myanmar Monastic School Support Team, in Number

Monastic School	Completion	Construction Region	Number of Students	Age	Sponsors
<b>Wutt Kyway Taw Pyay Monastery School</b>	End of October, 2014	Mingaladon Township, Yangon City	Approx. 260	5-16	18 companies, 4 individuals
<b>Pyin Nyar Theingi Nun School</b>	End of November, 2015	Mingaladon Township, Yangon City	Approx. 120	5-12	18 companies, 4 individuals

## **Support and Cooperation in Nepal Manaslu Forest Restoration Project with Planting Technologies**

Sumitomo Forestry provides tree-planting technological support and cooperation in the Manaslu Forest Restoration Project in Nepal led by an NPO Peak Aid, where alpinist Ken Noguchi serves as a representative.

Manaslu is one of the mountain in Himalayas and its peak reaches 8,000 meters up in the air. The mountain once had primary forests with rich vegetation and soil; nonetheless, recent population growth in the villages and deregulated logging have depredated the forests. The degraded forest system has resulted in increased frequency of landslide and adversely affecting lives of the villagers.

Sumitomo Forestry, therefore, has begun providing advice from the technical aspect by sending experts of nurturing seedlings and forests to the project site. Fiscal 2015 was the first year of a three-year long experimental activity of tree-planting, and the Company conducted seedling production support.

# Sumitomo Forestry Group Environmental Management

**Environmental Report**

## **Environmental Management of the Sumitomo Forestry Group**

The Sumitomo Forestry Group lists “Environmental Responsibility” as one of the Action Guidelines of its Corporate Philosophy and states, “We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.” The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

In fiscal 2009, the Group formulated a Mid-Term Environmental Management Plan setting out Mid-term environmental targets. The plan is incorporated into environmental budgets as numerical targets for each fiscal year and environmental activities are steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization. To share and raise awareness of the Environmental Philosophy and Environmental Policies among Group employees, they were printed in employee handbooks. Opportunities to read through and discuss them were also arranged, for example as part of new employee trainings, ISO 14001 internal environmental auditor trainings courses or departmental meetings.

In July 2015, the Group initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group’s Biodiversity Action Guidelines. With the seven principles of the Policy, the Group will continue carrying out businesses that contribute to a sustainable society.

## Sumitomo Forestry Group Environmental Policy

### **1. Develop business operations centered on wood and forests**

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

### **2. Develop and offer environmentally conscious products and services**

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

### **3. Minimize and improve environmental impact**

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

### **4. Ensure strict legal compliance**

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

### **5. Make continual improvements to our environmental management system**

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.

### **6. Promote environmental education**

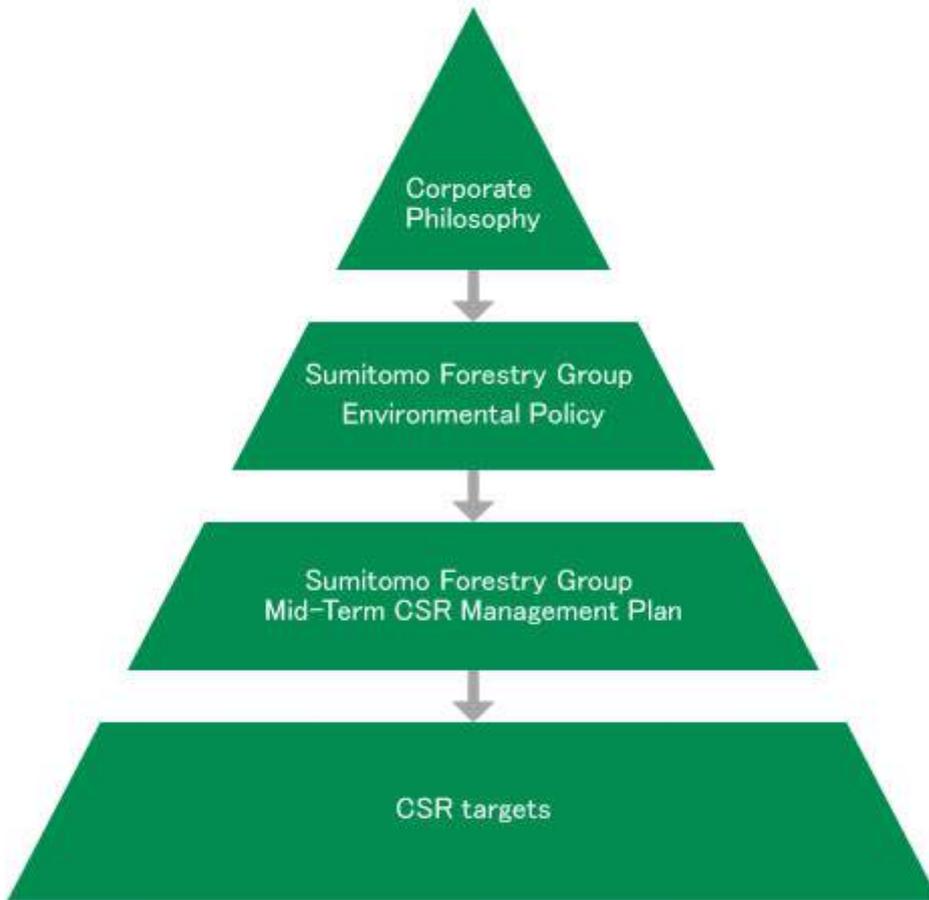
We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

### **7. Pursue active communication**

We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

▶ [Corporate Philosophy and CSR Management](#)

## Sumitomo Forestry Group Environmental Philosophy Framework (in operation since July 2015)



# Environmental Management Structure

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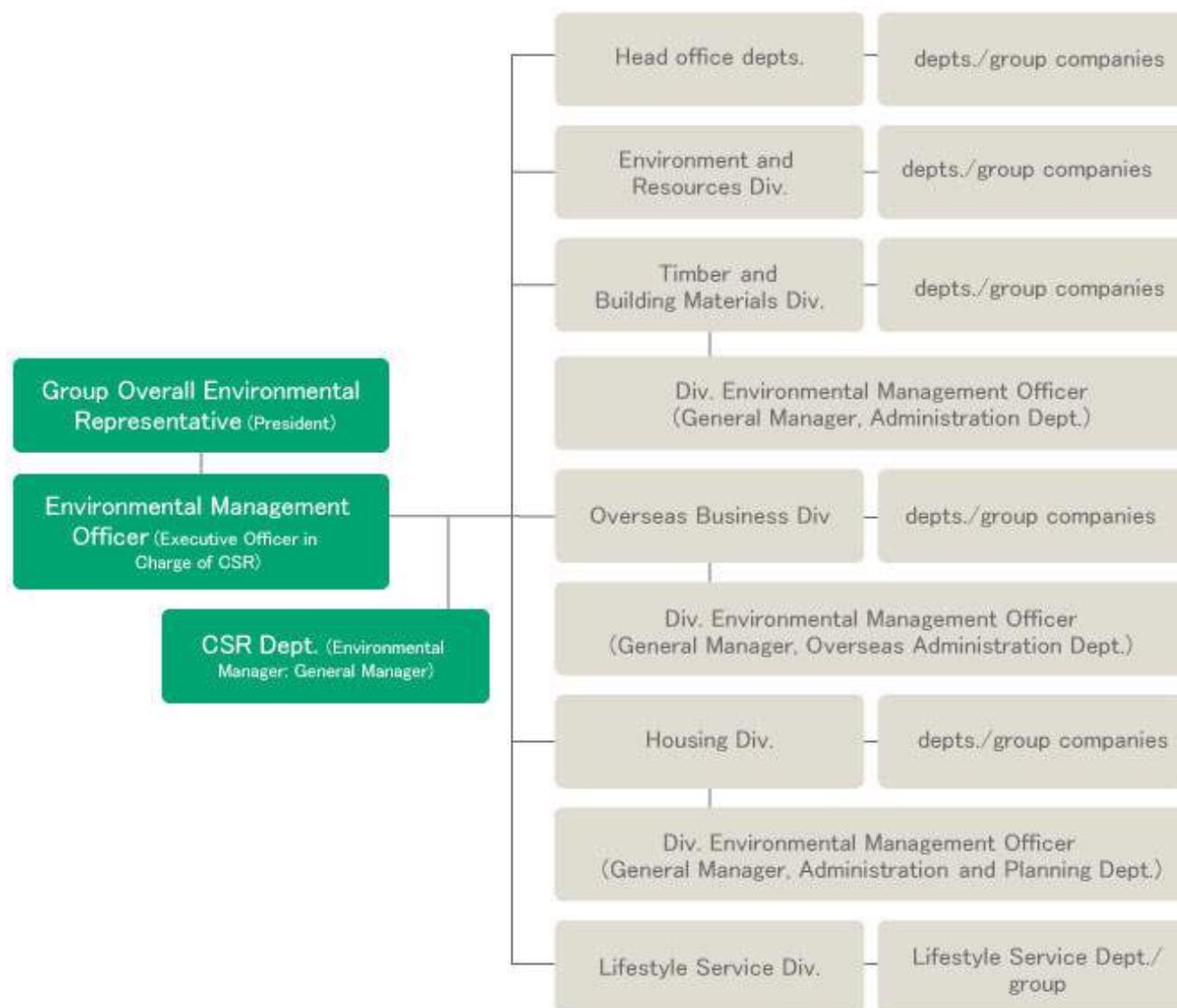
**Environmental Report**

## Environmental Management Structure

To ensure that management is practiced in accordance with the Environmental Policies, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility.

Beneath the President are the Executive Officer in Charge of CSR and the General Manager of the CSR Department. Regular checks on the progress of environmental activities advanced by divisions and departments within the Group and related issues are conducted against the “CSR budget,” which sets forth numerical targets for each fiscal year, to raise the effectiveness of those activities.

## Environmental Management Structure (as of April 2016)



### Roles of Environmental Management Personnel

- Group Overall Environmental Representative: President
- Group Environmental Management Officer: Executive Officer in Charge of CSR
- Group Environmental Manager: General Manager, CSR Dept.
- Division Environmental Management Officers: General Manager, Administration Dept. (Timber & Building Materials Div.); General Manager, Administration & Planning Dept. (Housing Div.); General Manager, Overseas Administration Dept. (Overseas Business Div.)
- Department Environmental Managers: General managers, presidents of group company etc.
- Environmental activity personnel: Environmental promotion personnel

## ISO 14001 Certification

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for its housing operations in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations with all departments and divisions in the Company achieving integrated ISO 14001 certification in fiscal 2002.

The scope of certified Group companies has been extended over critical businesses, and today the Group has five certified companies in Japan. Progress is also being made on certification of overseas Group companies, focused on manufacturing companies, with six companies already certified.

As of March 2016, the certification rate of consolidated organizations was 85.9% (based on sales).

### Sumitomo Forestry Group ISO 14001 Certification

Company	Date acquired
Sumitomo Forestry Co., Ltd. (excl. overseas operations)	August 2002 <sup>1</sup>
Sumitomo Forestry Landscaping Co., Ltd.	November 2002 <sup>2</sup>
Sumitomo Forestry Home Service Co., Ltd.	November 2002 <sup>2</sup>
Sumitomo Forestry Crest Co., Ltd.	September 2003 <sup>2</sup>
Sumitomo Forestry Home Tech Co., Ltd.	March 2013 <sup>2</sup>
Japan Bio Energy Co., Ltd.	August 2014 <sup>2</sup>
PT. Kutai Timber Indonesia (KTI)	July 2001
Nelson Pine Industries Ltd. (NPIL)	July 2003
PT. Rimba Partikel Indonesia (RPI)	October 2005
PT. AST Indonesia (ASTI)	January 2007
Alpine MDF Industries Pty Ltd. (Alpine)	February 2007
Vina Eco Board Co., Ltd. (VECO)	March 2014

1. Certification was acquired by individual departments and divisions from 1997 before integrated certification was acquired for the entire Company.

2. Acquired by inclusion in Sumitomo Forestry's integrated certification

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## **Audits by External Certification Bodies**

Companies covered by the integrated ISO 14001 certification in Japan undergo routine reviews conducted once a year by certification body JIC Quality Assurance Ltd. In fiscal 2015, 34 departments of five companies underwent routine reviews (surveillance reviews) between June and July.

The reviews recommended 34 improvements, but found no irregularities. In addition to examining methods of improvement and taking action for each of the recommendations, notices were issued by the CSR Department to share information on any issues common to the Group companies, and internal environmental audits were conducted to check the implementation of preventive measures.

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## **Internal Environmental Audits**

In addition to reviews conducted by external certification bodies, companies covered by the integrated ISO 14001 certification periodically carry out internal environmental audits. These audits are implemented by employees who have passed an exam upon completion of an in-house training course to become internal environmental auditors.

In fiscal 2015, two courses of internal auditor development trainings were held; one for the Company-certified auditors based on old standards and the other for ones based on new standards were offered following the amendments of the international standards in September 2015. In total eight-session courses, the Company certified 237 internal environmental auditors trained accordingly to the new standards.

During the same year, 72 departments have undergone an internal environmental audit with focus on the amended items of the standards. When irregularities due to the amendments were found and or improvement was suggested, the audited departments took corrective actions and subsequently submitted the action reports to the audit department. Audit results were reported to management by the General Manager of the CSR Department and a review was conducted.

## **Environmental Risk Countermeasures**

The Sumitomo Forestry Group is striving to reduce and to prevent the manifestation of the risks and impact which business activities have upon the global environment and society such as the disposal of industrial waste, soil and water pollution caused by toxic substances, noise and vibration.

In fiscal 2015, there were no significant violations of any environment-related laws or ordinances.

### **Processing of Industrial Waste**

It is said that around 75% of illegally dumped industrial waste in Japan is construction waste. Viewing the environmental risks presented by the processing of industrial waste as one of the biggest in terms of the potential impact on society and business, the Sumitomo Forestry Group works to ensure that industrial waste is disposed of appropriately.

Specifically, to comply with the Waste Management and Public Cleansing Act and other related laws and regulations, the Group has established a set of industrial waste management regulations covering appropriate disposal, reduction, recycling and reuse of industrial, as well as manufacturing regulations stipulating standards essential for production activities. In keeping with these regulations, voluntary audits of waste manifests and terms of outsourcing agreements with waste processors are carried out twice a year for each Group company office in Japan emitting industrial waste. If an audit concludes that corrective action is required, appropriate action is taken and it is subsequently confirmed through reports submitted in line with the industrial waste management system that waste is being properly treated.

In addition, industrial waste managers at each office conduct site checks of contractors' waste treatment plants at least once a year. In fiscal 2015, personnel from the Housing Division carried out site checks of around 560 waste treatment plants across Japan. Divisions other than the Housing Division and offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.

To be able to determine whether industrial waste is being processed in an appropriate manner, the Group asks waste treatment contractors to employ electronic manifests. All branches of the Housing Division and all contractors accepting industrial waste from new housing construction sites have already introduced electronic manifests. In fiscal 2015, 98% of all manifests, including those for housing demolition waste, were electronic.

In conjunction with this, training is also provided for employees who coordinate the processing of industrial waste. In fiscal 2015, a total of 132 people participated in the training, including newly appointed personnel in charge of industrial waste processing at Group companies as well as trainees from the Sumitomo Forestry School of Professional Building Techniques.

▶ [Reduction, Recycling and Appropriate Disposal of Waste](#)

## Soil Contamination

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Soil contamination is difficult to discover as contaminants build up and spread underground out of sight. The Sumitomo Forestry Group implements soil contamination countermeasures for land owned or administered by the Group and conducts voluntary soil contamination studies prior to new land purchases in the condominiums business.

## Water Pollution

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Water pollution creates the risks of human health being directly affected by contamination of drinking water and of contamination affecting the habitats of organisms living in rivers, lakes and seas. The Imari Plant –the former No. 2 Kyushu Plant of Sumitomo Forestry Crest Co., Ltd., which is a specified office under the amended Water Pollution Control Act of Japan, performs its own water quality inspections twice a week on wastewater emitted by the plant's wastewater treatment facility and has a third-party organization conduct inspections twice a month. Inspection results are reported to local government authorities every six months.

Water is also sampled and inspected by the prefecture once a year and by the city three times a year. In 2015, all inspections found the level of water pollution to be within the statutory limit for wastewater.

However, the results of the municipal water quality inspection in January, 2016 found an excess amount of chemical oxygen demand (COD) than the statutory limit for wastewater. As a remedy, Sumitomo Forestry increased the frequency of measurements from biweekly to daily since March and reinforced proper management. Leak response drills are also carried out as part of annual emergency response training.

The Tsukuba Research Institute is also a specified office under the amended Water Pollution Control Act of Japan. As well as replacing some laboratory equipment pertaining to the act, in June 2015, the institute submitted a notice of disuse to the Tsukuba City Hall for some old equipment that was no longer required.

▶ [Management of Hazardous Chemical Substances](#)

## Contamination by Hazardous Chemicals

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Contamination caused by hazardous chemicals leads to risks of a major impact on human health or the environment and the risk of a disaster. The Sumitomo Forestry Group keeps track of amounts of hazardous chemicals including volatile organic compounds (VOC) used and discharged as part of appropriate management, meanwhile making an effort to reduce the use of these chemicals.

The Group also takes appropriate action in response to the Air Pollution Control Act. Sumitomo Forestry Crest's Niihama Plant equipped with boilers and Kagoshima and Shizuoka plants equipped with incinerator make regular measurements of emission volumes and concentrations of NO<sub>x</sub>, SO<sub>x</sub> and soot and dust, and dioxins, respectively, and monitor that these figures are maintained below the statutory limits.

### ▶ [Management of Hazardous Chemical Substances](#)

## Noise and Vibrations

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Sumitomo Forestry makes an effort to prevent noise and vibrations during housing construction. When complaints about noise or vibrations are received, the circumstances are recorded and the information is shared with the rest of Group to prevent the occurrence of similar incidents.

Sumitomo Forestry Crest Co., Ltd. confirms that noise levels within the site boundaries of plants are below the statutory limit by taking regular measurements.

No complaints about noise or vibrations having a major impact on the environment were received from local residents during fiscal 2015.

## Global Warming (Addressing the Amended CFC Act)

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In April 2015, the Fluorocarbons Recovery and Destruction Law came into force for the purpose of promoting drastic measures over the entire lifecycle of chlorofluorocarbons that have a strong greenhouse effect, from manufacture to disposal.

In most cases, the Sumitomo Forestry Group leases its offices in buildings, and since the Group is primarily engaged in the construction and sale of housing and the manufacture and distribution of processed wood products, it does not own (or manage) that much commercial refrigeration and air conditioning equipment (air-conditioners, refrigerators, etc.). Nevertheless, following enforcement of the law, the Group has held seminars to explain the gist of the law and regulations to those divisions that might possibly own (or manage) such equipment that uses chlorofluorocarbons as a refrigerant. The Group has also compiled a list of relevant equipment. In fiscal 2015, the Group carried out simple inspections for commercial refrigeration and air conditioning equipment, and both simple inspections and periodic inspections for any equipment comprising a compressor with a rated output of 7.5 kW or greater.

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## ■ Understanding Environmental Risks

The Sumitomo Forestry Group is aware of the risk upon our business activities from environmental changes such as climate change or reduced biodiversity and works to gather related information. The Group analyzes the information as required for the purpose of assessing business risks.

## Risks Related to Climate Change

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### ■ Natural Disasters

Damage from a major earthquake, windstorm, flood or other natural disaster could result in significant costs arising from restoring operations at facilities, verifying the safety of delivered housing products, delays in the completion and handover of contracted properties, or other events. Such costs could influence the Group's operating results and financial position.

## ■ Establishment of Emission Reduction Obligations

As the move towards reduction of greenhouse gases takes shape globally, there is the possibility that reduction obligations will be imposed upon businesses in countries where the Sumitomo Forestry Group has bases. If Group companies with bases in these countries are unable to meet reduction obligations, they will be required to purchase emission credits, creating the risk of increased business costs.

In Japan too, future changes in new international frameworks could result in adjustments to domestic systems, which could influence business activities and costs.

## ■ Environmental Adaptation of Products and Services

With the revision of Japan's energy efficiency standards in fiscal 2013 (from fiscal 2020, houses will be required to comply with energy efficiency standards), it is expected that demand will grow for life cycle carbon minus (LCCM) housing. If the Sumitomo Forestry Group does not respond swiftly, we risk losing market share. There is also a risk that, if significant climate change occurs, we will be expected to change housing specifications or provide after service to adapt to these changes.

## ■ Changes to Suppliers and the Impact upon Operation of Company-owned Forests

Because Sumitomo Forestry positions timber as its principal material and product, the risk exists of having to change suppliers in the event of limitations being imposed due to the depletion of timber resources or changes to habitats resulting from climate change. Climate changes, including average temperature or annual rainfall, damage due to storm or flood, and ecosystem changes also pose risks to company-owned forests by impacting upon forest preservation, tree growth and upon vegetation.

## ■ Energy Supply Shortages

In countries like New Zealand, where hydroelectric power is used, there is a risk that a change in the amount of rainfall will cause dam levels to fall and lead to a disruption of supply from hydroelectric power stations, forcing Sumitomo Forestry Group sites in those countries to suspend plant operations.

## Risks Related to Biodiversity Change

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### ■ Changes in Timber Quality and Volume

The Sumitomo Forestry Group is among the top Japanese procurers of forest timber by volume. Trees represent the blessing of biodiversity which, if lost, poses a risk to the foundation of our business. Furthermore, should the quality or volume change, the required response may lead to significant cost increases.

## ■ Strengthening of Related Laws and Regulations

The establishment and strengthening of laws and regulations for preventing loss of biodiversity continues. Anticipated risks include effects on operation of Company-owned forests, having to adapt timber procurement in terms of regions, tree species and volume, and having to adapt housing construction business in terms of regions, scale and greening. Should the Group fail to deal with the associated laws and regulations, compliance risks will emerge.

## ■ Corporate Image Deterioration

Any mistake in addressing biodiversity may be detrimental to the corporate image, directly affecting sales and other performance indicators.

## ■ Impact upon Fund Procurement

Financial institutions and similar organizations are making the implementation of environmental assessments and biodiversity initiatives a condition of lending. Corporate credit rating agencies and investors, too, are adopting increasingly detailed assessment criteria for credit rating and socially responsible investment (SRI), including biodiversity initiatives as an assessment category. These growing trends may potentially affect funds procurement.

## Risks Associated with Illegal Logging

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### ■ Strengthening of Related Laws and Regulations

Illegal logging of forests is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. If the Sumitomo Forestry Group does not respond appropriately to such laws and regulations in its harvesting and procurement, there is the potential of compliance risk arising or indemnity being incurred.

### ■ Corporate Image Deterioration

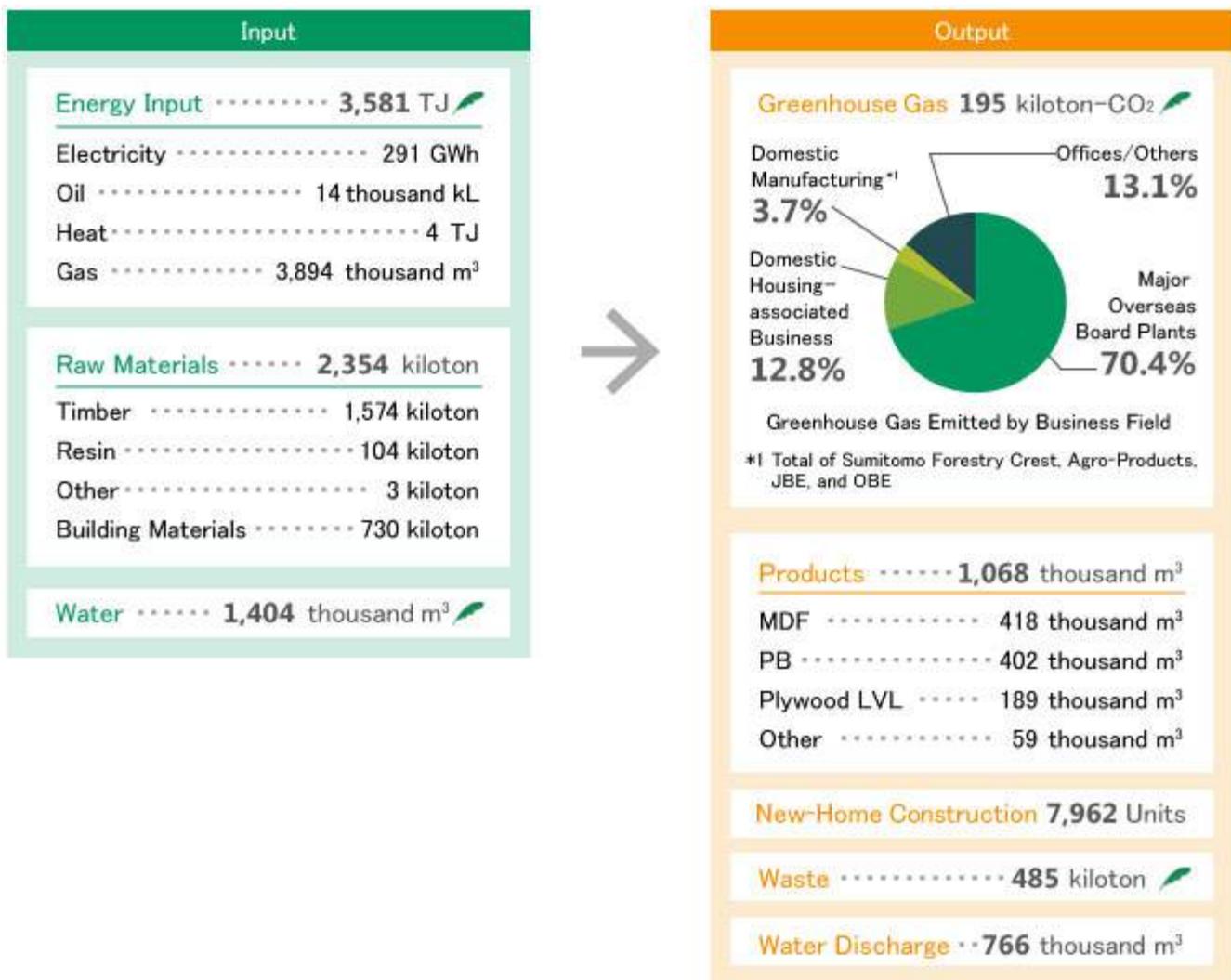
Should the Sumitomo Forestry Group deal in illegally logged timber due to a neglect to exercise the appropriate duty of care, there is the potential of damage to our corporate image which could have a direct impact upon sales and other business results.

# Environmental Impact of Business Activities Environmental Report

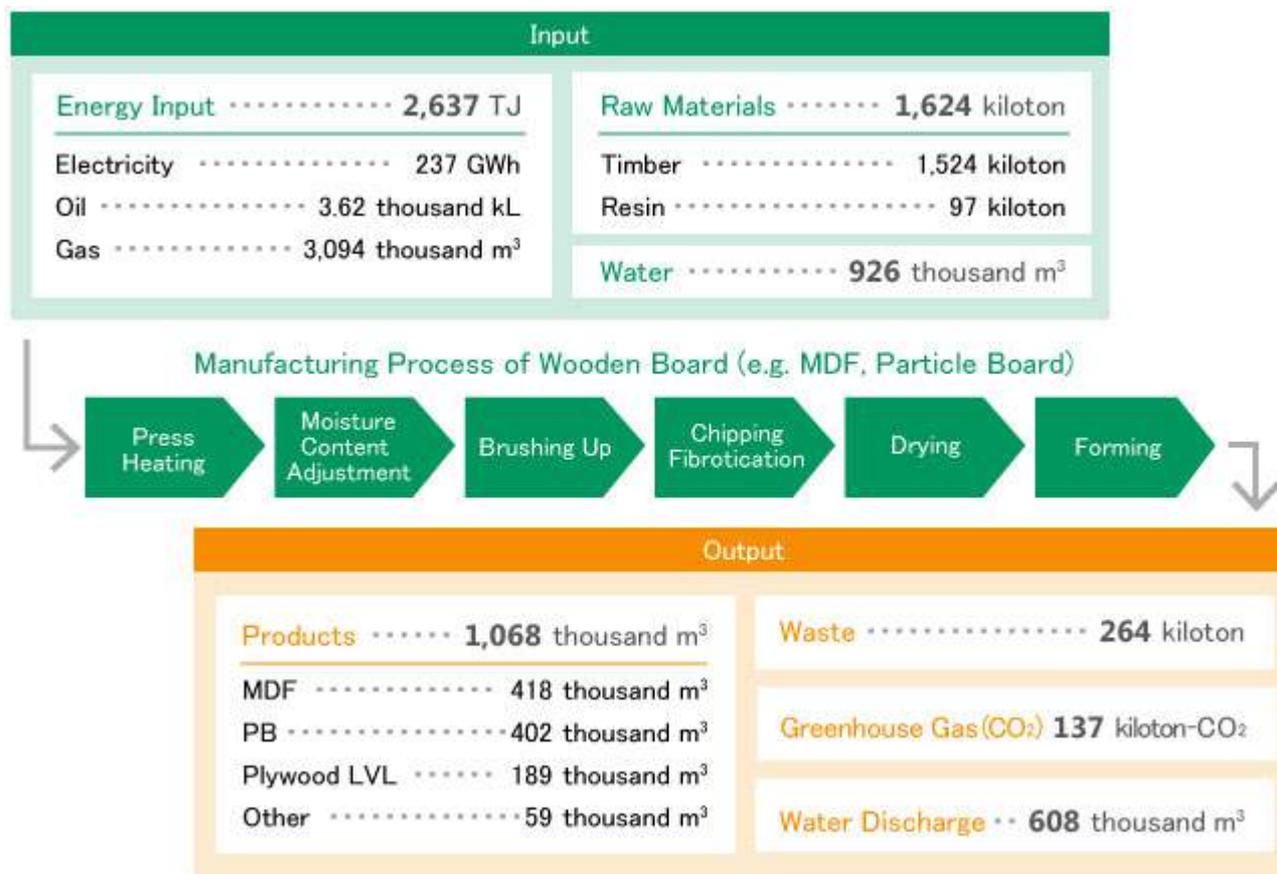
## Material Balance

Sumitomo Forestry Group conducts businesses in Japan and overseas. While 42% of its sales coming from Housing Division, major overseas wooden board plants attribute to over 70% of greenhouse gas emissions in result of significant electricity consumptions over the course of product manufacturing. The Group companies, therefore, fulfill their duties to understand possible environmental impacts they may incur in their respective business fields, establishing appropriate management and initiatives.

### All Business Activities

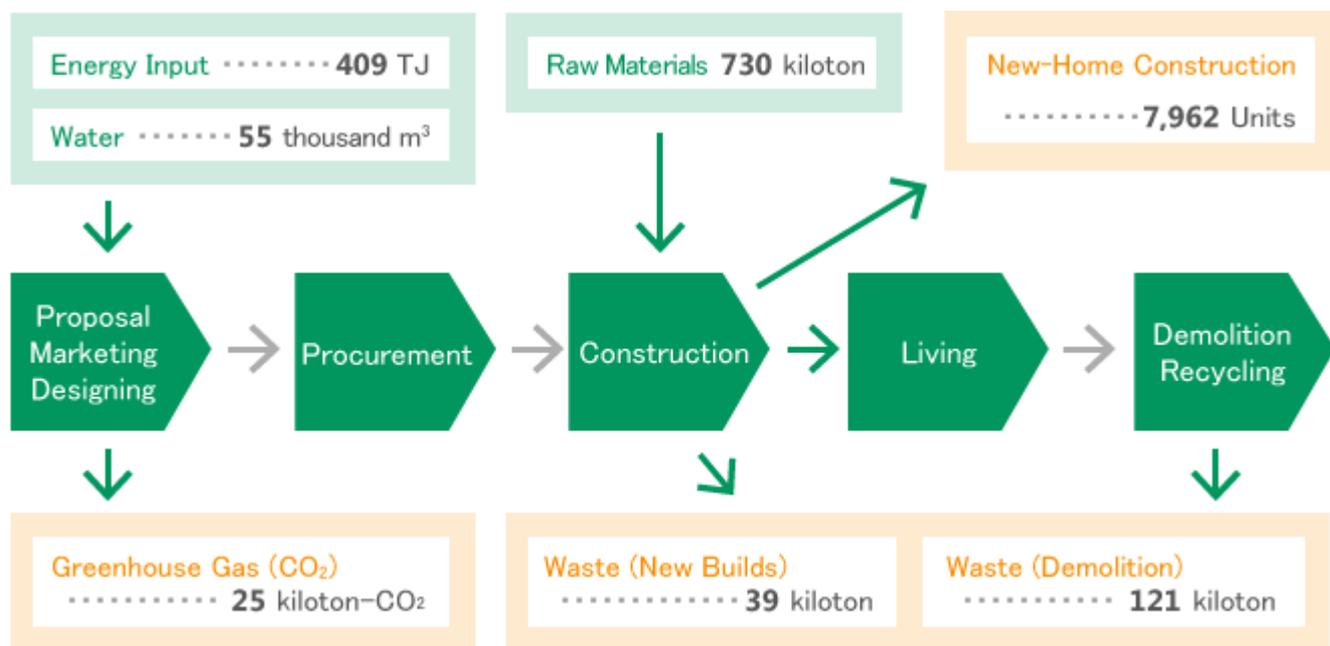


## Material Balance of Overseas Main Board Plants\*2



\*2 Total of Kutai Timber Indonesia, Rimba Partikel Indonesia (Indonesia), Alpine (Australia), Nelson Pine Industries (New Zealand), and Vina Eco Board (Vietnam).

### Flow and Material Balance of Domestic Housing-Related Business\*3



\*3 Total of Sumitomo Forestry Housing Division Head Office, Sumitomo Forestry Archi Techno, Sumitomo Forestry Home Engineering, Sumitomo Forestry Home Tech, Sumitomo Forestry Landscaping, Sumitomo Forestry Residential, and Sumitomo Forestry Home Services.

- ▶ [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)
- ▶ [Boundaries and Method of Data Aggregation](#)

## Implementation of Life Cycle Assessments

In fiscal 2006, the Sumitomo Forestry Group carried out life cycle assessments (LCA)\*<sup>1</sup> at each of its businesses with the help of the Tokyo University of Agriculture and Technology (TUAT) to ascertain the environmental impact of its products. Since then, the Group has introduced carbon footprint (CFP)\*<sup>2</sup> labels for individual products and carried out life cycle assessments of detached housing among other initiatives. For example, Group company PT. Rimba Partikel Indonesia (RPI) conducts LCAs of particle board (PB) that it manufactures and sells, covering the production and transportation of the raw materials through to manufacturing of the products. The company also voluntarily displays CFP labels on PB products based on LCA results.



RPI started displaying CFP labels on PB products in 2009

(first time for Indonesian companies in the timber products market)

In fiscal 2015, the Company conducted assessments on construction of and waste from the 26 year-old Company-build home and 300 year-old home renovations. The comparison of LCA results between renovation including energy-efficiency reform, and reconstruction, the Company found that renovation practices are able to achieve both greater convenience and reduction of environmental burden. The future LCA will be progressively amended in accordance with Sumitomo Forestry's latest home specifications.

### ▶ [Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period](#)

\*1 A method of evaluating the overall environmental impact of a product throughout its life cycle (all stages, including raw material procurement, manufacturing, transportation, sale, use, reuse and disposal).

\*2 A measure indicating of the amount of greenhouse gases emitted over the entire life cycle of a product or service converted into CO<sub>2</sub>.

## Review of HWP Methodology

Sumitomo Forestry is working together with International Tropical Timber Organization (ITTO) in the ITTO-led HWP research program for consolidation of the HWP methodology. HWP stands for Harvested Wood Products. In international negotiations concerning climate change, efficacy of carbon fixation by timber products have been discussed. COP17 decided that change of carbon storage in home-building timber can be reported as either a country's greenhouse gas absorbance or emissions during the second commitment period. This demonstrates that international authorities validated the effect of increased carbon storage by timber products towards mitigation of the global temperature rise.



# Boundaries and Method of Data Aggregation

Environmental Report

## Boundaries (range of organizations included in aggregate)

Disclosure classification		Boundary
All business activities		All Sumitomo Forestry Group companies
Segment	Manufacturing in Japan	Sumitomo Forestry Crest Co., Ltd. [Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant], Sumirin Agro-Products Co., Ltd. [Shinshiro Plant, Tobishima Plant], Japan Bio Energy Co., Ltd.
	Manufacturing overseas	PT. Rimba Partikel Indonesia, Alpine MDF Industries Pty Ltd., PT. AST Indonesia, PT. Kutai Timber Indonesia, Nelson Pine Industries Ltd., Vina Eco Board Co., Ltd.
	Housing design, construction and sale	Sumitomo Forestry Co., Ltd. [Housing Division], Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Archi Techno Co., Ltd.
	Offices and other	Divisions of Sumitomo Forestry Co., Ltd. and other Group companies not listed above

▶ [Sumitomo Forestry Group \(link to list of Group companies\)](#)

## Assumptions

Disclosure classification	Assumptions	
Manufacturing in Japan	Energy CO <sub>2</sub>	Energy consumption and CO <sub>2</sub> emissions at each plant
	Raw materials	Raw materials used in building materials and potting mix, etc.
	Water	Water usage in the production of building materials and potting mix, etc.
	Waste	Waste generated in the production of building materials and potting mix, etc.
Manufacturing overseas	Energy CO <sub>2</sub>	Energy consumption and CO <sub>2</sub> emissions at each plant
	Raw materials	Raw materials used in timber products, etc.
	Water	Water usage in the production of timber products, etc.
	Waste	Waste generated in the production of timber products, etc.
Housing design, construction and sale	Energy CO <sub>2</sub>	Energy consumption and CO <sub>2</sub> emissions at offices related to the housing business (including model homes)
	Raw materials	Materials committed to housing construction
	Water	Water usage at offices related to the housing business
	Waste	Waste generated during housing construction (including renovations) and demolition
	Energy CO <sub>2</sub>	Energy consumption and CO <sub>2</sub> emissions at offices of Sumitomo Forestry and other Group companies not involved in manufacturing in Japan or overseas, or in housing design construction and sale

<b>Offices and other</b>	Water	Water usage at offices of Sumitomo Forestry and other Group companies not involved in manufacturing in Japan or overseas, or in housing design construction and sale
	Waste	Waste generated at offices of Sumitomo Forestry and other Group companies not involved in manufacturing in Japan or overseas, or in housing design construction and sale

## Method of Aggregation

CO<sub>2</sub> : See webpage below

▶ [Boundaries and Methods of CO<sub>2</sub> Emissions Calculation](#)

Waste: Emissions calculated based on data collected from manifests

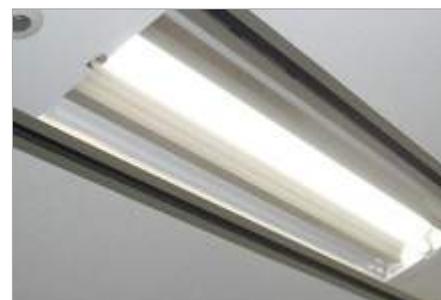
# Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

Environmental Report

## Reducing CO<sub>2</sub> Emissions from Offices

The Sumitomo Forestry Group defines "the office category" as anything but non-office category in consolidated companies inside and outside Japan. At offices, CO<sub>2</sub> emissions in fiscal 2015 were 33,055 t-CO<sub>2</sub>, 6.7% and 3.9% reductions compared to the base year (fiscal 2013) and the previous year, respectively.

In addition to proceeding to introduce fuel-efficient vehicles, the Group has encouraged employees who drive on the job at offices and business sites of Group companies in Japan to participate in the Eco Training course run by the Japan Automobile Federation (JAF). Of all the newly registered Company-owned vehicles during fiscal 2015, 86% was fuel-efficient, and in result, CO<sub>2</sub> emissions attributed by gasoline-engine vehicles decreased by 7.6% compared to the previous fiscal year.



Environmentally conscious lighting

The Group has also worked to reduce power consumption. In the Housing Division, power consumption has been reduced by moving to a "free address" office system (where personnel are not assigned to fixed desks) to make more efficient use of office space. In addition, the division has also proceeded to install solar power generation systems and LED lighting at its model homes and other business sites. The Group will continue to reduce CO<sub>2</sub> emissions, such as by implementing eco-drive programs to raise awareness among employees.

### CSR Mid-Term Plan

**Reduce total CO<sub>2</sub> emissions from all domestic and overseas consolidated companies by 7% of the base year by fiscal 2020.**

In fiscal 2015, the total amount of CO<sub>2</sub> emissions in the office category dropped by 6.7% to 33,055 t-CO<sub>2</sub>. The Company will start the eco-drive curriculum in addition to ongoing safe-drive training provided by Housing Division with the aim to lower gasoline-derived CO<sub>2</sub> emissions towards the following year's target.

## Office Emissions (t-CO<sub>2</sub>)

FY	FY2013 (Base Year)	FY2014 (Performance)	FY2015 (Performance)	FY2015 (Target)	FY2016 (Target)	FY2020 (Target)
Total CO <sub>2</sub> Emissions	35,440 t- CO <sub>2</sub>	34,404 t- CO <sub>2</sub>	33,055 t- CO <sub>2</sub>	34,345 t- CO <sub>2</sub>	33,746 t- CO <sub>2</sub>	32,859 t- CO <sub>2</sub>
Difference to Base Year Percent Change	-	2.9% reduction	6.7% reduction	3.1% reduction	4.5% reduction	7.0% reduction

\*Figures are aligned with organizations in fiscal 2013 as the base year.

► [CSR Mid-Term Plan](#)

## Non-Office CO<sub>2</sub> Emission Reduction

To address CO<sub>2</sub> emissions collectively, the Group set manufacturing plants of Sumitomo Forestry Crest and Sumirin Agro Products, Tsukuba Research Institute, the Metropolitan Resource Center, Filcare, Kono Kita Development, and Japan Bio Energy as domestic non-office category constituents, as well as RPI, ASTI, KTI, Alpine, VECO, and NPIL’s overseas manufacturing plants, SRP,OBT, and CanyonCreek as overseas non-office category constituents with their respective reduction targets.

### CSR Mid-Term Plan

**Set company-specific reduction targets for CO<sub>2</sub> emissions; i.e. over 1% average percent per-unit emission reduction between fiscal 2015 and 2020**

In fiscal 2015, the domestic category progressed in decreasing CO<sub>2</sub> emission by increasing efficiencies in production and operation of manufacturing plants as means to achieve the targets whereas the overseas category addresses offset CO<sub>2</sub> emissions through alternative electricity tariffs or purchase methods as well as new measures as for plants under influence of facility expansion along with establishment of a new business.

## Major Non-Office CO<sub>2</sub> Emission Reduction Performance and Targets

Company	FY2014 (Performance)	FY2015 (Performance)	FY2015 (Target)	FY2016 (Target)
Sumitomo Forestry Crest Co., Ltd.	6.4% increase	26.1% reduction	26.0% reduction	9.5% reduction
Sumirin Agro-Products Co., Ltd.	33.2% reduction	18.6% reduction	11.4% reduction	2.7% increase
PT. Rimba Partikel Indonesia (RPI)	19.4% increase	53.1% increase	12.8% reduction	18.3% reduction
PT. AST Indonesia (ASTI)	13.6% increase	7.3% increase	2.6% reduction	0.9% increase
PT. Kutai Timber Indonesia (KTI)	6.0% increase	5.9% increase	1.4% reduction	1.9% reduction
Alpine MDF Industries (ALPINE)	10.5% reduction	5.5% increase	4.5% reduction	4.6% increase
Nelson Pine Industries (NPIL)	17.1% increase	5.2% reduction	2.4% increase	0.4% reduction
Vina Eco Board Co., Ltd. (VECO)	5.6% reduction	5.7% reduction	0.9% increase	2.2% increase

\*Increases and decreases are in reference to respective previous years.

► [CSR Mid-Term Plan](#)

## Reducing CO<sub>2</sub> Emissions from Manufacturing Companies outside Japan

### Reducing CO<sub>2</sub> Emissions from Transportation

Under the revised Act on the Rational Use of Energy in Japan, consigners are required to reduce per-unit energy consumption by an annual average of 1% or more in the medium to long term in relation to the transportation of goods. Sumitomo Forestry and Sumitomo Forestry Crest Co., Ltd. fall under the category of “specified consigner” (annual freight transportation volume is 30 million ton-kilometers\*<sup>1</sup> or more), obligating them to submit reports to the Japanese Government. Sumitomo Forestry therefore sets a target each fiscal year to reduce per-unit energy consumption\*<sup>2</sup> in transportation by 1% or more compared to the previous year. Sumitomo Forestry Crest also sets targets to reduce per-unit energy consumption compared to the previous year.

In fiscal 2015, Sumitomo Forestry's per-unit energy consumption was 99.6% compared to the previous year and Sumitomo Forestry Crest's was 97.4%.

Ongoing efforts will be made to reduce CO<sub>2</sub> emissions through cooperation with transportation partners on such measures as improving loading efficiency, shifting from land to sea transportation, and utilizing the return leg of construction material deliveries to transport waste. Efforts will also be made in ascertaining CO<sub>2</sub> emissions across the entire supply chain, which includes both domestic and international transportation.

\*1. Freight transportation volume (ton-kilometers) = freight weight (tons) × distance travelled (km))

\*2. Sumitomo Forestry measures energy consumption per unit of volume handled. Sumitomo Forestry Crest measures energy consumption per unit of net sales.

### Energy Consumption From Transportation, CO<sub>2</sub> Emissions and Per-Unit Energy Consumption (FY2015 Performance)

	Energy Use (Crude Oil Equivalent)	CO <sub>2</sub> Emission	Energy Per Unit Consumption
Sumitomo Forestry Co., Ltd.	2,602 kL	6,959 t-CO <sub>2</sub>	0.00195 kL/m <sup>3</sup> (Ratio to Previous FY: 100.4%)
Sumitomo Forestry Crest Co., Ltd.	2,242 kL	5,953 t-CO <sub>2</sub>	0.0000613 kL/ 1,000 Yen (Ratio to Previous FY: 99.9%)

## Establishment of an Efficient Delivery

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In 2007, Sumitomo Forestry made improvements to the system it uses to deliver materials for Sumitomo Forestry Home houses respectively from the manufacturer to individual construction sites. Seeking to reduce the amount of CO<sub>2</sub> emitted during transportation, the Company established a system whereby materials from multiple manufacturers would first be gathered at relay centers, of which there are 26 nationwide, and then delivered together in mixed loads. In April 2010, the Company established Home Eco Logistics Co., Ltd., leveraging the distribution efficiency know-how it had acquired over the years. Home Eco Logistics takes on logistics operations for the Sumitomo Forestry Group's housing business and also actively puts forward proposals for efficient logistics operations to material manufacturers, housing manufacturers, housing construction companies and building material distributors. As of March 2016, Home Eco Logistics provided logistics operations to more than 30 companies. The company will continue to actively put forward proposals aiming for standardization of logistics functions in the industry, while at the same time contributing to further reductions in CO<sub>2</sub> emissions through improved efficiencies in transportation.

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## Greenhouse Gas Emissions per Scope Based on the GHG Protocol

Since fiscal 2012, the Sumitomo Forestry Group has ascertained the volume of its CO<sub>2</sub> emissions according to different scopes\*<sup>1</sup> based on the GHG Protocol, a set of widely used international accounting tools for quantifying GHG emissions. The Group plans to gradually expand what is included in the calculation for Scope 3, that is, CO<sub>2</sub> emissions occurring in the supply chain.

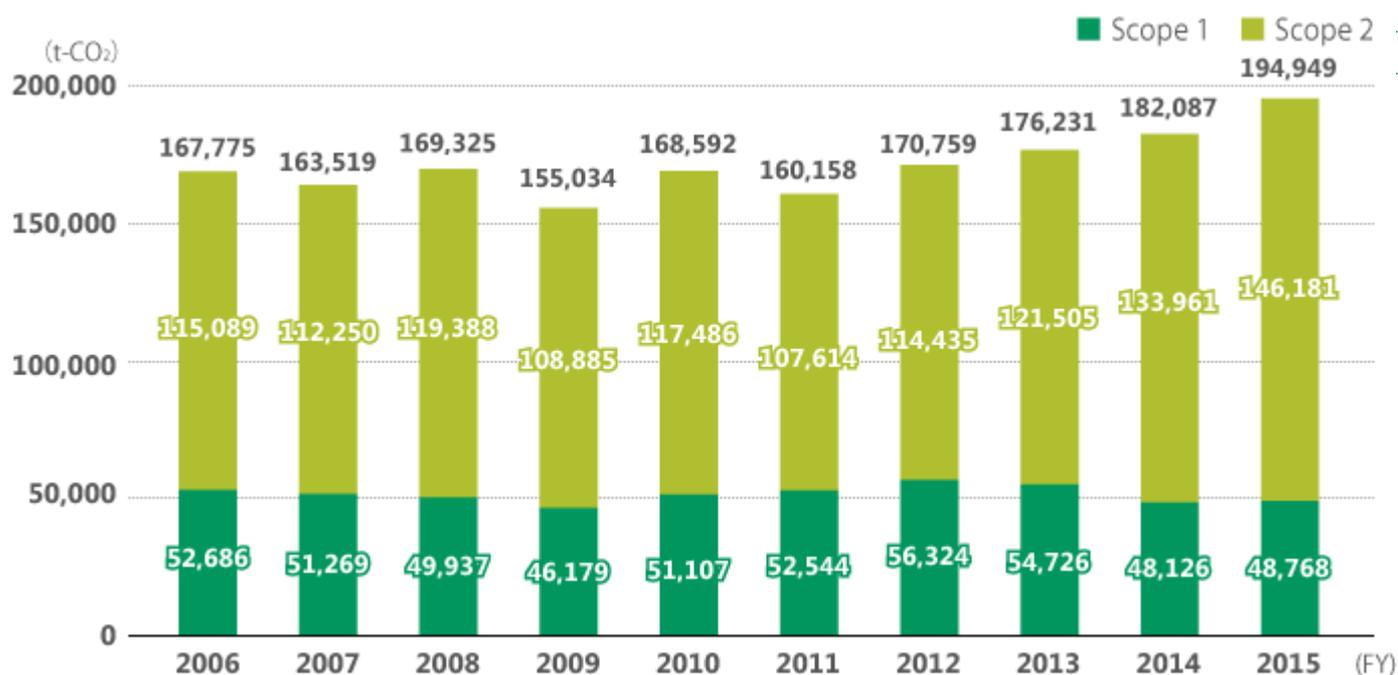
\*1 The GHG Protocol requires businesses to disclose their greenhouse gas emissions according to the following categories.

Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption including CH<sub>4</sub> and N<sub>2</sub>O. E.g. CO<sub>2</sub> emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. E.g. CO<sub>2</sub> emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. E.g. CO<sub>2</sub> emissions generated during the use of products sold.

## Scope 1 and Scope 2 CO<sub>2</sub> Emission Trends



\*The Sumitomo Forestry Group offsets its CO<sub>2</sub> emissions from model homes, which were 1,590 tons in FY2010, 2,542 tons in FY2011 and 3,056 tons in FY2012 and 2,835 tons in FY2013, using forest sink credits issued under the Offset Credit (J-VER) Scheme.

## Breakdown of Scope 1 and 2 CO<sub>2</sub> Emissions

	Domestic and Overseas Office	Domestic Non-Office	Overseas Non-Office	Total
Scope 1	20 thousand t-CO <sub>2</sub>	3 thousand t-CO <sub>2</sub>	26 thousand t-CO <sub>2</sub>	49 thousand t-CO <sub>2</sub>
Scope 2	13 thousand t-CO <sub>2</sub>	9 thousand t-CO <sub>2</sub>	124 thousand t-CO <sub>2</sub>	146 thousand t-CO <sub>2</sub>

Scope 3 Three-Year Data of CO<sub>2</sub> Emissions by Category (Fiscal 2015) (t-CO<sub>2</sub>)

Category	Boundary of Emissions included in the Category	FY 2013	FY 2014	FY 2015
1 Purchased products and services	Emissions from upstream of purchased products during new home construction and building material business	—	—	1,187,600
2 Capital goods	Emissions from upstream of purchased facilities	—	—	42,323
3 Fuels and energy-related activities excluded from Scope 1 and 2	Emissions from purchased fuels, electricity, heat capacity, and water, as well as transport of purchased fuels	—	—	4,393
4 Transport and delivery (upstream)	Emissions from transport of timber from logging sites, purchased items in building materials, raw materials to plants and products to clients in timber production business, and imports to overseas destinations in building material business	5,751 Estimate covering only Sumitomo Forestry – the parent company	11,604 Estimate covering Sumitomo Forestry and Group companies in Timber Production Business	264,736 Estimate for marine transport added to the FY2014 figure
5 Waste generated through businesses	Emissions from waste treatment and its transport	—	—	10,839
6 Business trips	Emissions related to business trips of employees such as use of public transportation and accommodation	—	—	1,393
7 Employee commute	Emissions from employee commute by train and bus	—	—	1,476
8 Leased property (Upstream)	(Emissions from use of upstream leased property such as office building, heavy machinery, vehicles, and facilities are included in Scope 1 or 2)	—	—	—

9 Transport and deliver (downstream)	Emissions from transport of sold products in Timber Production Business (for wood yard pick up)	—	—	11,717
10 Processing of sold products	Emissions from processing of raw wood into plywood as well as of sold pre-cut processing of sold lumber	—	—	51,733
11 Use of purchased products	Emissions from sold homes while in use (for sixty years)	2,072,489	2,163,805	2,015,591
12 Disposal of sold products	Emissions from demolition and disposal of homes sold by the Company	29,641 (Demolition + disposal (landfill only) is estimated)	53,416 (Demolition + disposal (landfill, incineration, and recycling) is estimated)	48,435
13 Leased property (downstream)	(Tenants must belong to the Group and the figures are included in Scope 1 and 2 of the Group)	—	—	—
14 Franchised	(excluded)	—	—	—
15 Investment	Emissions from the investees (based on the Company's proportional share)	—	—	94,671

\*All categories other than Category 4, 11, and 12 are disclosed since FY2015.

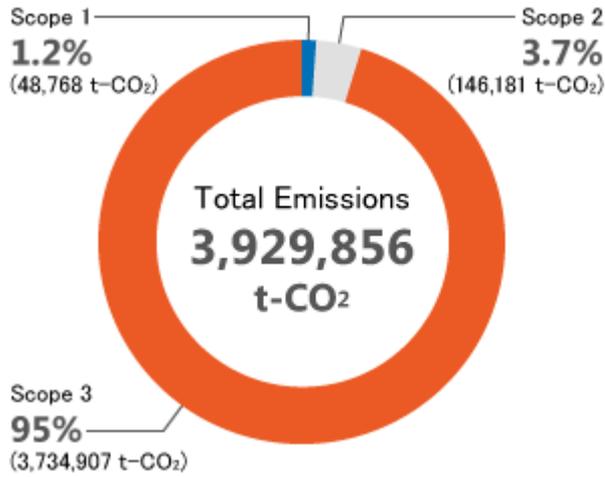
\*Above data include domestic businesses only.

\*Per unit emissions are referred to following data base:

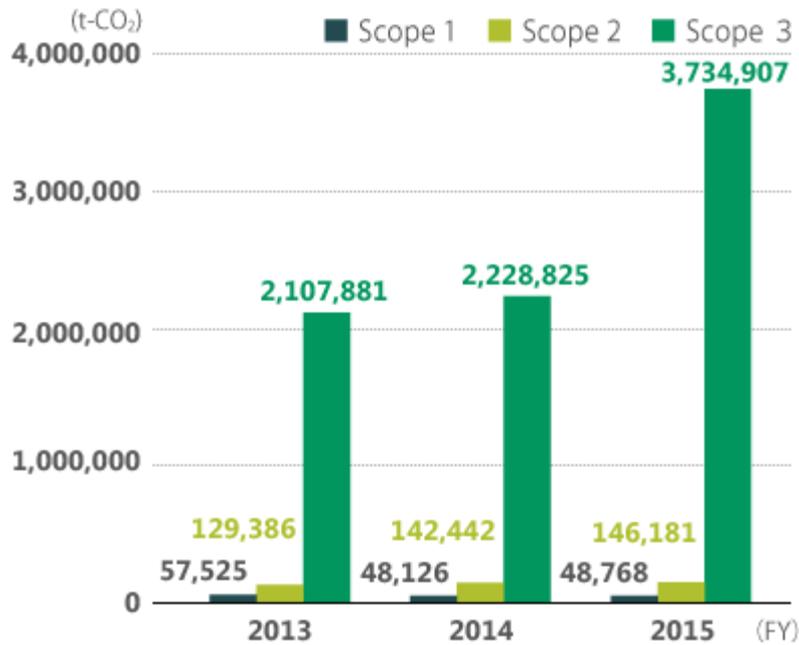
- Database of GHG emission factor for Calculating an Organization's Greenhouse Gas Emissions through the Supply Chain, Ver. 2.2, Ministry of Environment and Ministry of Economy, Trade and Industry
- Carbon Footprint (CFP) Communication Program, Basic Database Ver. 1.01 (Japan data) published by the Japan Environmental Management Association for Industry (JEMAI)
- Manual for Calculating and Reporting Greenhouse Gas Emissions (Ver. 4.1), Ministry of the Environment and Ministry of Economy, Trade and Industry

The data with greater accuracy will be obtained progressively in the future by requesting the provision of primary data from business partners if possible.

## FY2015 Total Greenhouse Gas Emissions Accrued From Corporate Activities



### Emission Trends in Scope 1, 2, and 3\*



\*Since FY2015, the coverage of estimation for Scope 3 has expanded to fifteen categories from three categories.

► [Boundaries and Methods of CO<sub>2</sub> Emissions Calculation](#)



# Boundaries and Methods of CO<sub>2</sub> Emissions Calculation

Environmental Report

## Boundaries relating to CO<sub>2</sub> emissions (range of organizations included in aggregate)

Except where special explanatory notes are added, all Group companies both in Japan and overseas are included in the aggregates for CO<sub>2</sub> emissions stated in this report. The range of applicable organizations and the bounds of the calculation for each scope are as described below.

- Scopes 1 and 2
  - All Group companies, including affiliates in Japan and overseas
- Scope 3
  - All Group companies, including affiliates in Japan and overseas

▶ [List of applicable companies \(link to list of Group companies\)](#)

## Scope 1 CO<sub>2</sub> Emissions

CO<sub>2</sub> emissions inside and outside Japan are calculated using the calorie conversion factors and the carbon emission factors prescribed in the Act on Promotion of Global Warming Countermeasures.

## Scope 2 CO<sub>2</sub> Emissions

CO<sub>2</sub> emissions from using purchased electricity in Japan are calculated using the emission factor for each power company in each fiscal year as prescribed in the Act on Promotion of Global Warming Countermeasures (using the actual emission factor for fiscal 2008 and earlier, and using the adjusted emission factor for fiscal 2009 and later).

CO<sub>2</sub> emissions from using purchased heat are calculated using the CO<sub>2</sub> emission factor prescribed in the Act on Promotion of Global Warming Countermeasures.

CO<sub>2</sub> emissions in fiscal 2015 from using purchased electricity overseas are calculated using the following CO<sub>2</sub> emission factors for each country.

- Australia: 0.799kgCO<sub>2</sub>/kWh
- United States: 0.481kgCO<sub>2</sub>/kWh
- China: 0.734kgCO<sub>2</sub>/kWh
- Indonesia: 0.809kgCO<sub>2</sub>/kWh
- Vietnam: 0.351kgCO<sub>2</sub>/kWh
- New Zealand: 0.173kgCO<sub>2</sub>/kWh
- Singapore: 0.472kgCO<sub>2</sub>/kWh
- Malaysia: 0.671kgCO<sub>2</sub>/kWh

## Calculation of Scope 3

### Category 1 Purchased Products and Services

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#### (Construction of wooden houses: outsourcing)

$\Sigma$  (Energy consumption through construction of a house \*Energy type-specific CO<sub>2</sub> emission factor) \*Number of outsourced houses completed in fiscal 2015

#### (Procurement in timber and building materials business)

$\Sigma$  (Procured volume of products being sold or sales of the products \*per unit or price CO<sub>2</sub> emissions)

## Category 2 Capital Goods

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$\Sigma$  (Amount of capital goods procurement of a domestic Group companies \*Industry-specific per unit CO<sub>2</sub> emissions)

## Category 3 Fuels Excluded from Scope 1 and 2 and Energy-Related Activities

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### (Procurement)

$\Sigma$  (Energy and water consumption \*Per unit energy-specific CO<sub>2</sub> emissions)

### (Transport from Retailers) \*includes consumptions at fields of business operation; e.g. plants

$\Sigma$  [Energy consumption (expressed as weight) \*Estimated transport distance \*Ton-kilometer per unit fuel consumption \*CO<sub>2</sub> emission factor]

\*Calculated based on transport scenarios

## Category 4 Transport and Distribution (Upstream)

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### (Domestic transport)

CO<sub>2</sub> emissions from the transport of major freight (Reported value in accordance with Energy Saving Act excluding transport of waste)

\*Transport of waste is covered in Category 5.

### (Sea Transport)

$\Sigma$  (Procured volume of imported products \*Sea transport distance from the country of procurement \* Per unit vessel transport CO<sub>2</sub> emissions)

## Category 5 Waste Generated Through Operations

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$\Sigma$  (Amount of waste generated by waste classification \*per unit emissions by waste classification and waste disposal method)

## Category 6 Business Trip

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Number of domestic Group employees \*per unit CO<sub>2</sub> emissions during a business trip

## Category 7 Employee Commuting

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$\Sigma$  (Travel cost provided by travel means \*per unit CO<sub>2</sub> emissions by travel means)

\*CO<sub>2</sub> emissions from employee commuting by private vehicles of employees are included in Scope 1.

## Category 9 Transport and Distribution (Downstream)

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**(Pick-up of sold plywood sheets and fiberboard at yards)**

$\Sigma$  (Units sold \* Estimated transport distance \*ton-kilometer per unit fuel consumption \*CO<sub>2</sub> emission factor)

\*Calculated based on transport scenarios

## Category 10 Processing of products sold

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**(plywood sheet processing and precut processing)**

$\Sigma$  (Sold units of raw wood and lumber \*Per unit CO<sub>2</sub> emissions during processing)

\*Per unit CO<sub>2</sub> emissions based on LCAs conducted by Sumitomo Forestry

## Category 11 Use of Sold Products

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### (CO<sub>2</sub> emissions during occupancy)

$\Sigma$  (Annual energy usage per house × CO<sub>2</sub> emission factor for each type of energy) × Years of residence period × Number of houses completed in FY2015

\*Regarding the amount of emissions during occupancy, emissions related to “renovation” have been excluded since some of the Scope 1 and 2 emissions of the affiliates engaged in the business of renovations (Sumitomo Forestry Home Tech Co., Ltd.) could be double-counted.

- Energy (electricity and city gas) usage per house:  
Calculated using the Building Research Institute’s Program for Calculating Primary Energy Consumption (Residential) according to the following conditions.
  - Sumitomo Forestry standard plan (total floor area 147m<sup>2</sup>)
    1. Slightly larger than Sumitomo Forestry’s average total floor area (134m<sup>2</sup>)
 Specifications: Standard MyForest specifications for 2015
    - \*Sumitomo Forestry’s main product
    - Structure: Multi-Balance Construction Method, Big-Frame Construction Method, Two-by-Four Construction Method
    - Building site: 2013 Energy-saving standard zone 2-7 zones
    - Heat loss coefficient (UA-value): 0.46-0.56W/m<sup>2</sup>K for the Multi-Balance Construction Method, 0.39-0.58 W/m<sup>2</sup>K for the Big-Frame Construction Method, and 0.51-0.56 W/m<sup>2</sup>K for the Two-by-Four Construction Method
    - \*Calculated separately using the Heat Loss Coefficient Calculation Chart.
    - \*For the basic unit of emissions, reference was made to the LCA database “IDEA” published by the Japan Environmental Management Association for Industry and to data published by the Ministry of the Environment.
  
- CO<sub>2</sub> emission factor
  - Electricity: 0.554kgCO<sub>2</sub>/kWh
    - \*Source: FY2014 adjusted emission coefficient in the Environmental Action Plan, The Federation of Electric Power Companies of Japan
  - City gas: 2.23kg CO<sub>2</sub>/m<sup>3</sup>
    - \*Source: Manual for Calculating and Reporting Greenhouse Gas Emissions (Ver. 4.1), Ministry of the Environment and Ministry of Economy, Trade and Industry
  
- Years of occupancy: 60 years
  - \*Sumitomo Forestry uses its 60-Year Support Program as standard, and assumes houses will be occupied for 60 years.
  
- Number of houses completed in fiscal 2015 by construction method and region
  - Construction method: Multi-Balance, Big-Frame, Two-by-Four; exclude non-wooden properties
  - Region: 2013 Energy-saving standard zone 2-7 zones

## Category 12 Disposal of Sold Products

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### (CO<sub>2</sub> emissions during demolition)

$\Sigma$  (Fuel usage during demolition per house × CO<sub>2</sub> emission factor for each type of fuel)  
× Number of houses completed in FY2015

- Fuel usage during demolition per house (diesel, gasoline):  
Fuel usage for demolition of Sumitomo Forestry model home (Estimates calculated from standard plan and floor area and based on 2006 survey of use of heavy equipment in demolition (diesel) and vehicles for transport of workers (gasoline).

- CO<sub>2</sub> emission factor:  
Diesel 2.58kgCO<sub>2</sub>/L  
Gasoline 2.32kgCO<sub>2</sub>/L

\*Source: Manual for Calculating and Reporting Greenhouse Gas Emissions (Ver. 4.1), Ministry of the Environment and Ministry of Economy, Trade and Industry

- Number of houses completed in fiscal 2015: 7,958 (number of houses completed, excluding 20 non-wooden properties)

### (CO<sub>2</sub> emissions during disposal including transportation)

$\Sigma$  (Amount of waste generated during demolition per house × Reduction ratio / final disposal ratio / recycling ratio for each type of waste × GHG emission factor for each type of waste and for each method of disposal) × Number of houses completed in FY2015

- Amount of waste generated during demolition per house:  
Calculated by estimating an average value per unit of area based on the annual amount of waste generated during demolition by Sumitomo Forestry in fiscal 2006, and converting it to a building weight equivalent for the Sumitomo Forestry standard plan (floor area: 147m<sup>2</sup>) in fiscal 2010.

**Reduction ratio / final disposal ratio / recycling ratio for each type of waste:**

Type of waste	Reduction ratio	final disposal ratio	recycling ratio for each type of waste
Glass/ceramic	5.7%	20.7%	73.6%
Concrete rubble <sup>1</sup>	0.0%	0.0%	100.0%
Metal waste	2.6%	2.9%	94.4%
Paper waste	25.9%	2.5%	71.6%
Wood waste <sup>1</sup>	0.0%	0.0%	100.0%
Waste fiber	36.5%	9.0%	54.5%
Composite waste <sup>2</sup>	0.0%	100.0%	0.0%
Waste gypsum <sup>3</sup>	5.7%	20.7%	73.1%
Waste plastic	28.1%	17.2%	54.7%
Sludge	91.1%	1.6%	11.0%

Source: Emission and Processing of Industrial Waste, etc. (Actual Results for FY2013), Ministry of the Environment

1. Recycling ratio was assumed to be 100% since subject to the Construction Material Recycling Act.
2. Composite waste, such as swept up refuse, comprises a mixture of items that cannot be individually separated. Assumed to be 100% because it eventually ends up in landfill.
3. Assumed to be same value as "glass/ceramic."

**GHG emission factor for each type of waste and for each method of disposal (tCO<sub>2</sub>/t):**

Type of waste	Incineration	Landfill	Recycling <sup>1</sup>
Glass/ceramic	0.0806	0.0851	0.05628
Concrete rubble <sup>2</sup>	0.0806	0.0851	0.05628
Metal waste	0.0806	0.0851	0.05628
Paper waste	0.0837	2.5127	0.05628
Wood waste	0.0837	1.8292	0.05628
Waste fiber	0.0837	2.7626	0.0390
Composite waste <sup>2</sup>	0.0806	0.0851	0.05628
Waste gypsum <sup>2</sup>	0.0806	0.0851	0.05628
Waste plastic	2.6833	0.0851	0.246
Sludge	0.2203	0.7275	0.0130

Source: Database of GHG emission factor for Calculating an Organization's Greenhouse Gas Emissions through the Supply Chain, Ver. 2.2 compiled by the Ministry of the Environment

- Regarding the GHG emission factor in the Ministry of the Environment database for the transportation stage only (namely, "0.0472 tCO<sub>2</sub>/t"), which does not include emissions during the recycling preparation stage, this has been used by adding the basic unit "0.00908 tCO<sub>2</sub>/t" for crushing contained in the Carbon Footprint (CFP) Communication Program, Basic Database Ver. 1.01 (Japan data) published by the Japan Environmental Management Association for Industry (JEMAI).
- Applied the same factors such as "glass/ceramic" and "rubble" which have similar properties.

- Number of houses completed in FY2015: 7,958 (excluding 20 non-wooden properties)

## Category 15 Investment

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Σ (Scope 1 and 2 CO<sub>2</sub> emissions of an invested company\* Percent stock ownership in the company held by Sumitomo Forestry)

\*The Scope 1 and 2 CO<sub>2</sub> emissions are figures disclosed by the invested companies or in accordance with Act on Promotion of Global Warming Countermeasures



# Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period

Environmental Report

## Green Smart Proposals

With CO<sub>2</sub> emissions in Japan's household sector increasing year by year, the Japanese Government revised\*<sup>1</sup> the energy efficiency standards for housing and other buildings in October 2013, and these have been in full force since April 1, 2015. Compliance with the energy efficiency standards will gradually be made compulsory for all new houses and buildings by 2020.

In response, as a provider of about 9,000 custom-built detached houses a year to the Japanese market, Sumitomo Forestry offers "Green Smart," a housing development concept that meets these new standards.

Wood is a renewable natural resource that absorbs and stores CO<sub>2</sub> during its growth process. As well as using wood for its principal structural members, Sumitomo Forestry has offered housing proposals where residents can live comfortably all year round by incorporating its Ryouonbou design, which takes advantage of natural blessings such as the wind and sun. "Green Smart" fuses the Company's expertise in utilizing these "unique characteristics of wood and blessings of nature" together with its technologies for the "reduction of energy consumption" (such as improvements in thermal insulation) and its technologies for the "smart use of energy" (such as equipment for generating and storing energy, and HEMS\*<sup>2</sup>). By boosting energy efficiency in the house, the Company seeks to reduce CO<sub>2</sub> emissions during occupancy.

The Japanese Government's 2014 Energy Basic Plan sets the goal to realize Zero Energy Houses (ZEH) in standard new-builds by 2020. Based on our housing technologies outlined in the Green Smart that leverage features of wooden materials and natural resources as they are, the proliferation of ZEH will be accelerated through further reinforcement of the insulation efficiency and the installation of a solar power generation system, enabling essentially zero annual consumption of primary energy.

\*1 As a consequence of the revisions, the evaluation now covers comprehensive energy efficiency, including thermal insulation, the use of natural energy and installation of energy-efficient devices.

\*2 Home Energy Management System—a system whereby residents can visualize the amounts of energy they generate and use.



## Features of Green Smart



### Reduction of Energy Consumption

- Improves the thermal insulation performance of ceilings, external walls, floors, windows, etc.
- Uses low-emissivity (low-E) double glazing filled with argon gas for large windows where the greatest heat is lost

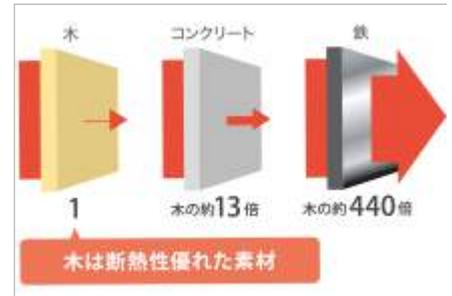


Thermal insulation using low-E glass



### Wooden House

- Uses wood, which has lower CO<sub>2</sub> emissions during the processing stage, and which has better thermal insulation compared to iron and concrete
- The *Ryouonbou* design utilizes a sense of comfort brought about by nature



Thermal conductivity of different materials



### Smart Use of Energy

- Installs solar power generation systems and residential fuel cell units (Ene-Farm)
- Also installs household storage batteries and HEMS, which allows residents to visually gauge their energy usage



The HEMS screen

▶ [Link to the Ryouonbou design](#)

▶ [Green Smart](#)

## Trends in Installation Rates of Solar Power Generation Systems and Ene-Farm Units for New Orders

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Solar power generation systems	36%	45%	51%	43%	35%
Ene-Farm units	30%	41%	53%	51%	43%
Environmentally friendly equipment installation rate	51%	62%	72%	66%	58%

### Release of Model Town Plots for Sale at the Sustainable Smart Town, also known as “Sakimachi Araiminami Sustaina Town”

Sumitomo Forestry, in collaboration with Toyota Home and PanaHome started the sales of model town plots at Sakimachi Araiminai Sustaina Town located in Arai District, Wakabayashi-Ward of Sendai City in Miyagi Prefecture. We provide HEMS as well as “smart homes” that equipped certified as Excellent Long-Term Housing models with solar power generation systems, “Double Power Generation\*1,” and EV and PHV chargers in the area. The town as a representation of a sustainable smart town effectively utilizes naturally-derived energy.

\*1 Double Power Generation is a system provided by Panahome and Sumitomo Forestry only. Toyota Home provides EcoCute.

- ▶ [Press release: Toyota Home, Panahome, and Sumitomo Forestry-led Project, “Sakimachi Araiminai Sustaina Town” in Wakabayashi, Sendai City –Model Town Area Complete.](#)

## Overseas Development of Energy-Efficient Housing

In April 2010, Henley Properties (QLD) Pty Ltd. a Group company of Australia became the first company in Australia to make available a zero-emissions demonstration house that is expected to achieve energy-saving benefits of more than 70% compared to existing homes of a similar size. In March 2012, the company constructed a community place, under a zero-emissions model, in a residential lot in Southeast Melbourne in cooperation with local government. The building features a solar power generation system, a solar hot water heater, a 6,000-liter rainwater tank, and a home energy management system (HEMS). Combined with double-glazed windows and a concrete slab and walls providing excellent thermal insulation, the building has earned an eight-star energy rating\*<sup>1</sup>. In December 2012, the company completed a house for a general customer with a nine-star energy rating. With environmental awareness increasing, the need for energy efficiency in Australia is mounting. Henley Properties is working to promote the widespread adoption of these homes.



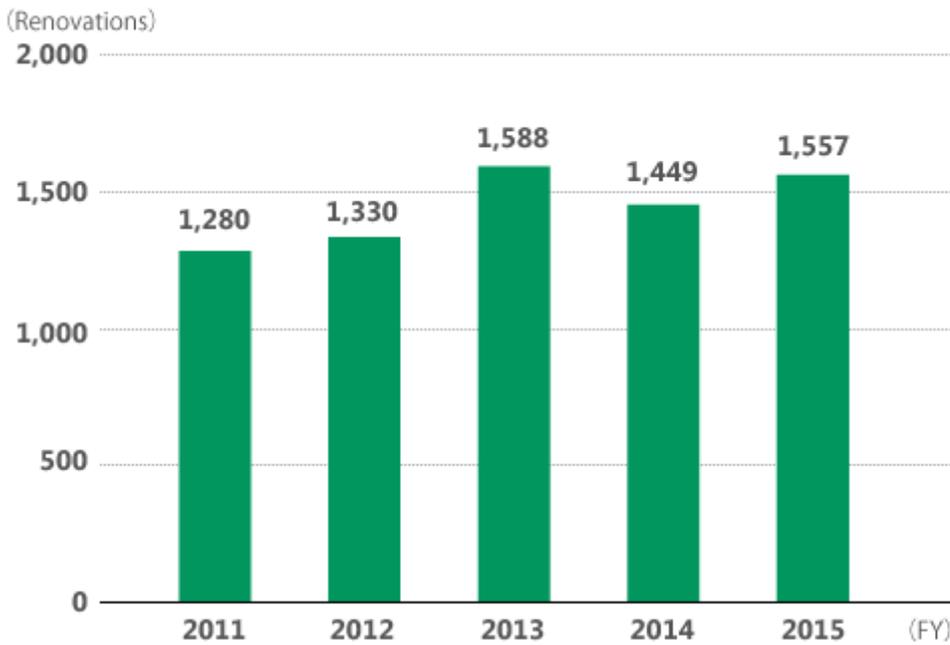
Community place based on the zero-emissions model

\*1 An evaluation of the energy burden for heating and cooling the inside of a building in Australia. Insulation, windows, the type, size and orientation of the building, and the climatic zone are all factors. The highest rating of 10 stars indicates that no heating or cooling whatsoever is needed to maintain a comfortable indoor living environment. Five stars indicates that the building has high insulation performance, but that a minimum of energy is required for heating and cooling.

## Proposals for Energy-Saving/Environmental Renovations

Sumitomo Forestry Home Tech Co., Ltd. promotes renovations from energy-saving and environmental points of view. It brings success in reducing environmental burden by proposing solutions through improvement of basic home functionality such as earthquake resistance, thermo insulation, and barrier-free design and installation of facility equipment with high energy efficiency. The insulation renovation, specifically, can mitigate the health risk from heat shock in addition to lower the cost of air conditioning. In fiscal 2015, Sumitomo Home Tech established “Healthy Life Reform” under which the reform proposal concerning health impact by room temperature was introduced.

### Number of energy-saving/environmental renovations\*1



\*1 Number of renovated properties with a contract price of at least 8 million yen

## Research and Development of Life Cycle Carbon Minus (LCCM) Housing

Sumitomo Forestry is engaged in the development of Life Cycle Carbon Minus (LCCM) housing to achieve negative CO<sub>2</sub> emissions across the entire life cycle of a home—from construction, occupation and renovation through to demolition and disposal—by using environmental sound equipment such as solar power systems.

Throughout fiscal 2015, the Company conducted R&D associated with living environment from perspectives of health and comfortability in addition to energy reduction. As a preventative solution against excessively dry room conditions during winter, it integrated a humidifying function into the central heating system and developed an energy-saving heating system that improves the room temperature of non-living spaces, for instance, a bathroom. From an energy-saving aspect, the simulation tool used to display the effect of environmentally-sound equipment when proposing the solution was developed, and its operation is due near future. Today and onwards, the Company progressively continue R&D for the realization of “smart wellness homes” which will bring greater convenience beyond the aforementioned energy-saving and living environment features.

### ► [Environmental Impact of Business Activities](#)

## Offsetting CO<sub>2</sub> through Project EARTH

The volume of CO<sub>2</sub> emitted during the process of harvesting timber used for principal structural members through to the processing, transportation and construction of Sumitomo Forestry Home houses is around six tons per home. Sumitomo Forestry is implementing an initiative called “Project EARTH” in which this CO<sub>2</sub> is offset through reforestation activities. The initiative will offset CO<sub>2</sub> emissions for all custom-built and spec homes sold between fiscal 2009 and fiscal 2016, and involves planting around 4.8 million trees on a total 2,400 hectares of land and managing cultivation of those trees for 10 years after planting. Reforestation will take two forms—environmental reforestation aiming to revive ecosystems on degraded land, and industrial reforestation to be advanced together with the community to both realize sustainable forest management and contribute to the region.



Project EARTH carried out in East Java, Indonesia

## Environmental Reforestation in an Indonesian National Park

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Since fiscal 2009, Sumitomo Forestry has been carrying out an environmental reforestation project on degraded land in Bromo Tengger Semeru National Park, located in East Java, Indonesia. This had involved developing a 6-meter firebreak in the plantation forest stretching a total length of 12 km, as well as improving firefighting equipment and conducting patrols. However, in October and November 2014, fires broke out in areas outside the plantation forest. The fires spread, affecting about 400 hectares of previously afforested land, and the situation was that about half of the planted trees would wither and die.

A decision was made to reforest all of the planted trees that had withered, and this operation is underway. Going forward, Sumitomo Forestry plans to apply the lessons learned from the fires, and with the cooperation of officials from the Indonesian government, aims to establish a fire-prevention / fire-fighting system to combat the risks of forest fires that are caused by abnormal weather which would otherwise be largely difficult to project.



Site of the environmental reforestation project in Bromo Tengger Semeru National Park

## Industrial Reforestation in East Java, Indonesia

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Since fiscal 2010, Sumitomo Forestry has been carrying out an industrial reforestation project in collaboration with the community, centered on Supiturang village at the foot of Mt. Semeru in Lumajang Regency, East Java. This is a sustainable forestry project whereby part of the profits from harvesting matured trees will be distributed to improve the livelihoods of community residents, while the remainder is used to cover the costs of replanting and cultivation and other expenses. By fiscal 2015, a total around 1,680 hectares of forest had been planted. The trees planted at the beginning of the project have already matured and due harvested. Therefore, replanting and logging are carried out simultaneously.



Site of the industrial reforestation project in Lumajang Regency

# Contributing to the Reduction of Greenhouse Gases through Our Business

Environmental Report

## Wood Biomass Power Generation Business

The Sumitomo Forestry Group operates wood biomass power generation facilities which are fueled by recycled chips made by using scrap timber primarily left over from construction and woodchips made by using previously unutilized wood left over from logging.

The CO<sub>2</sub> released as a consequence of burning the woodchips had previously been absorbed from the atmosphere via photosynthesis as the trees grew. Therefore, when viewed over the entire life cycle of the trees, combusting the woodchips does not result in an increase in CO<sub>2</sub> in the atmosphere. For this reason, the Group has been engaged in wood biomass power generation as a new type of business that contributes greatly to the advancement of forestry, such as the effective use of wood, reductions in CO<sub>2</sub> emissions and the maintenance of local forest environments.

Throughout fiscal 2015, the Group has prepared Mombetsu, Tomakomai, and Hachinohe Biomass Power Plants for the start of their operations. Together with its already operational Kawasaki Biomass Power Plant to the Group participates in total four wood biomass power generation businesses in Japan. Drawing on its past experience in the wood biomass power generation business, the Group will continue to expand business operations utilizing renewable energy suited to local conditions and other requirements.



Facilities at the Kawasaki Biomass Power Plant

## The Group's Wood Biomass Power Generation Business

Business	Location	Power generation capacity	Start of operations	Main features
<p>Kawasaki Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd. and Fuluhashi EPO Corporation)</p>	<p>Kawasaki City, Kanagawa Prefecture</p>	<p>33MW</p>	<p>February 2011</p>	<ul style="list-style-type: none"> <li>• Largest power generation facility in Japan to burn biomass exclusively</li> <li>• Utilizes recycled chips produced by using construction debris and waste pallets from Tokyo and surrounding suburbs, as well as thinnings and pruned branches</li> <li>• Equipped with environmental mechanisms, such as flue gas desulfurization equipment, an exhaust gas denitrizer and a bag filter, the urban-oriented biomass power generation facility clears Kawasaki City's strict environmental standards</li> </ul>

<p><b>Mombetsu Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)</b></p>	<p>Mombetsu City, Hokkaido</p>	<p>50MW</p>	<p>December 2016 (scheduled)</p>	<ul style="list-style-type: none"> <li>• Thinnings, wood left over from logging and other materials are procured from within a 75km radius of the power plant and turned into chips at an adjacent plant before being used as fuel</li> <li>• Will also use palm kernel shell, plus some coal as an auxiliary fuel</li> </ul>
<p><b>Tomakomai Biomass Power Generation Business (Joint investment with Mitsui &amp; Co., Ltd., Iwakura Corporation and Hokkaido Gas Co., Ltd.)</b></p>	<p>Tomakomai City, Hokkaido</p>	<p>5.9MW</p>	<p>December 2016 (scheduled)</p>	<ul style="list-style-type: none"> <li>• Will use 100% of unused forest materials from Hokkaido in wood chips</li> </ul>
<p><b>Hachinohe Biomass Power Generation Business (Joint investment with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company)</b></p>	<p>Hachinohe City, Aomori Prefecture</p>	<p>Approx. 12.4MW</p>	<p>December 2017 (scheduled)</p>	<ul style="list-style-type: none"> <li>• Thinnings from the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines are gathered and used as the main source of fuel</li> <li>• Will also use some palm kernel shell</li> </ul>

## Solar Power Generation Business

In November 2013, Sumitomo Forestry launched operations at an 876 kW solar power generation facility that it had constructed in Kashima City, Ibaraki Prefecture. In fiscal 2015, the facility generated about 2,680 MWh with 3,430 kW total generation capacity as a result of the facility expansion.

The Company gives consideration to mitigating the environmental impact of the power generation facility and have installed wooden mounting frames that are mainly made of domestically produced Japanese cedar.



Solar panels and environmentally friendly wooden frames

## Contributing to Reductions in Greenhouse Gas Emissions by Utilizing Forest Management and Reforestation Know-How

The Sumitomo Forestry Group applies its expertise in areas such as sustainable forest management and reforestation to projects that contribute to the reduction or absorption of greenhouse gas (GHG) emissions. The Group will make positive efforts to advancing projects that comply with new systems, such as REDD+,\*<sup>1</sup> which is currently under consideration by the United Nations, and the Joint Crediting Mechanism (JCM), which is being proposed for introduction by the Japanese Government, as well as to gathering knowledge required for those projects.

\*1. The developed version of REDD, Reduced Emissions from Deforestation and forest Degradation. The concept "REDD+" includes, besides that of REDD, the positive emission reduction of GHGs through sustainable management and conservation of forest and enhancement of forest carbon stocks.

▶ [REDD+ project examples \(link to an external website\)](#)

## Feasibility Studies for Overseas Projects to Regenerate Forests and Reduce Greenhouse Gas Emissions

Sumitomo Forestry is conducting feasibility studies of projects designed to reduce and inhibit GHG emissions through the preservation and regeneration of forests that are facing devastation and annihilation in Vietnam and Indonesia. These are highly promising projects that should contribute to ongoing deliberation of REDD+ and the Joint Crediting Mechanism (JCM).

## ■ Investigating New Mechanisms for Regeneration of Forests and Biomass Power Generation in Vietnam

Japan's Ministry of the Environment has contracted the Global Environment Centre Foundation (GEC) to implement a Joint Crediting Mechanism (JCM) feasibility study program, and in fiscal 2013, Sumitomo Forestry was awarded a contract to conduct a study. Since then, the Company has conducted a feasibility study for a project in Dien Bien Province, northwestern Vietnam that would preserve and regenerate forests that had been degraded due to slash-and-burn cultivation, improve the livelihoods of local residents, and reduce GHG emissions through biomass power generation using timber supplied from those sustainable forests.

The region is vital as a water source with the area being home to a number of dams used for power generation. It is also one of Vietnam's poorest regions. The project will contribute to environmental conservation and sustainable community development, and will also lead to establishment of a bilateral credit mechanism whereby any reductions achieved through the business are counted as Japan's reductions. In fiscal 2015, the Company started offering a coaching program on coffee farming and process techniques, as a support that can generate cash income. Coffee had been grown at a small scale in the region in the past although local farmers lacked know-hows and techniques. The coaching program is expected to have contributed to yield increase and quality improvement of the coffee produced at the farm. The Company will continue to conduct studies while coordinating and cooperating with Japanese Government officials, government authorities in Vietnam, Vietnam Forestry University, the Japan International Cooperation Agency (JICA), ASKUL Corporation.



Demonstration farm in Vietnam for coffee farming technical training



Study being conducted in Vietnam

## ■ Measures to Regenerate Forests in Indonesian Peatlands

Indonesia has much peatland, where large volumes of carbon have accumulated. However, as the land dries due to drainage of water to develop the land for agriculture, decomposition by micro-organisms progresses and releases the stored carbon into the atmosphere as CO<sub>2</sub>. The risk of dried peatland catching fire is high, and if a fire did break out, it would result in a large volume of CO<sub>2</sub> emissions.

On the other hand, if degraded peatland especially in the vicinity of villages can be turned into agroforests or otherwise used properly, it is likely that this could inhibit fires from breaking out, and consequently prevent any emissions of CO<sub>2</sub> attributable to fire.

Therefore, since fiscal 2012, in the degraded peatlands of Central Kalimantan, in collaboration with Hokkaido University and the local University of Palangka Raya, Sumitomo Forestry has been engaged in developing revegetation methods that incorporate considerations for local residents and the local economy. In cooperation with the Mitsubishi Research Institute, this project to establish new mechanisms that contribute to global warming mitigation through the preservation and appropriate use of peatland has been selected in the FY2014 Program to Reduce Global Warming Emissions from Non-Energy Related Activity Overseas, which is organized by the Ministry of Economy, Trade and Industry (METI).



Forestation assessment in Indonesia

## ■ Participation in the Japan Public-Private Platform for REDD+

The Japan Public-Private Platform for REDD+ was established in November 2014 by the Japan International Cooperation Agency (JICA) and the Forestry and Forest Products Research Institute, an independent administrative corporation. Sumitomo Forestry joined the platform as a member of the Executive Committee, in a move to conserve forests in developing nations and to contribute to sustainable development such as mitigating climate change, preserving biodiversity and reducing poverty. The aim of the platform is to promote REDD+ activities, and moving forward, by expanding its circle of activities, it will contribute to global warming countermeasures through public-private collaboration.

# Reduction, Recycling and Appropriate Disposal of Waste

Environmental Report

## Initiatives Towards Group-Wide Zero Emissions

Aiming to build resource-circulating society, the Sumitomo Forestry Group makes efforts in attaining zero emissions and reducing industrial waste generated at the same time. The Group promotes zero emissions initiatives by mitigating generation and reusing and recycling of industrial waste with intention to reduce environmental burden and enhance effective use of resources. The Group's Medium-Term Environmental Management Plan ended in fiscal 2014 defined "zero emissions" as no incineration or landfill of industrial waste generated by domestic manufacturing facilities and new construction sites.

Based on this definition, the Group achieved zero emissions at domestic manufacturing facilities (Sumitomo Forestry Crest Co., Ltd. and Sumirin Agro-Products Co., Ltd.) in fiscal 2009. As for new construction sites, including exterior greening, the Group achieved zero emissions in the Tokyo metropolitan area in fiscal 2012.

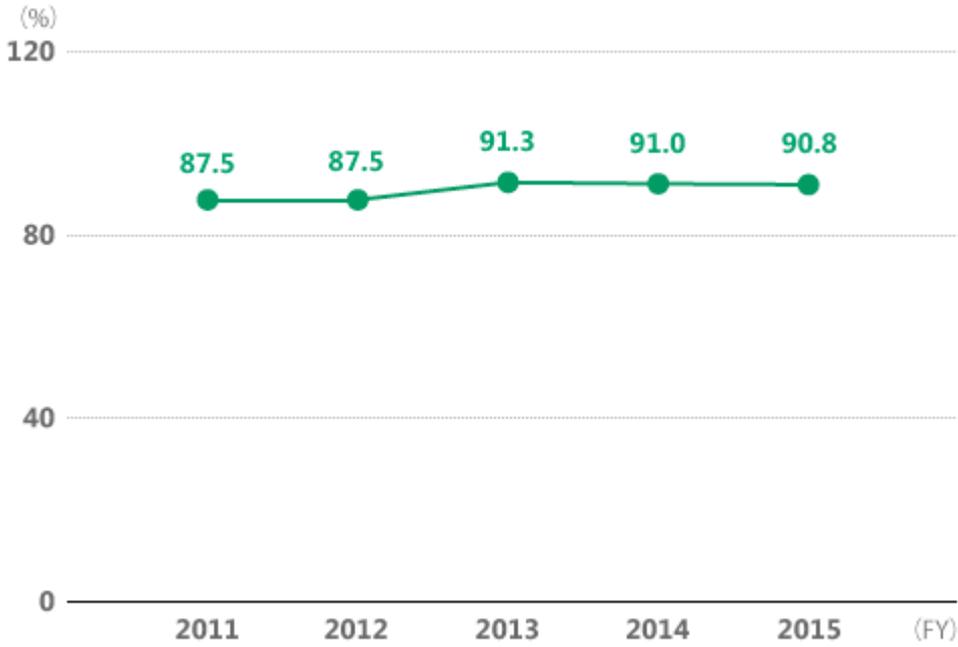
In fiscal 2015 onwards, adhering to Sumitomo Forestry Group CSR Mid-Term Plan with its target year being fiscal 2020, the Group continuously work towards zero emissions at construction sites of new houses and higher recycling rates at renovation sites and sales of building-related materials. Strict separations of waste according to materials are essential for recycling. Therefore, the Group will raise employee awareness on and enforce appropriate waste disposal process altogether to improve the overall recycling rate and achieving the rate of 98% by fiscal 2020.

Going forward, in addition to maintaining zero emissions at domestic manufacturing facilities, with regard to new construction sites, the Group will analyze the content of the generated waste and the extent to which it is being recycled, and continue striving for zero emissions, such as by developing environmentally conscious products, adopting rational design techniques and ensuring that waste is thoroughly sorted at production sites.

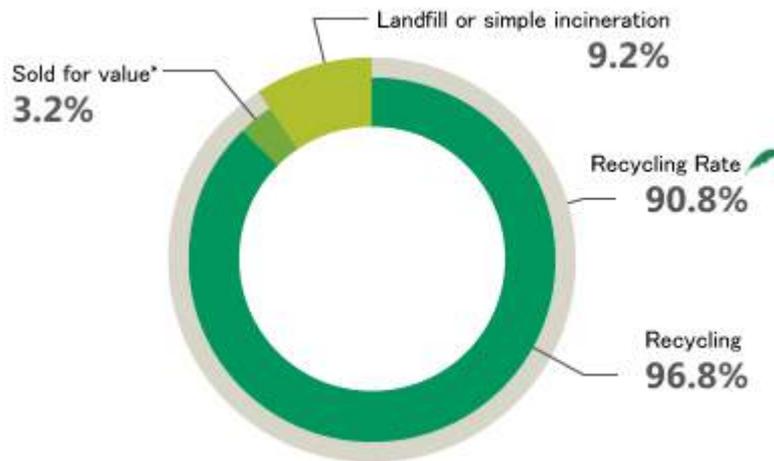
## Improving Recycling Rate at Construction Sites of New Houses

At Sumitomo Forestry's construction sites of new homes, strict sorting of industrial waste generated at the sites has been implemented as part of the effort to increase recycling. In the Tokyo metropolitan area, the Company obtained "inter-region recovery and recycling certification" from Ministry of Environment in 2012, established the Metropolitan Area Recycling Center, and implemented streamlined sorting of waste. Additionally, as to in other areas, the Company utilizes inbound material transporters in collecting and transferring waste.

### Recycling Rate for New Housing Construction Sites (Housing Division, Greenery, MOCCA (Timber Solutions) Department, and HE)



### Breakdown of Waste Disposal Process for New Housing Construction Sites (FY2015)



\*Percentages of “Recycling” and “Sold for value” are derived from the total volume of recycled, excluding landfill or simple incineration.

## Initiative for Reduction of Industrial Waste Generated at New-Home Construction Sites

When we construct new houses, generating waste is unavoidable.

The Sumitomo Forestry Group has made continued efforts to minimize waste and treat waste properly. In fiscal 2015, we focused on reducing waste with the 3Rs (reduce, reuse and recycle) principle.

In July 2014, we set up the Waste Reduction Working Group comprising representatives from the product development, materials, logistics, design, production and environment divisions. The working group has held monthly meetings, and developed and implemented specific measures.

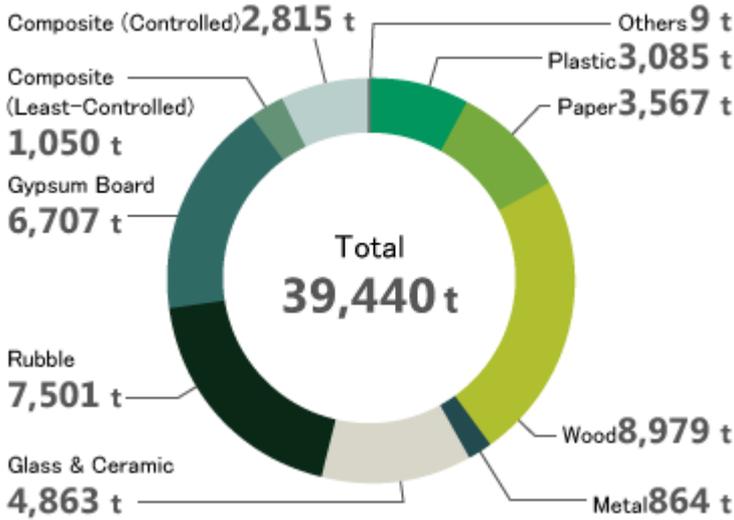
The working group analyzed the wide variety of waste generated at new housing construction sites and found that three types of wastes account for two thirds of the total waste. The three types are packaging materials (cardboard), wood waste and waste gypsum board and have become the focus of the reducing effort. For instance, we are taking drastic measures with the packaging of interior materials manufactured by our Group company, Sumitomo Forestry Crest Co., Ltd. We expect to see the results of our reduction efforts in fiscal 2016.

We have also changed the cost bearing mechanism for waste treatment from pay according to the scale of the house to pay per amount of waste actually generated during the construction of a new house. We are raising awareness of workers at construction sites by linking the amount of waste and the cost and providing feedback in the form of waste emission data.

The Sumitomo Forestry Group upholds the 2020 target in its CSR Mid-Term Plan to reduce the waste generated at the new house construction sites by 30% from the fiscal 2016 level. In fiscal 2015, the disposed industrial waste per new house has decreased by 2.5% from the fiscal 2013 level.

	Reduction Rate
FY 2013 Baseline	–
FY 2014	▲8.7%
FY 2015	▲2.5%
FY 2020 (Target Year)	▲30%

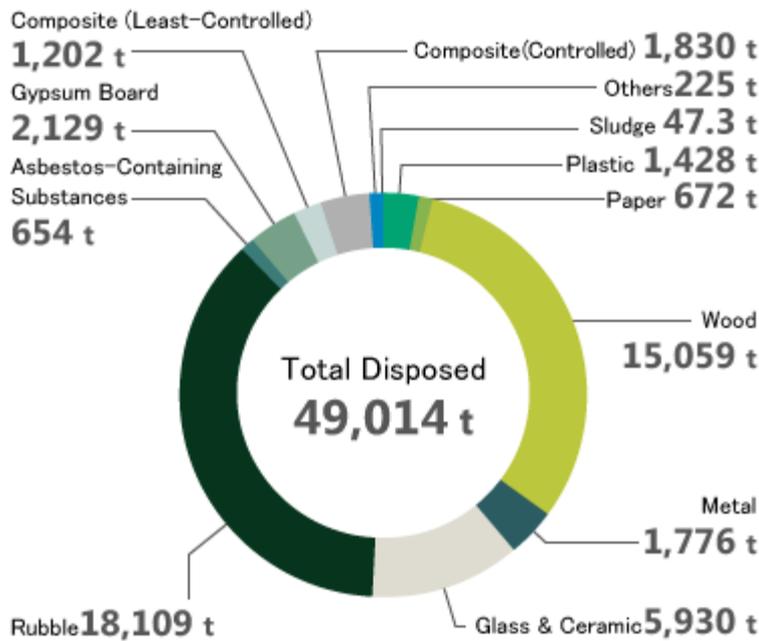
### Breakdown of Waste Disposed from Newbuilds (FY 2015)



### Initiatives at Sites Other than Construction of New Homes

At other business sites that release CO<sub>2</sub> such as sites of renovation and housing materials sales, initiatives to reduce amounts of waste generated are implemented at a department level. For renovation sites, using protective materials attribute to mitigating waste generation. In fiscal 2015, the recycling rate at the sites other than construction sites of new homes was 70.2%.

### Breakdown of Waste Disposed from Non-New builds (FY 2015)

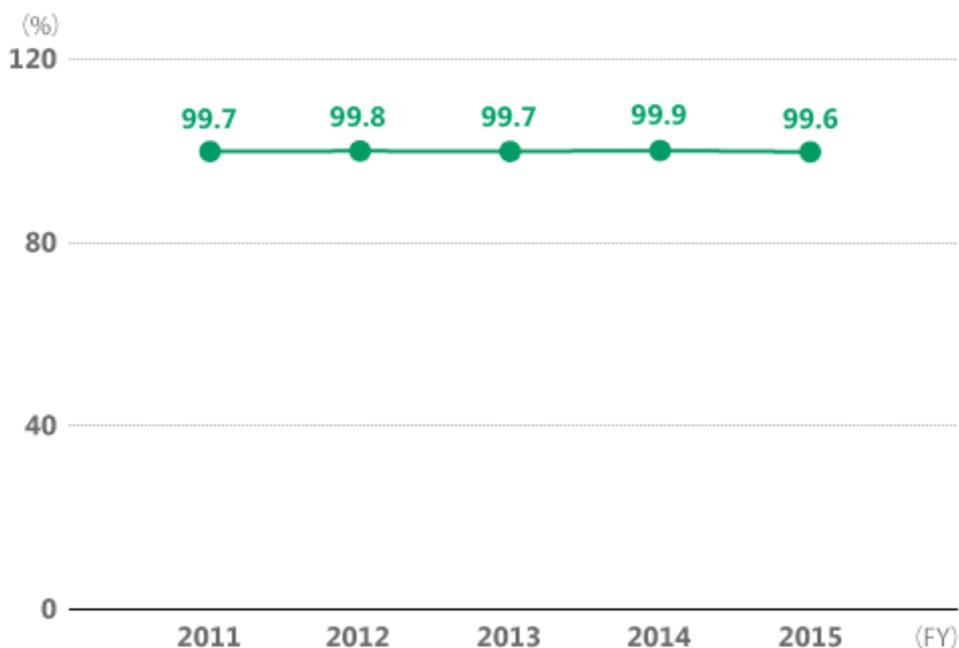


▶  [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

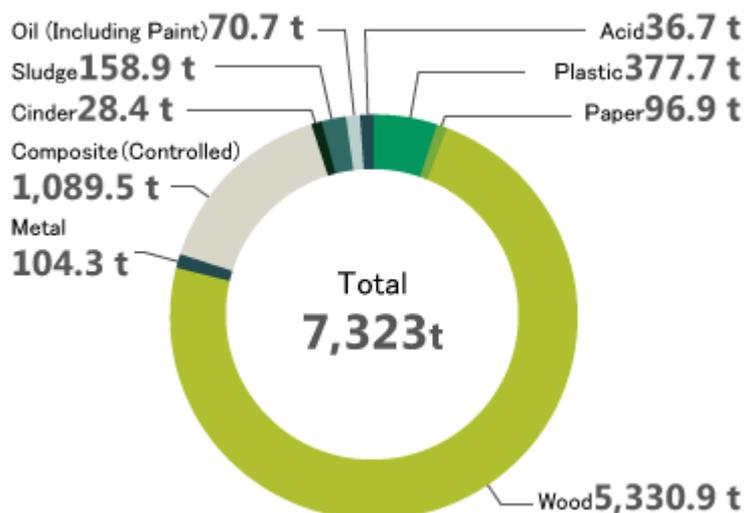
## Initiatives at Domestic Manufacturing Facilities

Sumitomo Forestry Crest Co., Ltd. and Sumirin Agro-Products Co., Ltd. managed to achieve zero emissions (recycling rates of over 98%) again at all plants in fiscal 2015 as a result of each plant continuing with efforts to reduce waste emissions, for example by tightening the sorting of industrial waste and selling it for a profit.

### Recycling Rates at Domestic Manufacturing Plants



### Breakdown of Waste Disposed at Domestic Manufacturing Plants (FY 2015)



## ■ Initiatives for Zero Emissions at Overseas Manufacturing Facilities

The six main manufacturing companies outside Japan\*<sup>1</sup>, besides complying with local laws, are advancing initiatives based on the Sumitomo Forestry Group's definition of zero emissions. For example, in Indonesia, PT. Kutai Timber Indonesia collects wood waste generated during the particle board manufacturing process and reuses it as boiler fuel or in wood building materials.

In fiscal 2015, three of the six companies— Alpine MDF Industries Pty Ltd., Nelson Pine Industries Ltd., and Vina Eco Board Co., Ltd. —achieved zero emissions. The other three companies: PT. Kutai Timber Indonesia, PT. AST Indonesia, and Rimba Partikel Indonesia will make additional efforts to reduce waste emissions, reuse materials and ensure thorough sorting and collection.

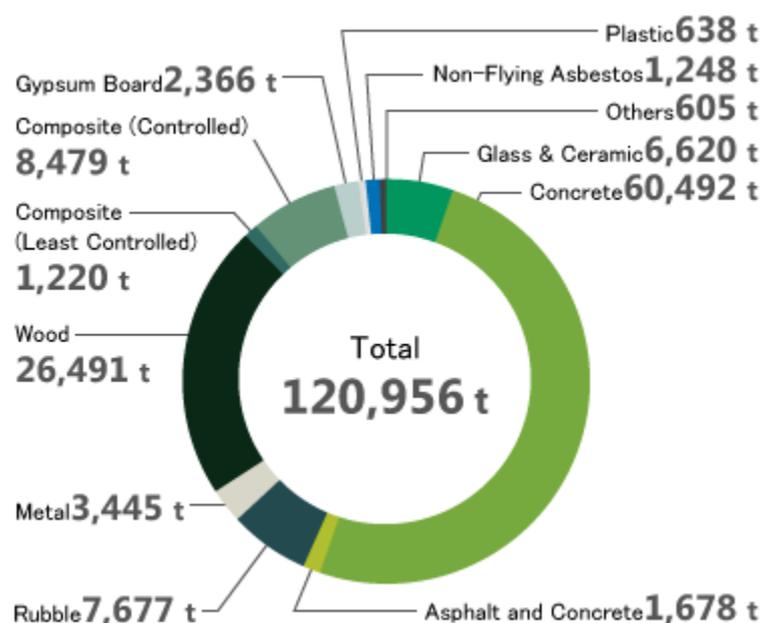
\*1. Indonesia: PT. Kutai Timber Indonesia, Rimba Partikel Indonesia, and PT. AST Indonesia  
Australia: Alpine MDF Industries Pty Ltd.  
New Zealand: Nelson Pine Industries Ltd.  
Vietnam: Vina Eco Board Co., Ltd.

## ■ Proper Disposal of Demolition Waste

Sumitomo Forestry was promoting resource recycling even before the enactment of the Construction Material Recycling Act implemented in 2002 by ensuring that materials were properly sorted during demolition prior to the construction of a new house and that waste remained sorted for processing afterwards. Since the enactment in 2002, the Company has recycled the items required under the Act (wood waste, concrete, etc.), sorting them at the sites where the waste is generated.

The recycling rate for concrete and metal waste was almost 100% in fiscal 2015, as it was the previous year. A 100% recycling rate was achieved for wood waste through measures including the thorough removal of extraneous matter. Efforts will now be made to develop recycling routes for roofing tiles, glass, ceramics, gypsum board and other composite waste for even further improvement of recycling rates.

## Breakdown of Demolition Waste Disposed (FY 2015)



## Operations at the Metropolitan Area Recycling Center

In December 2010, Sumitomo Forestry obtained the National Permit System for waste processing<sup>1</sup> from the Ministry of the Environment. This made it possible to use the return journey of trucks transporting materials to new housing construction sites to recover waste and collect it at relay centers registered as collection points under the National Permit System.

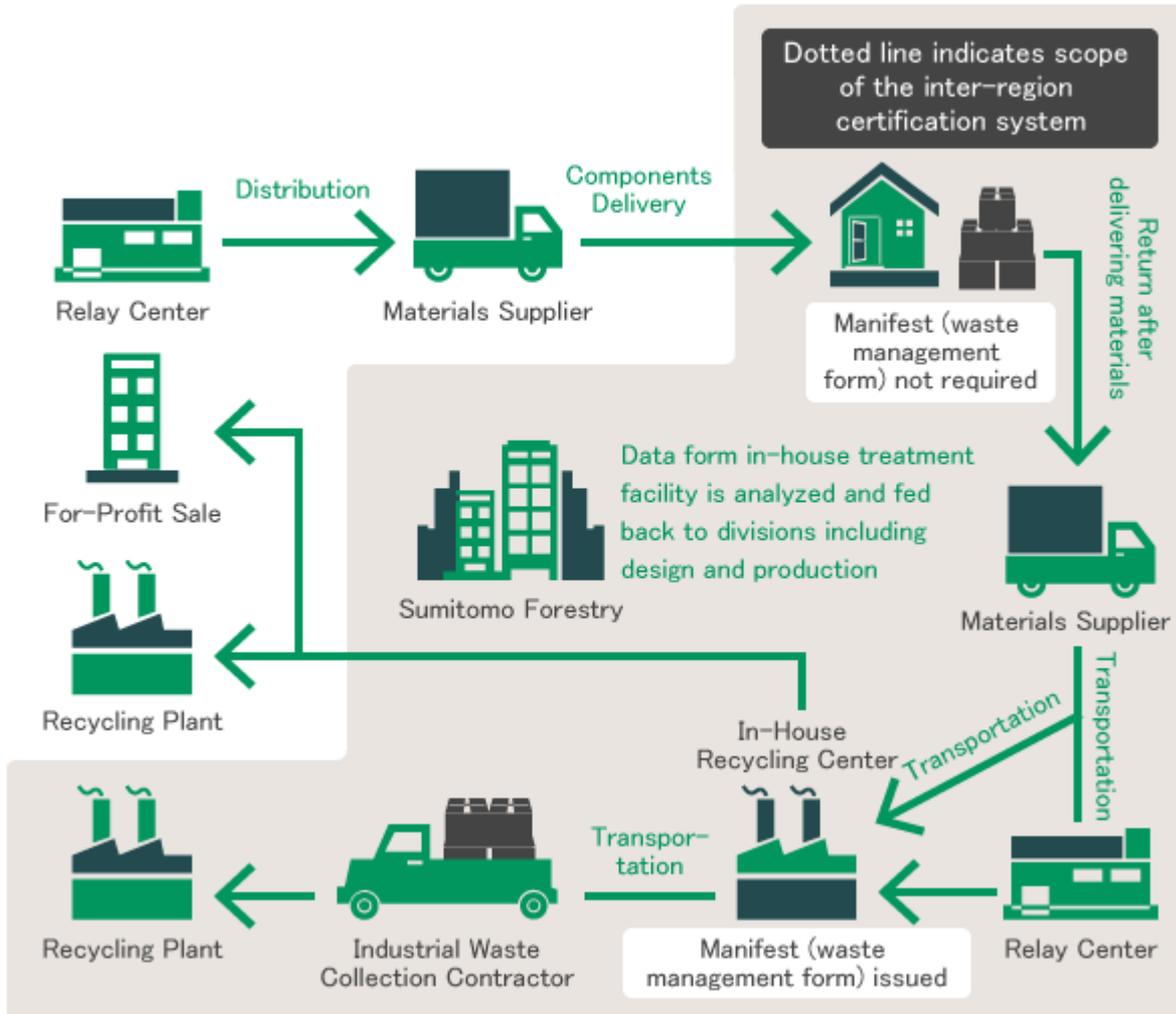
The Company took advantage of the system to establish the Metropolitan Area Recycling Center with capability for advanced sorting of waste in Kazo, Saitama Prefecture. The center started operating in fiscal 2012 and covers all areas of the seven prefectures of Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi and Gunma. Since fiscal 2015, the Group has expanded its efforts for waste recovery under the National Permit System to 21 branches in 20 prefectures outside the Tokyo metropolitan area. The establishment of the Metropolitan Area Recycling Center enabled collection and analysis of waste-associated data. Through provision of the data such as waste generation by product, specification, and building contractor for diverse functions, for example, product development, materials, designs, production, and logistics, the Company aims to realize reduction of waste to be disposed of.



The Metropolitan Area Recycling Center

\*1. A special system under the Waste Management and Public Cleansing Act, removing the need for manufacturers to have a permit for waste collection and haulage if they are collecting waste across a wide area for the purpose of recycling.

### Flow of materials distribution and collection of industrial waste



## Strengthening Waste Management through Construction Process Management Systems

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Sumitomo Forestry has built a system whereby the emission of waste at sites and the delivery status of waste to waste treatment plants can be confirmed on a mobile phone. By checking the images collected in the system against the categories and volumes of demolition waste lodged by waste processors based on electronic manifests, the Company has strengthened its system for managing demolition waste.

By the end of fiscal 2013, introduction of this system had been completed for almost all demolition contractors, allowing the Company to check that waste emitted from the Company's sites is being taken properly to waste treatment plants.

### Recycling wood waste materials from renovation sites

In fiscal 2014, Sumitomo Forestry Home Tech Co.,Ltd. began recycling wood waste materials generated at its renovation sites. The recycled wood waste is used as a raw materials for particle board, and is processed into wall surfaces, entrance hall storage areas and other products at the Sumitomo Forestry Crest Co., Ltd. manufacturing site. These interior materials are then used at the renovation sites.



Particle board used recycled wood waste from renovation sites at the Sumitomo Forestry Home Tech Co., Ltd.

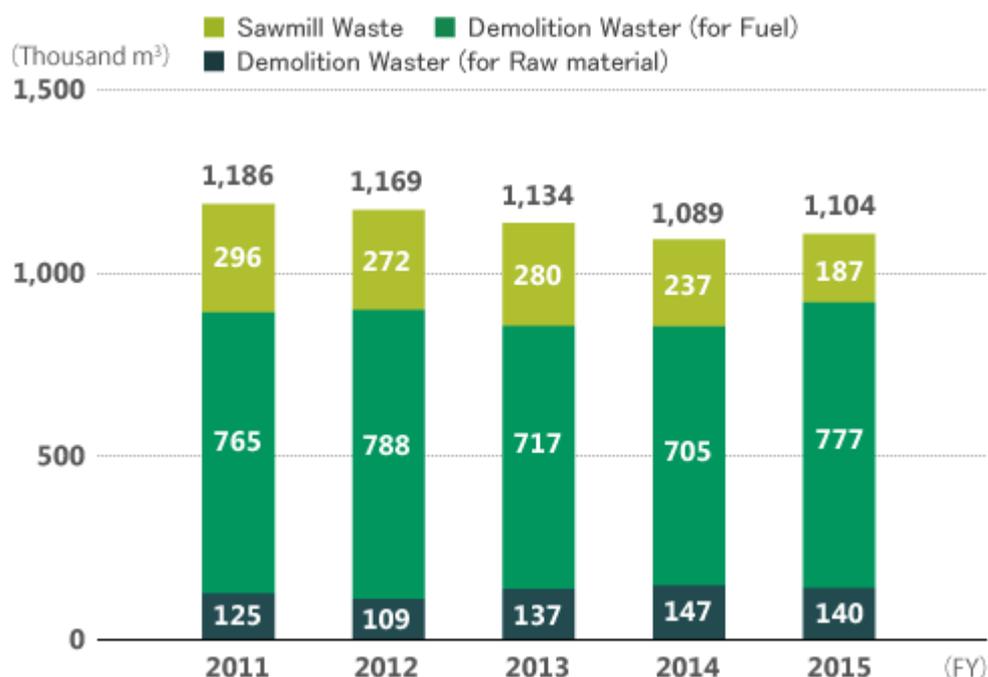
### Recycling of Wood Resources into Chips

The Sumitomo Forestry Group contributes to resource recycling through its wood chip operations, whereby offcuts generated during the timber milling process and wood waste from new housing construction and demolition sites are turned into wood chips to be used as a raw material for products such as paper and particle board, and also as a fuel for power-generating boilers or other equipment.

Looking at the volume of wood chips handled in fiscal 2015, the Group began dealing in wood chips for export and so there was an increase in the volume of wood chips used as raw material (from demolition waste) compared to the previous fiscal year. On the other hand, the amount of raw materials declined as a backlash from the last-minute surge in demand prior to the consumption tax increase, and so the volume of wood chips for use as fuel (from demolition waste) also decreased.

In fiscal 2016, the Group expects to handle the same volume of wood chips used as a raw material for paper and particle board as in fiscal 2015. In addition, the Group expects that the volume of wood chips it handles for use as fuel will further increase through meeting the growing demand for fuel used in biomass power generation.

## Handling Volume of Wood Chips



## Effective Utilization of Used Activated Carbon from Water Purification Plants

The Tokyo Metropolitan Government (TMG) Bureau of Waterworks uses an advanced water treatment system combining ozonation and the use of biological activated carbon. The system used as much as around 7,800m<sup>3</sup> of activated carbon in fiscal 2014 for reduction of organic matter and deodorization.

Group company Sumirin Agro-Products Co., Ltd. is making effective use of this used activated carbon to develop and market potting media for agriculture and horticulture and a soil improvement agent for greening. Joint research conducted with the TMG found that these items were effective in promoting plant growth, and the two parties applied for a joint patent based on the research results. In fiscal 2015, as a result of decreased purchase of used activated carbon from the water purification plants, the amount Sumitomo Agro-Products used remained 1,886 m<sup>3</sup> that is 30% less than fiscal 2014. In fiscal 2016, this volume is expected to bounce back to 1,929 m<sup>3</sup> or by 2% compared to fiscal 2015.



(Left) Used activated carbon  
(Right) Farming and garden products made from it

# Sustainable Forest Management

Environmental Report

## Sustainable Forest Management

Forests perform a variety of functions for the public good, such as storing and purifying water, preventing floods and landslides, absorbing and retaining CO<sub>2</sub> which is linked to global warming, and preserving biodiversity.

On a basis of appropriate management, the Sumitomo Forestry Group advances sustainable forest management both in Japan and overseas to ensure that timber resources will be available in perpetuity while preserving the public functions of forests.

### Forest Management and Timber Usage



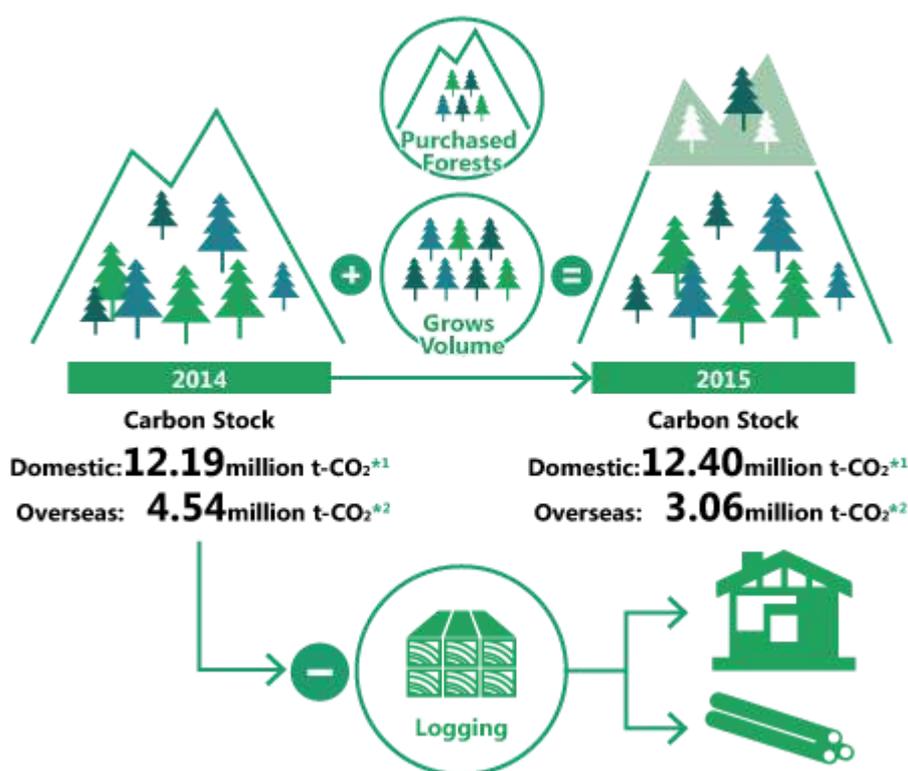
## Cultivation—Preserving the Public Functions of Forests Through Appropriate Management

The Sumitomo Forestry Group manages a total 46,443 hectares of its own forests in Japan and a total of around 230,000 hectares of plantation forests overseas. The Group works to maintain and enhance the public functions of these forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

Carbon stocks\*<sup>1</sup> of the Company-owned forests in Japan in fiscal 2015, the amount of immobilized carbon dioxide at beginning of fiscal 2016 were 12,399,034 t-CO<sub>2</sub> (up by 214,013 t-CO<sub>2</sub> from the previous fiscal year) whereas those of overseas plantations were 3,060,000 t-CO<sub>2</sub>.

\*1. The amount of CO<sub>2</sub> absorbed by forests and stored as carbon

### Carbon Stock of Forests in Japan and Overseas



\*1 Domestic: Carbon stock as of the beginning of each fiscal year

\*2 Overseas: Carbon stock as of the beginning of each calendar year

## Harvesting—Supplying Timber Products Through Systematic Harvesting

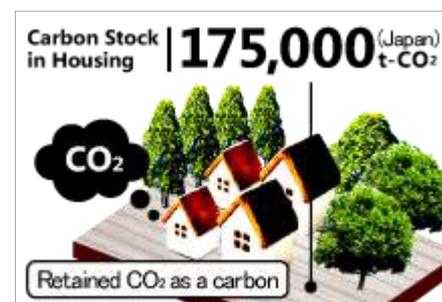
In fiscal 2015, the Sumitomo Forestry Group harvested 41,886 m<sup>3</sup> of trees in Japan and 175,246 m<sup>3</sup> of trees overseas based on medium- to long-term harvesting plans. Harvested trees are milled and processed before finally reaching the market as products such as housing and furniture. In the case of timber turned into structural members for housing, the products are used for several decades.

Trees retain CO<sub>2</sub> as carbon even after they are turned into products. Using timber products and constructing wooden houses can therefore be likened to building forests in the city.

The total domestic carbon stocks in timber that was used in construction of the houses in fiscal 2015 reached 175,000 t-CO<sub>2</sub>.

The Sumitomo Forestry Group helps to increase carbon stocks even in cities by advancing MOCCA (wood use integration)\*<sup>1</sup> activities, thereby contributing to global warming prevention efforts.

\*1. A collective term for Sumitomo Forestry Group activities that aim to expand the use of timber resources through the promotion of wood construction and wood materials in residential and non-residential buildings and structures.



Carbon stock of the timber used in the construction of houses in fiscal 2015

## Usage—Wood Can Be Reused and Does Not Increase CO<sub>2</sub>

Even after being dismantled or at the end of their product life, wooden houses and timber products can be reused as fiberboard or other wood materials in construction or as raw material for making paper, and all that time it will continue to retain CO<sub>2</sub>. The CO<sub>2</sub> released when timber is ultimately burned as a wood fuel is what has been absorbed from the atmosphere as trees grow, and therefore it does not represent an increase in CO<sub>2</sub> in the atmosphere over the life cycle of the tree.

## Planting—Preparing for the Next Cycle

Harvesting and using timber alone will lead to a diminishing of forest resources. The Sumitomo Forestry Group therefore promotes sustainable forest management by always planting new trees after harvesting. In fiscal 2015, the Group planted approximately 84 hectares of forests in Japan and around 3,663 hectares overseas. The newly planted trees will absorb CO<sub>2</sub> during their growth and retain it as carbon.

# Forest Management in Japan

Environmental Report

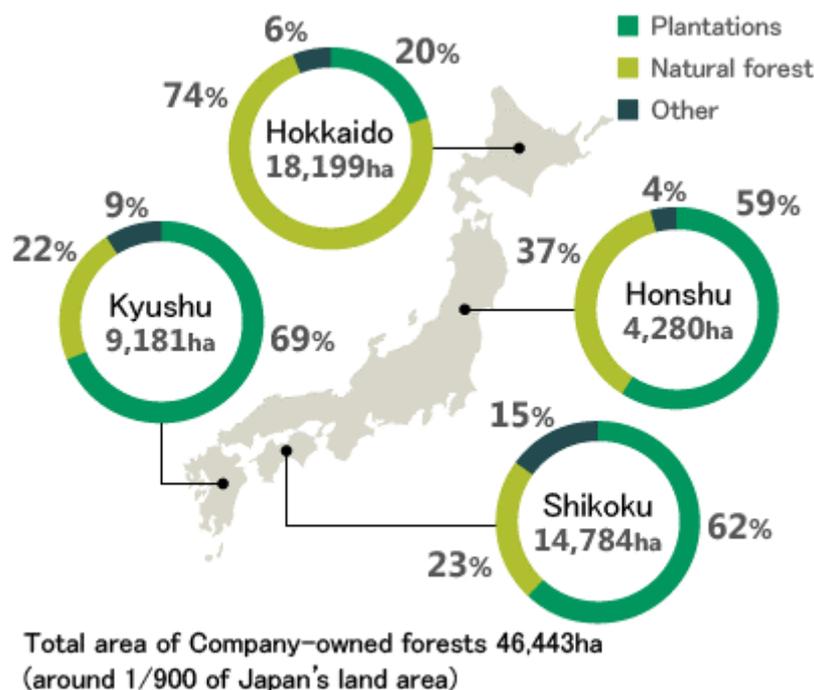
## Preserving and Increasing Forest Resources through Management of Company-Owned Forests

Sumitomo Forestry owns a total 46,443 hectares of forest in Japan (around 1/900 of the country's land area). Company-owned forests are categorized as either "commercial forests," where the production of timber is the priority, or "environmental forests," where conservation of the environment is the focus.

Sumitomo Forestry acquired forestry certification from Japan's Sustainable Green Ecosystem Council (SGEC)\*1 for all Company-owned forests\*2 in 2006 and third-party evaluations have confirmed that the forests are being properly managed, including with regard to measures to conserve biodiversity.

Forest operations include appropriate thinning, which helps to preserve and increase forest resources, while taking into consideration the surrounding environment including the ecosystem. Sumitomo Forestry also aims for highly productive management of its forests based on operations plans that follow the principle of performing the appropriate management for the appropriate tree species on the suited land.

**Distribution and Area of Company-Owned Forests (as of March 31, 2016)**



\*1. Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.

\*2. The forests owned by Sumitomo Forestry exclude the lands leased to Kawanokita Development Co., Ltd., which is a Group company responsible for operating a golf course.

## Forest Management Consulting Business in Japan

Sumitomo Forestry helps promote Japan's domestic forestry industry by developing its consulting business for forestry management in Japan, applying know-how acquired through management of its own forests.

### Consulting in Kyotamba, Kyoto

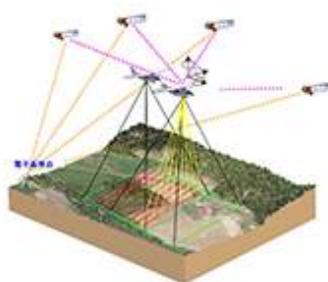
During fiscal 2014, Sumitomo Forestry was contracted by Kyotamba Town, Kyoto Prefecture to build "forest resources analytical system (hereafter, System)," and at the end of March, 2016 has begun operating the System.

The System gained forest resources information with high accuracy such as tree species, tree heights, the number of standing trees, and its density by using an aerial survey technique that combines aerial photographs and laser surveying\*1. The objective is to enforce foremost appropriate forestry management with the precise volume of the resources that is derived from obtained and analyzed data.

In addition to analyzing and consolidating the accurate forest resources information, the System converts detailed topological data acquired by laser survey into usable image format in practice. For greater efficiency and sophistication of forestry management, multiple functions are also incorporated in the System, one of which is an application that simulates designs of construction of forestry roads connected to sites of, for example, thinning operation. Sumitomo Forestry expects that the System will attribute to highly efficacious planning of the thinning operation and plotting and implementation of the forest roads construction plans.

Through these consulting activities, the Company will continue to support the efforts of governments aspiring to manage and utilize forest resources efficiently and effectively.

\*1 Laser survey: A laser scanner attached to an airplane emits a laser beam which reflects off the earth's surface. The time for the laser to travel back indicates distance with the earth. A Global Positioning System (GPS)/Inertial Measurement Unit (IMU) (a measuring system for position and posture) is used to gain the aircraft's position, enabling the precision measures of elevation and forests.



Aerial laser survey



Forest vegetation mapping



Forest roads development (FRD) simulation screen

## Consulting in Totsukawa, Nara

Totsukawa Village in Nara Prefecture has some 64,000 hectares of forest, corresponding to 96% of its total land area. Typifying low uplands in Japan, the mountainous region is remote and beset with steep terrain.

Consequently, developing road networks has been difficult and the village had been unable to take full advantage of its plentiful forest resources. In response, the village administration and forest owners' cooperatives have partnered together to promote various initiatives, including development of a processing and distribution hub for timber, based on a vision of "moving the forestry and wood industry to a sixth-order industry."<sup>1</sup> Sumitomo Forestry has provided consultation to Totsukawa Village on using forest resources to revitalize the local economy since fiscal 2011. In fiscal 2015, the consultation centered on three projects.

First is review of "the Totsukawa Village Forests Basic Plan" formulated in fiscal 2011. In order to revisit several issues that arose during the implementation following the establishment of the Plan, a survey of all forest owners in the village was undertaken. Based on the survey results,

main forestry stakeholders from inside and outside the village are called for meetings to discuss areas improvement to be made in the Plan to increase the chance of bringing it to practice. Second is support in developing forest roads. An expansion of material production capacities in the village will require wide and robust forest roads. However, the village is located in the hilly environment with many steep slopes making it difficult to develop large forest roads. Therefore, since fiscal 2013, Sumitomo Forestry continuously provided consultation on development of inexpensive and relatively robust strip roads that have been used in the village-owned forests, and assisted in extending the roads by 880 m within a year.

Third is support in improving the forest union's lumber plant management. The village has a lumber plant called the Timber Processing and Distribution Center operated by the Totsukawa Forest Union. To accelerate development of the sixth-order industry utilizing the village's forestry as well as timber industries, the timber plant management urgently needed a reform. Sumitomo Forestry, in cooperation with the Forest Union staff, created the inventory management manual, the comprehensive cost management manual, the itemized cost management manual, and the stock management manual, and consolidated the management method of the plant management.

\*1. Sixth-order industry: The shift by businesses operating in the primary industry, such as agricultural producers and forestry operators, to also branch out into the secondary industry (processing, manufacture, etc.) and tertiary industry (distribution, sales, etc.)



Building road networks in steep terrain



Onsite seminar on yarding wood with a tower yarder

## Low-Density Reforestation Using Tree Shelters

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Sumitomo Forestry is developing a new approach to forestry called “low-density reforestation” which involves the use of tree shelters whereby seedlings are covered by plastic tubes. Damage caused to seedlings by deer feeding on them has become a problem in recent years, but this new type of afforestation using tree shelters will prevent such damage without having to remove the deer from their habitat. As a result, even assuming the same production of timber, it will be possible to reduce the number of trees planted per unit area of land compared to conventional methods, and given this, there is potential for a reduction in forestry labor, such as for cutting and thinning.

In fiscal 2013, Sumitomo Forestry Wood Products Co., Ltd., which is responsible for managing forests owned by the Company, commenced full-scale external sales of Height Shelter S, a tree shelter developed in cooperation with Sumitomo Forestry and Phytoculture Control Co., Ltd. As a result of presenting product proposals, such as to the companies supplying logs to Sumitomo Forestry Wood Products and to forestry cooperatives struggling with the damage caused by deer, sales of the product reached 86,000 in fiscal 2015.

Reacting to the needs of potential clients, the Company developed wooden columns in addition to conventional steel columns coated with tree resin coating. The wooden columns abate the dismantling operation of shelters in mature forests meanwhile effectively utilizing wood resources, and are anticipated to contribute to the development of forestry industry as well as timber production industry in the community. In fiscal 2016, Sumitomo Forestry Wood Products aims to increase sales to over 120,000, thereby helping to make forestry labor more efficient.



Tree shelters employed in a privately-owned forest in Sukumo City, Kochi Prefecture

## Sumitomo Forestry Gifu Timber Tree Farming Center Opened

In March 2015, Sumitomo Forestry signed a “Business Agreement Concerning the Gifu Prefecture Project for the Development of Seedling Supply System” with Gifu Prefecture. Following the Agreement, the Company consolidated the facility in fiscal 2016 and launched “Sumitomo Forestry Gifu Timber Tree Farming Center” –one of the few facilities for tree farming from seedling stocks in a large.



Stocks of cedar sprouts

## Participation in “Satoyama Maniwa Forest Development Project”

Sumitomo Forestry was selected as a partner in the Satoyama Maniwa Forestry Development Project being implemented by the City of Maniwa, Okayama Prefecture in July 2015, and is working on establishing a Forest and Forestry Master Plan to enable sustainable use of forests. Revitalization of the forestry industry and its subsequent job creation and local economic development are considered important for achieving regional revitalization of municipalities across Japan, and in hilly and mountainous areas\*<sup>1</sup> in particular. In the Satoyama Maniwa forestry, a model zone of about 5,700 hectares was established within Maniwa City where Sumitomo Forestry used the latest airborne laser surveying techniques in collecting the necessary basic and established the Master Plan that outlines the zoning\*<sup>2</sup> practice accordingly with characteristics of trees and the farming policy, as well as harvest plans, logging road network plans, and countermeasures against possible damage from wild animals.

Sumitomo Forestry used tower yarders to harvest a portion of the Maniwa City plantations within the zones and carry out the timber, and conducted cost and productivity analyses.

Sumitomo Forestry aims to improve capacity to meet the city’s growing demand for timber and to contribute to realizing forest management practices that promote a proper balance between forest maintenance, forestry promotion and environmental conservation.

\*1 Regions with a lot of sloping land between the plains and the mountains.

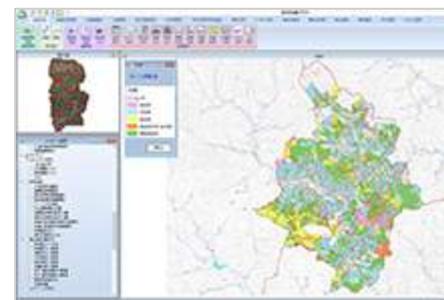
\*2 Classification of a forest according to inhabiting tree species, and age and usage of the trees.



Tower yards



Workshop



Zoning screen of Maniwa City

- ▶ [News release: “Sumitomo Forestry Participates in “Satoyama Maniwa Forest Development Project” in Maniwa City, Okayama Prefecture to Achieve Regional Revitalization through Revitalization of Forests and Forestry”](#)

## **Selection Technique That Dramatically Improves the Germination Rate of Tree Seeds Developed**

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In June 2015, in partnership with Kyushu University and the Forestry and Forest Products Research Institute (National Research and Development Agency), Sumitomo Forestry discovered a technique for the efficient selection of sound germinable tree seeds, based on reflectance in the infrared wavelength range. A large number of trees planted after the World War II as a result of the national policy reach the logging age, and to replace these mature trees and reforest the area, a large number of seedling stocks are in need. In contrast, the seedling stocks production site is undergoing a difficult situation across the country in which aging workers engaged in the business with little successors is swaying the stable supply of seedling stocks. Currently, the container seedling stock production is facilitated nationally with the intention to increase the efficiency of the stock production. Nonetheless, low germination rates of domestic cedar, cypress, and larch seeds had averted the mass production of these stocks and was the greatest challenge. Therefore, this new technology as it enables to select germinable seeds of major afforested species, improve of the seedling stock production, and reduce the production cost, gives us hope for sustainable development of forestry.

- ▶ [News release: “Selection Technique That Dramatically Improves the Germination Rate of Tree Seeds Developed”](#)

## Forest Management Overseas

The Sumitomo Forestry Group has taken three approaches to conducting plantation forest operations. The purpose of “industrial plantation” is to produce wood and increase the supply of plantation timber (raw material). By zoning its managed land appropriately, the Group aims to achieve both the conservation of valuable ecosystems and the development of local communities through plantation forest operations.

In addition, the Group also conducts “environmental reforestation,” aimed at planting trees for the environmental conservation. It aims to contribute to environmental conservation through the expansion of forested areas and the fulfillment of the ecosystem services function of forests, by actively planting trees on land where natural regeneration would otherwise be difficult. The Group has also been engaged in “social forestry” which shares the economic benefits of forest plantation with local communities while enlisting the cooperation of local residents.

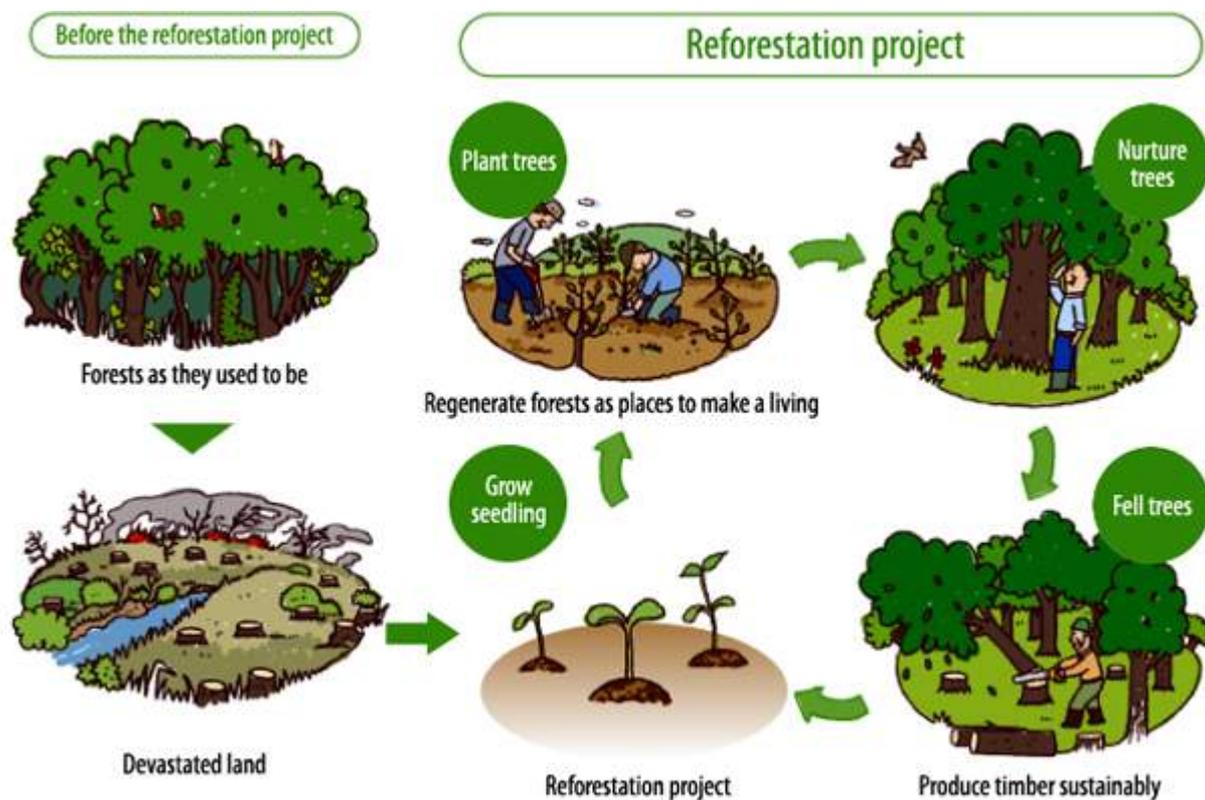
### Reforestation project in West Kalimantan, Indonesia

Since 2010, under the license from Indonesia's Ministry of Forestry permitting utilization of timber from commercial forests\*<sup>1</sup>, Sumitomo Forestry has been committed to a large-scale forest plantation business conducted in cooperation with the ALAS Kusuma Group, a company involved in forestry management and plywood manufacturing in Indonesia. The project covers the area where repeated illegal slash-and-burn farming and logging practices have persisted, and further degradation is foreseen. To halt the future degradation, the Company believes that proper management of the planned plantation area and provision of the economic foundation for local communities through businesses are important.

The Company produces seedling stocks of various tree species using its technology considering environmental factors such as the soil and moisture content of the planned plantation area. The process of labor-intensive planting, nurturing, and felling of trees generate local employment. Additionally, to bring reforestation in practice, the Company makes continuous improvement through studies and monitoring of the reforestation practices based on the latest findings while proactively consulting with third-parties.

\*1 Issued by the Indonesian government, this is a business license to engage in industrial timber plantation operations in Indonesia. The license is valid for 100 years.

## Reforestation project in collaboration with the ALAS Kusuma Group



<p><b>2012</b></p>	<ul style="list-style-type: none"> <li>• Signed a contract with International Finance Corporation (IFC)—member of the World Bank Group for the provision of advisory services. In accordance with the concept of High Conservation Values Forests (HCVF)<sup>*1</sup> that draws great attention in recent years, Sumitomo Forestry conducted assessments on its operational properties with IFC and investigated whether the property use plan is implemented as stated and adequate consideration is made for biodiversity and livelihood of local residents. The reports of the investigation results were audited by a third-party organization, and valuable comments made by stakeholders on the report will be adapted in the business plan.</li> </ul>
<p><b>2013</b></p>	<ul style="list-style-type: none"> <li>• Held public hearings where stakeholders such as local residents, companies in the communities, academics, NGOs, and government officers were invited to share the results of the investigations.</li> <li>• Obtained the PHPL certification, formally called Sertifikat Pengelolaan Hutan Produksi Lestari issued by Ministry of Forestry (Departemen Kehutanan) on sustainable forest management.</li> </ul>
<p><b>2015</b></p>	<ul style="list-style-type: none"> <li>• Received advice from IFC and incorporated into business practices; on cooperation with stakeholders, such as local residents, and on forest fire prevention methods.</li> </ul>

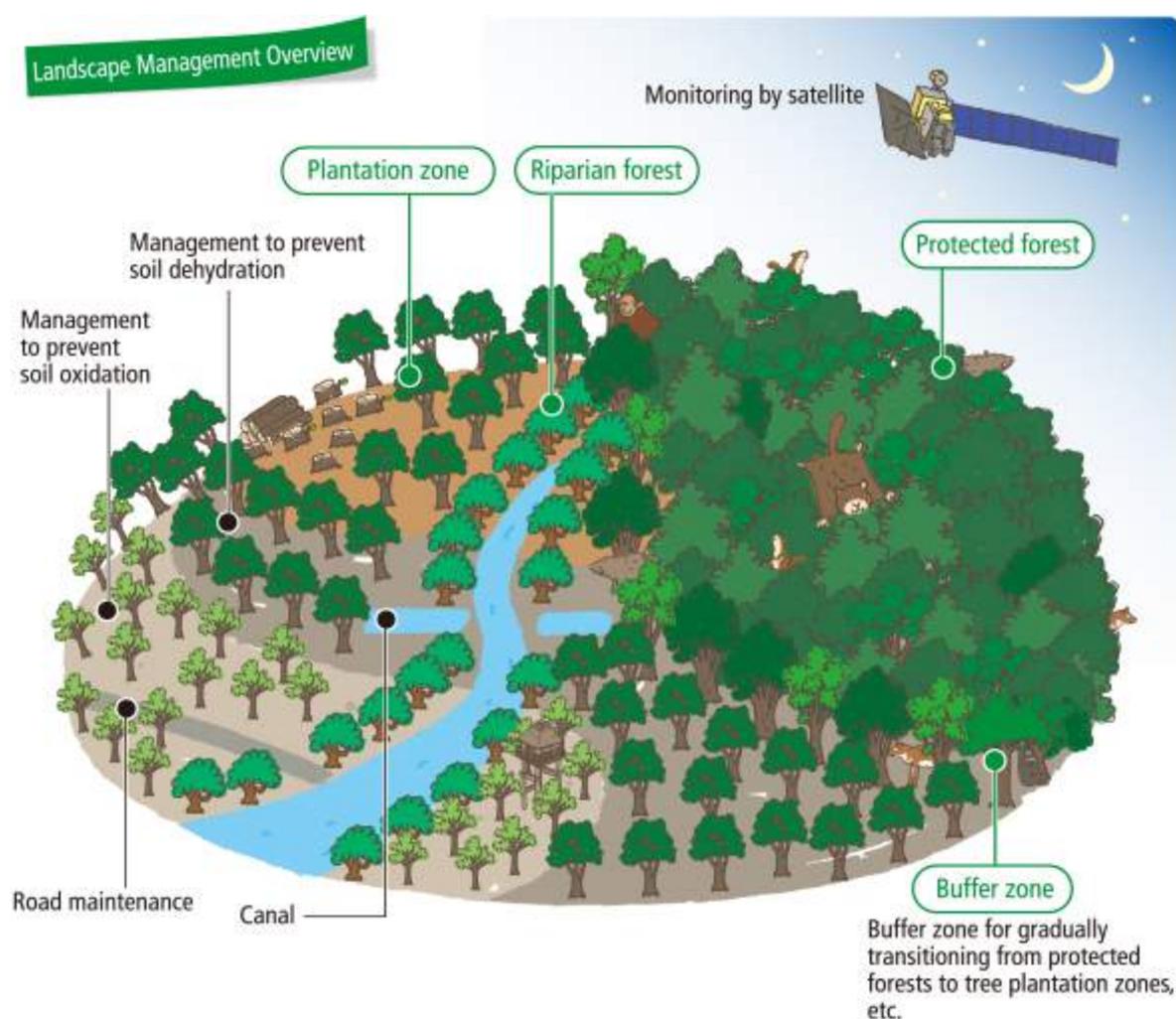
\*1 HCVF outlines methods to propose multi-faceted values of forests beyond the value as absorbers of greenhouse gases, encompassing the value as habitats of rare, endangered animal species, the value as water sources, the value as providers of essential natural services such as prevention of soil erosion, and the value as important areas for traditional and cultural identities of local communities.

## Conservation of Peat Swamp Forests

Past method of tree planting on peat swamps\*<sup>1</sup> have started with establishing many water drainage canals, and drying-out the land. However, land drying-out results in the decomposition of underground organic matters that leads to releasing greenhouse gases and to global warming. Dried peat, once ignited, is very difficult to extinguish, creating the risk of large-scale forest fires.

In order to sustain the water level even to keep the soil wet, it is important to conduct appropriate control and monitoring of ground water level. Therefore, in drawing up a forestation plan, the Sumitomo Forestry conducts a full field survey based on which the following areas are identified: (1) areas to be protected such as riparian areas and forest reserves, (2) buffer zones, and (3) plantation zones. In the plantation area within peat swamps, water routes have functions of timber transportation, water level regulation, and firebreaking. The water routes are kept disconnected with rivers in order to prevent water drainage which causes emission of greenhouse gases.

\*<sup>1</sup> Characteristics of the peaty soil found in the peat swamps is known to emit enormous amounts of greenhouse gases, typically carbon dioxide and methane gas, if the soil was inappropriately exploited. Owing to joint researches by Japanese and Indonesian academic institutes, this project takes consideration to minimize greenhouse gas emissions that accrue as the peaty soil dissolves during exploitations.



## Forest Management Consulting Business Overseas

Corporate needs for forest management are diverse. In recent years, there has been a considerable number of companies conducting forest conservation activities and planting activities in developing countries, for the purpose of mitigating the impact on forests in overseas countries and regions where they are doing business, or for the purpose of fulfilling their corporate social responsibility.

Drawing on its knowledge of forest management in Japan and overseas, Sumitomo Forestry implements its consulting business for restoration of degraded forests in tropical regions, the rehabilitation of biodiversity, and for the protection and cultivation of forests that takes into account local communities.

The Company plans to enhance the value of existing projects in cooperation with local governments and relevant organizations, and to promote the proposal of new mechanisms such as REDD+ as well as ongoing projects that contribute to local economies through forest management and agricultural production.

### Mitsui Sumitomo Insurance Co., Ltd.'s Project for the Rehabilitation and Regeneration of the Paliyan Wildlife Sanctuary

Mitsui Sumitomo Insurance Co., Ltd. has been involved in efforts for restoring the devastated forests in the Paliyan Wildlife Sanctuary (Gunung Kidul Regency in the Special Region of Yogyakarta) in Indonesia since 2005. Sumitomo Forestry has provided associated consulting services. During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. Since April 2011, with a goal of creating a framework for local people to voluntarily protect their abundant forest areas, Sumitomo Forestry has provided support for an agricultural guidance program aimed at improving the livelihoods of local residents, the establishment of an inclusive organization to examine ways of managing protected forests, and an environmental education program in cooperation with local schools.

As part of this project, the Company has also opened the doors to its plantation forests, seminar house and other related facilities in a positive effort to make information on its experiences and know-how on forest restoration available to the public. These have been well attended by local elementary and middle school students, by Indonesian and foreign university students and experts in such fields as forestry, the environment and education, as well as by many government officials.



Pepper farming through the agricultural guidance program

## Re-vegetation Project in Gunung Merapi National Park

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Mitsui Sumitomo Insurance Co., Ltd. and PT. TS Tech Indonesia have been running a project for the restoration of ecosystems in Indonesia's Gunung Merapi National Park (Central Java) since fiscal 2012. Sumitomo Forestry has teamed up with the Japan International Cooperation Agency (JICA) to provide support for implementation of the project.

In fiscal 2015, the final year of Mitsui Sumitomo Insurance's Project, the Project carried out regeneration of 50 hectares land of the forest with its indigenous species with the aim to assist in the rehabilitation of devastated national park's ecosystem from destructive activities such as illegal digging for gravel, and the capacity building of national park rangers through practical regeneration of the flora and fauna of the park. Although parts of the national park was burnt down by the fire in September, the re-vegetation activities were carried out after the fire incident. The project then came to a completion, from which and onwards, the national park rangers have fully taken over the management practices.



Plantation forest in the Gunung Merapi National Park

- ▶ [Responsible Timber Procurement](#)
- ▶ [Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas](#)

# Policies and Targets for Biodiversity Conservation

Environmental Report

## Declaration of Biodiversity and Biodiversity Action Guidelines

Sumitomo Forestry established its policy on Biodiversity Conservation in Company-owned Forests in Japan in fiscal 2006, and its Timber Procurement Philosophy and Policy in fiscal 2007. The Company also revised its Environmental Policies in fiscal 2007 to incorporate biodiversity considerations. Then in March 2012, the Sumitomo Forestry Group established its Declaration of Biodiversity, setting out the Sumitomo Forestry Group's understanding of and stance on biodiversity; Biodiversity Action Guidelines, specifying an internal set of guidelines; and Biodiversity Long-Term Targets as specific goals of activity.

In July 2015, the Group initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines.

▶ [Sumitomo Forestry Group Environmental Policy](#)

## Biodiversity Long-Term Targets

As well as advancing biodiversity preservation initiatives, the Group established the Biodiversity Long-Term Targets in March 2012 as a way of contributing to the international community in respect to attainment of the Aichi Biodiversity Targets adopted at the 10th Conference of Parties to the Convention on Biological Diversity (COP10) in 2010. Rough schedules for achieving each of the long-term targets were put in place covering the period up until 2020 and serve as a guideline for advancing initiatives.

## The Sumitomo Forestry Group's Biodiversity Long-term Targets: Summary

### ■ Group-wide targets

#### 1 (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, work to prevent any reduction in forest areas and aim to achieve sustainable forests.

- Regenerate forests through reforestation and the recharging of natural resources and maintain logging to less than grown volume of the forest.
- Increase the procurement and use of sustainable timber, including forest certified timber, plantation forest timber, and Japanese timber.
- Promote the efficient use of timber and, recycle, and reuse timber.

#### 2 (Increase the amount of CO<sub>2</sub> absorbed by and sequestered in forests and timber)

In order to increase the amount of CO<sub>2</sub> absorbed by and sequestered in forests and timber, promote the use of timber by cultivating healthy forests and encouraging the use of timber construction materials and the construction of wooden buildings. In this way, contribute to the protection of biodiversity and help alleviate climate change.

### ■ Individual targets

#### 3 (Forests)

Promote forest management that regenerates, maintains, and increases biodiversity

- Carry out zoning that protects ecosystems and the habitats of living creatures.
- Maintain to 20% or above the percentage of the environment protection priority forests area of Company-owned forests in Japan.
- Maintain to 100% the percentage of Company-owned forests in Japan that are forest certified.
- Establish targets for protecting endangered species based on the results of the biodiversity monitoring conducted within Company-owned forests in Japan starting 2012.
- Conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

#### 4 (Products)

Provide products and services that are considerate to biodiversity, such as forest-certified timber and products and services that have received an environmental assessment.

## **5 (Construction)**

Work to develop homes and communities that are in harmony with the natural environment and their surrounding urban landscapes.

## **6 (Design)**

Manage and minimize the generation of waste through promoting a zero-emissions policy in construction operations.

## **7 (Greening)**

Be considerate to the surrounding ecosystems and tree species and actively cultivate native species.

## **8 (Plants)**

Manage and minimize the generation of pollutants, waste, and noise pollution, and reduce their impact on biodiversity.

## **9 (Public relations)**

Actively communicate the importance of biodiversity to all stakeholders, including customers, business partners, and local communities.

## **10 (Research)**

Collect the latest information and develop conservation technologies in order to implement measures to protect biodiversity.

## **11 (Social contribution)**

Protect those trees that are historically and culturally important and also preserve their genetic material.

# Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Environmental Report

## Biodiversity Conservation in Company-Owned Forests in Japan

The Policy on Biodiversity Conservation for Company-owned forests in Japan calls for efforts to promote diversity of ecosystems, through proper management of protected areas and consideration toward the continuity of forests; diversity of species, through protection of rare flora and fauna; and genetic diversity, through the maintenance of populations.

In keeping with these policies, forests are subject to appropriate zoning and management according to certain criteria, such as the increment of trees. Sumitomo Forestry is also making efforts to create endangered species lists and manuals, conduct surveys to monitor wildlife, and develop materials for protecting saplings.

### Policy on Biodiversity Conservation in Company-Owned Forests in Japan(Excerpt) (Formulated June 2006)

#### 1. Diversity of ecosystems

We will properly manage strictly protected areas designated under the Natural Parks Law and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear cutting is conducted.

#### 2. Diversity of species

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the Sumitomo Forestry Red Data Book.

#### 3. Genetic diversity

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.

## Red Data Book and Riparian Forest Management Manual

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Sumitomo Forestry creates a Sumitomo Forestry Red Data Book listing flora and fauna at threat of extinction which may exist in Company-owned forests and distributes it to employees and contractors involved in forest management. By carrying the book with them during operations, personnel can refer to the opinions of specialists when they come across flora and fauna included in the book and take action. In fiscal 2015, the Company reviewed the Sumitomo Forestry Red Data Book (Mombetsu Forest Office Edition) in order to newly add species mapped in the forestry bought in 2014. The Company has also created the Riparian Forest Management Manual to ensure the appropriate management and preservation of areas around bodies of water that are rich in biodiversity.



Sumitomo Forestry Red Data Book

## Wildlife Monitoring Surveys

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Sumitomo Forestry monitors wildlife inhabiting Company-owned forests. Every year, surveys are conducted in one of four areas— Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Wakayama. Data for each area is therefore accumulated in four-year cycles. This is used to create basic reference materials relating to biodiversity and to ascertain the impact of forestry on the surrounding environment over the long-term. In fiscal 2015, monitoring surveys were conducted in Company-owned forests in Hokkaido. They included surveys of mammals and birds and fixed-point photography.

## Species of mammals and birds confirmed by past surveys

Surveyed forest	Mammals	Birds	Year
Niihama Forest	14	31	2008
Hyuga Forest	11	33	2009
Mombetsu Forest	10	38	2010
Wakayama Forest	12	25	2011
Niihama Forest (2nd survey)	11	34	2012
Hyuga Forest (2nd survey)	12	29	2013
Mombetsu Forest (2nd survey)	9	40	2014
Wakayama Forest (2nd survey)	10	29	2015
Hyogo Forest (1st survey)	6	21	2015

## Value of Ecosystem Services Generated by Company-Owned Forests

Using data on forest registers\*<sup>1</sup> and maps stored in the Company's own independent forest management system, Sumitomo Forestry is working to quantify\*<sup>2</sup> the diverse ecosystem services\*<sup>3</sup> provided by its company-owned forests, and to render a visual representation of the environmental value of managing those forests.

Through quantifying the ecosystem services and calculating the economic value, the Company will contribute to the establishment of forest management techniques that enhance ecosystem services, and to the development of techniques for evaluating ecosystem services in forests. In fiscal 2015, Sumitomo Forestry examined quantification methods of the potential impact its forestry practices, such as thinning, may have on forest ecosystem services through information exchange with experts and relevant corporations.

\*1. A register on the forest resources of privately-owned forests. Each register records the species and ages of trees, as well as the size of the forest and its management history.

\*2. Of the different categories of ecosystem services, quantification of the regulating services (purification of water, climate regulation, protection from natural disasters, etc.).

\*3. All of the functions derived from ecosystems that are of benefit to humankind. There are a variety of functions, from the production of food and wood, to purification of air and water, the water cycle, and the conservation of biodiversity.

## **Biodiversity Conservation in Plantation Forests Overseas**

Indonesia has the third largest area of rainforest in the world, however, it is said that around 700,000 hectares of forest are lost each year due to such factors as forest fires, illegal logging and slash-and-burn farming. The Sumitomo Forestry Group runs a large-scale plantation in West Kalimantan, Indonesia. The forests are planted and managed using methods suited to each area based on appropriate zoning that takes into account biodiversity considerations.

In fiscal 2012, for the purpose of objectively reviewing the methods used for selecting and managing protected areas set up within the boundary of the plantation site, the Group entered into an advisory agreement with the International Finance Cooperation (IFC), an independent organization and member of the World Bank Group, and in fiscal 2013, identified high conservation value forests (HCVF) areas within the site. The results of this review will be reflected in future business plans. Also in fiscal 2013, the Group acquired PHPL (Sertifikat Pengelolaan Hutan Produksi Lestari), a certification of the Ministry of Forestry of Indonesia for sustainable forest management.

### [▶ Forest Management Overseas](#)

# Conservation of Biodiversity through Business and Services

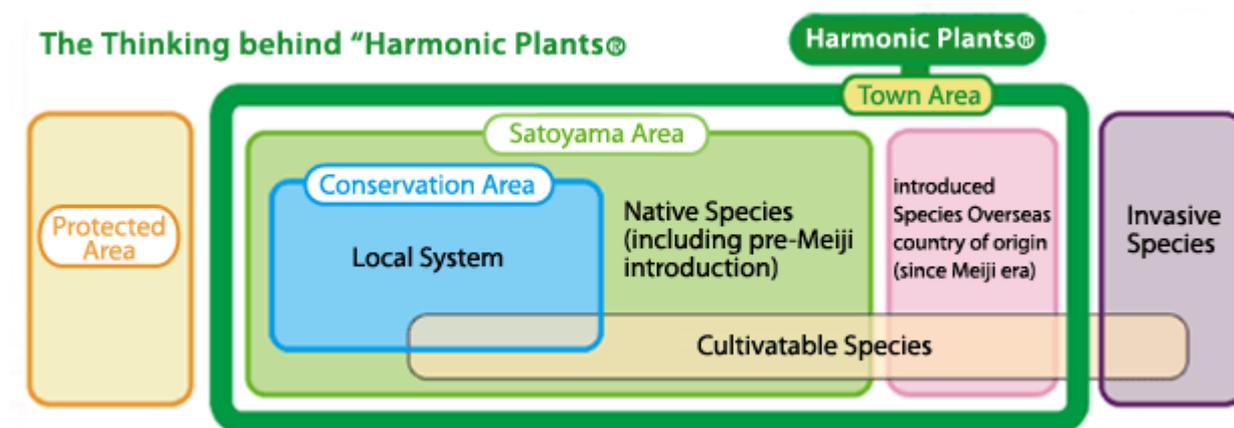
Environmental Report

## Conservation of Biodiversity Through the Greening Business

Sumitomo Forestry Landscaping Co., Ltd. makes comprehensive proposals for the landscaping and greening of many different environments, from houses, parks and residential property development through to regeneration of the natural environment. Areas designated for planting are categorized into four areas according to their conservation level—protected areas, conservation areas, satoyama areas (countryside close to rural communities) and town areas and local seeds, seedlings and saplings, native plants, and cultivars are planted after considering their effect on ecosystems. In a conservation area such as a nature park, for example, only local seeds, seedlings or saplings are used. In the landscaping of residential gardens in town areas, consideration is also given to color in the space by planting not only native species, but also cultivars and certain introduced species (introduced since the Meiji era) which have no effect on the local ecosystem. The Group actively promotes use of these plants for landscaping and greening as Harmonic Plants® that are chosen based on biodiversity considerations. The Group also has in place a policy of not using species that clearly have an adverse impact on local ecosystems\*<sup>1</sup> and a division responsible for coordinating technology at Sumitomo Forestry Landscaping Co., Ltd. checks that such species are not used.

\*1 Specified alien species and alien species requiring caution as stipulated by the Invasive Alien Species Act

### The Thinking behind “Harmonic Plants”®



## Species of mammals and birds confirmed by past surveys

① Protected Area (area in which the genetic constitution is protected): Area in which the artificial transplanting or introduction of plants is not permitted for scientific reasons, such as an area of primordial nature.	
② Conservation Area (area of systems conservation): An area in which nature is protected, such as islands, high-mountain, or wetlands. Local seedlings are used for greenification.	
③ Satoyama Area (area of species conservation): A region of secondary nature that is impacted by human activity, such as a mid-mountainous area or Satoyama Area. Native species, including cultivatable species, are used for greenification.	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; background-color: #d9ead3;">Cultivatable Species</div> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; background-color: #d9ead3;">Native Species</div> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; background-color: #d9ead3;">Local Seedlings</div> </div>
④ City Area (area in which introduced species are managed): An area removed from a natural ecosystem that can be managed. Non-invasive cultivatable species can also be used.	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; background-color: #d9ead3;">Cultivatable Species</div>

## Efforts for the Entrenched Widespread Use of Harmonic Plants®

Sumitomo Forestry Landscaping Co., Ltd. has adopted a biodiverse approach to tree-planting for Sumitomo Forestry custom-built detached houses and subdivision homes. For instance, it used Harmonic Plants® in the exterior landscaping for all 710 subdivision homes completed during fiscal 2015. It also used Harmonic Plants® in landscaping at all 22 Sumitomo Forestry model homes that opened during fiscal 2014, in an effort not only for Harmonic Plants® to be incorporated into planting proposals for customers, but also to raise awareness among employees.

Furthermore, in October 2014, in conjunction with Sumitomo Forestry, the Company launched a new concept of complete garden proposals called “Sumitomo Forestry Gardens.” The proposals, which integrate home and garden design, include plans for planting that take biodiversity into account based on Harmonic Plants®.

Native species are one class of Harmonic Plants®. Targets for the number of native species planted have been established in the Mid-Term Environmental Management Plan, and in fiscal 2015, 36,050 symbol for third party assurance native species were planted at Sumitomo Forestry’s custom-built detached houses and subdivision homes.



“Sumitomo Forestry Gardens”

- ▶ [“Sumitomo Forestry Gardens”](#)
- ▶ [CSR Mid-Term Plan](#)
- ▶ [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

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## **Social and Environmental Green Evaluation System Certification Support**

Through Eco-Asset™ Consortium, Sumitomo Forestry Landscaping takes the initiative with Sumitomo Forestry, InterRisk Research Institute & Consulting, Inc. (IRRIC), and Regional Environmental Planning, Inc. in a consulting business concerning, biodiversity-oriented revitalization of metropolises, for instance, renovation of existing green space, and community forests recovery. In fiscal 2011, Forest of Toyota, Mitsui Sumitomo Insurance Surugadai Building, and Sony EMCS Koda –the three projects Eco-Asset™ Consortium provides consulting for green space conservation, received Superlative Stage Certification in SEGES that is the highest status ever awarded in Japan.

In fiscal 2015, Idemitsu Kosan Co.,Ltd. Aichi Refinery who contract Eco-Asset™ Consortium for the green space utilization consultation also received Superlative Stage Certification. Sumitomo Forestry Landscaping will continue to contribute to conserve biodiversity conservation through the consulting business.

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## **Biodiversity Consulting Business**

Sumitomo Forestry Landscaping Co., Ltd. brings contributions to the peaceful coexistence of communities and corporations, and the natural environment through the Eco-Asset™ Consortium in which biodiversity consulting services unique to the Sumitomo Forestry Group are provided.

## Park Renovation Project at Kyukamura Irago, Aichi Prefecture

Sumitomo Forestry Landscaping Co., Ltd. has been taking part in a seashore plants-themes renovation project with consideration for biodiversity at the holiday village, Irago Park, in Tahara City of Aichi Prefecture in collaboration with Eco-Asset™ Consortium member corporations since September 2013.

The neighboring beach plays an important role in the ecosystem network, including serving as a spawning ground for green sea turtles and as a migratory point for hawks such as the gray-faced buzzard and the honey buzzard.

The project involves developing the Irago Salala Park, Japan's first garden for observing coastal flora. In October 2014, approximately 2.5 hectares of the total 5 hectares were opened for the sightseeing area which will be the main facility. In fiscal 2015, the constructions of Masonry Bridge leading to the observation deck and a Rare Species Protected Zone on the island in the middle of the pond have completed.

In promoting this project, various methods have been adopted for regenerating the vegetation, for instance attempting to restore the coastal vegetation that had originally been there by turning the soil over and reviving the buried seeds that had been dormant underground. The park is scheduled for completion in fiscal 2017.



Masonry Bridge



Rare Species Protected Zone

### Launched “Biodiversity Primer”

Sumitomo Forestry Landscaping launched in fiscal 2015 “Biodiversity Primer” in which provides easy-to-understand explanation of biodiversity. The book introduces various information and action tips to raise the biodiversity awareness towards 2020 – the target year of Aichi Target established at the 2010 10th Conference of Parties (COP) to the Convention on Biological Diversity and the year of Tokyo Olympics and Paralympics.



“Biodiversity Primer”

# Management of Hazardous Chemical Substances

Environmental Report

## **Management of Chemical Substances at Research Institute and Plants**

### **Management of chemical substances at the Tsukuba Research Institute**

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At the Tsukuba Research Institute, the Chemical Substances Handling Manual prescribes procedures from the receipt to disposal of chemical substances, and the Manual for Responding to Disasters Involving Chemical Substances prescribes procedures for preventing and dealing with accidents in the event of a disaster. Based on these two manuals, the institute is committed to the safe handling of chemical substances, and twice a year, it takes an inventory for the purpose of identifying the chemical substances in its possession and disposing of any unnecessary stock. Particularly with regard to hazardous chemical substances, the institute has implemented various measures in preparation of a disaster, such as installing dedicated storage lockers and keeping the substances under lock and key, as well as installing partitions where liquid substances are stored to prevent them from tipping over.

### **Management of chemical substances at Sumitomo Forestry Crest Co., Ltd.**

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At Sumitomo Forestry Crest Co., Ltd. plants, environment-related work manuals and regulations have been established to prevent chemical leaks and other environmental accidents. In accordance with these provisions, the plants regularly measure the concentrations of air pollutants, water pollutants and organic solvents in exhaust gas to check that there are no problems.

At the No. 2 Kyushu Plant, where a large amount of chemical substances are handled, leak response equipment is always on hand and emergency training is practiced as measures for preventing spills.

## FY 2015 List of PRTR Substances Total Use, Discharge, and Transfer\*1 (Data covers Sumitomo Forestry Crest Co., Ltd.)

Designated Chemical Substance Number	Designated Chemical Substance	Unit	Total Use	Total Release 	Total Transfer 
4	Acrylic acid and its water-soluble salts	kg	11,512	0	0
7	n-Butyl acrylate	kg	11,168	0	31
84	Glyoxal	kg	1,850	0	3
134	Vinyl acetate	kg	2,145,804	2,495	30
186	Methylene chloride	kg	15,786	12,000	3,600
349	Phenol	kg	47,160	1	19
395	The water-soluble salts of peroxydisulfuric acid	kg	3,447	0	8
407	POAE (C=12~15)*1	kg	2,230	13	6
411	Formaldehyde	kg	153,972	46	320
415	Methacrylic acid	kg	1,260	0	0
448	Methylenebis (4,1-phenylene) diisocyanate	kg	11,827	0	98
243	Dioxins	mg-TEQ	-	73	0
TOTAL*2			2,406,016	14,555	4,115

\*1 Pollutant Release and Transfer Register (PRTR) is a system in which the company records amounts of designated harmful chemical substances released into the environment, transferred outside as waste or sewage from company properties, and reports to relevant government bodies annually. Except for dioxins, designated chemical substances with total release of over 1 ton at Sumitomo Forestry Crest's plants are included.

\*2 Total amounts for each variable do not include dioxins.

▶  [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

## Emissions of NOx and SOx (Sumitomo Forestry Crest Co., Ltd.)

Substance	Emissions (Unit: kg)
SOx (Sulfur oxide)	2,609
NOx (Nitrogen oxide)	825
Soot and dust	593

Effluent Water Quality Survey Results  
(Imari Plant)

Item <sup>*1</sup>	Unit	Measured	Effluent Standards <sup>*2</sup>
pH	-	7.5	5.0~9.0
COD	mg/L	28.6	40
SS	mg/L	4.0	50
TN	mg/L	1.7	60
TP	mg/L	0.02	8

Effluent Water Quality Survey Results  
(Tsukuba Research Institute)

Item	Unit	Measured	Effluent Standards <sup>*3</sup>
pH	-	7.9	5.8~8.6
BOD <sup>*4</sup>	mg/L	13.0	160
SS	mg/L	7.0	200
Total n-hexane extract substances (total mineral oils)	mg/L	Less than 1	5
Total n-hexane extract substances (total plant and animal fats/oils)	mg/L	1.0	30
Total Phenols	mg/L	Less than 0.025	0.5 or less

\*1. pH = concentration of hydronium ions, COD = Chemical Oxygen Demand, SS = Suspended Solids, T-N = Total Nitrogen, T-P = Total Phosphorous

\*2. Effluent Standards uses values stipulated by prefectural ordinance.

\*3. Effluent Standards uses values stipulated by the Water Pollution Control Act. Total Phenols uses standards required by the Tsukuba City Pollution Prevention Agreement.

\*4. BOD = Biochemical Oxygen Demand

## ■ Proper Treatment of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured appropriate disposal routes for asbestos. At Sumitomo Forestry, a Guide for Appropriate Measures during Demolition Work has been formulated, and it endeavors to prevent asbestos being released into the air during home demolition work.

At each of Sumitomo Forestry's office buildings as well, any asbestos is disposed of properly in accordance with the law.

## ■ Storage and Proper Treatment of Polychlorinated Biphenyls (PCBs)

At Sumitomo Forestry Crest Co., Ltd., polychlorinated biphenyl (PCB) waste, such as that contained in used high-voltage capacitors, is properly managed and disposed of in accordance with the PCB Special Measures Law. In fiscal 2015, the extra PCB waste, 272 units and 10,059.7 kg in quantity, was generated as a result of plant closure and following facility demolition, and 22 units (8,570 kg) of the 272 units were disposed within the year. As at the end of the fiscal year, 475 units were being stored for later disposal.

### Disposal of PCB Waste

FY 2014	FY 2015	Change
225 Units	475 Units	+250 Units (+1,489.7 kg)

## Project for Soil Purification Technology and Environmental Remediation Aided by Plants

An issue in re-using the site of an old factory is the environmental impact associated with soil contamination and the cost burden of any remedial measures. For example, under the revised Fire Service Act of Japan, gasoline stations are now obliged to repair any underground tanks that have laid under the ground for more than 40 years, and as a consequence of this, it is expected that between 1,000 and 2,000 stations will close down each year.

In order to meet the demand for environmental remediation and measures dealing with soil contamination, the Sumitomo Forestry Group has been working on cleansing contaminated soil by using the functions of plants (phytoremediation). As part of this, during fiscal 2012, in collaboration with JX Nippon Oil & Energy Corporation, the Group developed a method for purifying soil contaminated with oil using Burning Field, a variety of Japanese lawn-grass independently registered by the Group.

One of the functions possessed by the variety of Japanese lawn-grass used in this method is that the nutrients transpiring from its roots activate microorganisms in the soil, and the upshot of this is that it has the potential to inexpensively reduce the oil content in polluted soil. This method has been adopted at nine sites so far to purify areas where gasoline stands or oil depots once stood, with purification at three sites now complete.

In fiscal 2013 and 2014, the Ministry of the Environment conducted a study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil. The study found that oil-degrading microorganisms tend to become more active, and were recognized as having potential to be applied at sites heavily contaminated with oil.

Moving forward, by steadily producing results in soil purification based on this technique, the Group will continue to help resolve the nationwide problem of oil contamination.



Grass laid on the site where a gasoline station once stood

# Efficient Use of Water Resources

Environmental Report

## Reduction of Water Consumption in Business Activities

Around the world, there is a growing sense of crisis over water shortages. It is expected that this problem will become more and more urgent as the demand for water rises with population increase and economic growth in developing countries.

Previously, the Sumitomo Forestry Group had gauged water consumption at its plants inside and outside Japan, but in fiscal 2012, the Group began examining the consumption and the associated sources at bases where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group. In fiscal 2015, Sumitomo Forestry conducted sample survey of water used at home construction sites and found the volume of water used per 1m<sup>2</sup> of floor area is approximately 0.0887 m<sup>3</sup>.

In contrast, plants in Japan primarily manufacture processed wood products, such as interior materials for housing, and thus do not use large amounts of water. Nevertheless, in order to use water resources as effectively as possible, the Group employs water-saving initiatives at each plant.

The Sumitomo Forestry Group is operating its businesses in water-stressed areas and plans to start measuring its water use in such areas. The Company is also working to build partnerships with other organizations as it believes cooperation will be essential in conserving water sources.

### Water Consumed by Group Companies in Japan\*<sup>1</sup> (FY2015)

Unit: m<sup>3</sup>

	Domestic Offices			Domestic Manufacturers		
	FY 2013	FY 2014	FY 2015	FY 2013	FY 2014	FY 2015
City water	62,323	64,064	170,117	32,358	22,492	17,612
Ground water	2,547	2,970	3,438	323	201	124
Industrial water	128,329* <sup>2</sup>	109,500* <sup>2</sup>	120,306* <sup>2</sup>	186,977	173,468	166,444
<b>Total</b>	<b>193,199</b>	<b>176,534</b>	<b>293,861</b>	<b>219,658</b>	<b>196,161</b>	<b>184,180</b>

\*1. Covers sites where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.

\*2. Used by Kawanokita Development Co., Ltd. at a golf course it manages for watering the turf and otherwise maintaining the course, as well as Tsukuba Research Institute for experiments.

▶ [About symbol for Independent assurance \(link to Independent Assurance Report\)](#)

## Efforts at Sumitomo Forestry Crest Co., Ltd.

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Sumitomo Forestry Crest Co., Ltd.'s Imari (former No.2 Kyushu) Plant manufactures synthetic resin adhesives and other products. It primarily promotes three measures for reducing water usage. First, it uses industrial water to cool manufacturing equipment. Then, it reuses the water to dilute plant effluent. In fiscal 2014, the volume of industrial water used decreased by 6% compared with the previous fiscal year.



Measuring the COD of effluent

### ■ Measures Used at the Sumitomo Forestry Crest Co., Ltd.'s Imari Plant for Saving Water

1. Collect some of the water used for washing equipment, and reuse it as a raw material.
2. Improve the proportion of rainwater used, such as by upgrading the pumps used for collecting rainwater.
3. Maintain water-quality control by measuring COD<sup>\*1</sup> and treat wastewater using only the minimum amount of water necessary.

\*1. Chemical Oxygen Demand (COD): An indication of the amount of oxygen required to oxidize an organic compound in water; one of the most important indicators of water quality.

# Environmental Accounting

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Environmental Report

## Tabulated Results for Fiscal 2015

Sumitomo Forestry publicizes aggregated data of environmental conservation costs and effects and also economic impact of its activities for the purpose of promoting environmentally sound management.

Note: The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain group companies.

## Environmental Preservation Costs

Cost Category		Main Activities	Cost (Million Yen)
Costs within operational area	Global environmental protection costs <sup>*1</sup>	Sustainable forestry cultivation	631
		Environment-related business (overseas consulting, REDD+ business, etc)	221
		Carbon offset	67
	Resource recycling costs <sup>*2</sup>	Promotion of appropriate treatment, reduction, and recycling of industrial waste	5,615
		Waste wood chip distribution operations	212
		Potting mix business	525
Upstream / Downstream costs <sup>*3</sup>		Green purchasing	34
Management activity costs <sup>*4</sup>		Operation and promotion of environmental management (ISO14001 certification, environmental education, LCA surveys, etc.)	132
		Observation of environmental burdens	1
		Disclosure and administration of environmental information (CSR Report, environment-related advertising, environment-related exhibitions, etc.)	15
R&D costs <sup>*5</sup>		R&D activities related to environmental conservation	307

Social contribution costs <sup>*6</sup>	Management and operation of <i>Mt. Fuji Manabi no Mori</i>	22
	Management and operation of <i>Forester House</i>	10
	Other social contribution activities	2
	Donations to the Keidanren Nature Conservation Fund	2
<b>Total</b>		<b>7,796</b>

\*1 Global environmental protection costs: Expenditures for preservation and management of Company-owned forests to foster sustainable forestry, expenditures in Japan and overseas relating to the environmental business, and overseas reforestation expenses for implementing carbon offset.

\*2 Resource recycling costs: Expenditures on waste wood distribution operations and sorting, recycling, appropriate treatment, transportation and management of construction waste, as well as costs incurred in the potting mix business.

\*3 Upstream/Downstream costs: Expenditures for green purchasing.

\*4 Management activity costs: Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and the CSR Reports; expenditures relating to lectures on environmental education; and costs for life cycle assessment inspections.

\*5 R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute

\*6 Social contribution costs: Expenditures related to operating the Mt. Fuji Manabi no Mori natural forest restoration project, and maintaining and operating Forester House; expenditures related to other social contribution activities; donations to the Keidanren Nature Conservation Fund; and provision of financial assistance to the Keidanren Nature Conservation Fund commissioned by the Keidanren Committee on Nature Conservation.

▶ [Link to the Keidanren Committee on Nature Conservation](#)

## Environmental Benefits

Category	Description	Results
Benefits from costs within operational area	Volume of recycled waste wood from distribution operations(converted into chip equivalents)	1,104 thousand m <sup>3</sup>
	Volume sold of potting mix using recycled sediment from water purification	22 kt
Benefits from Upstream/ Downstream costs	Green procurement ratio	71.0%
Benefits from management activity costs	Employees designated as internal environmental auditors	237 employees
Benefits from R&D costs	Japan Bioenergy Co., Ltd. Recognized as Superior Industrial Waste Processor	-
	Successfully proliferated seedling of “Kitano Sakura” via tissue culture. Continue conserving valuable trees following the previous year’s success case for “Sacred Plum Tree”	-
	“Revitalization of local economies through forestry”—began operating the Business of Forest Resources Analytical Systems in Kyotamba Town, Kyoto Prefecture.	-
	Support in Nepal Manaslu Forest Restoration Project led by an alpinist, Ken Noguchi Providing plantation technological support	-
	Lawn production business at disaster areas along the coast Commencing “Kibo no Shiba (Lawn of Hope)” Project in Higashimatsushima City, Miyagi Prefecture Changing affected lots into green pieces of land	-

	Sumitomo Forestry Participates in “Satoyama Maniwa Forest Development Project” in Maniwa City, Okayama Prefecture to Achieve Regional Revitalization through Revitalization of Forests and Forestry Beginning work on establishing Forest and Forestry Master Plan that enable sustainable forest usage	-
	Selection Technique That Dramatically Improves the Germination Rate of Tree Seeds Developed Discovery will Contribute to Turning Forestry into a Growth Industry by Cutting Costs	-
<b>Benefits of social contribution costs</b>	Volunteers who participated in Mt. Fuji Manabi no Mori project	315 volunteers
	Children participating in the Environmental Education Program at Mt. Fuji Manabi no Mori project	733 children
	Visitors to Forester House	2,974 visitors



# Environmental Data for Group Companies

Environmental Report

## Environmental Data for Group Companies in Japan

Data for manufacturing companies in Japan shows the environmental impact per company and per plant.

**Sumitomo Forestry Crest Co., Ltd. Kashima Plant**  
Kashima City, Ibaraki Prefecture: Manufacture and sales of various types of plywood, building components for housing, furniture, etc.

Input		Output	
Energy Input	31,000 GJ	Greenhouse Gas Emissions	966 t-CO <sub>2</sub>
Raw Materials	11,000 t	Waste	2,750 t
Water Consumption	3,780 m <sup>3</sup>	Water Discharge	2,730 m <sup>3</sup>

**Sumitomo Forestry Crest Co., Ltd. Shizuoka Plant**  
Fujieda City, Shizuoka Prefecture: Manufacture and sales of various types of plywood, building components for housing, furniture, etc.

Input		Output	
Energy Input	32,900 GJ	Greenhouse Gas Emissions	1,450 t-CO <sub>2</sub>
Raw Materials	37,000 t	Waste	2,190 t
Water Consumption	5,270 m <sup>3</sup>	Water Discharge	5,270 m <sup>3</sup>

**Sumitomo Forestry Crest Co., Ltd. Niihama Plant**  
**Niihama City, Ehime Prefecture: Manufacture and sales of**  
**laminated veneer lumber (LVL),**  
**stair components, and timber countertops**

Input	Output
Energy Input	Greenhouse Gas Emissions
26,500 GJ	1,650 t-CO <sub>2</sub>
Raw Materials	Waste
4,780 t	974 t
Water Consumption	Water Discharge
5,300 m <sup>3</sup>	6,300 m <sup>3</sup>

**Sumitomo Forestry Crest Co., Ltd. Imari Plant**  
**Imari City, Saga Prefecture: Manufacture and sales of**  
**synthetic resin adhesives**

Input	Output
Energy Input	Greenhouse Gas Emissions
15,100 GJ	970 t-CO <sub>2</sub>
Raw Materials	Waste
7,080 t	278 t
Water Consumption	Water Discharge
157,000 m <sup>3</sup>	144,000 m <sup>3</sup>

## Environmental Data for Group Companies outside Japan

Data for manufacturing companies outside Japan shows the environmental impact per company.

**PT. Kutai Timber Indonesia (KTI)**  
Indonesia: Manufacture and Sales of plywood sheets, secondary processed plywood sheets, processed wooden products, and particle boards

Input		Output	
Energy Input	688,000 GJ	Product	294,000 m <sup>3</sup>
Electricity	52,500 MWh	PB	104,000 m <sup>3</sup>
Petroleum	2,220 kL	Plywood	132,000 m <sup>3</sup>
Gas	1,840 m <sup>3</sup>	Building Materials	58,800 m <sup>3</sup>
		<b>Waste</b>	
<b>Raw Materials</b>	344,000 t		37,600 t
Timber	327,000 t	<b>Greenhouse Gas Emissions</b>	
Resin	17,200 t		52,800 t-CO <sub>2</sub>
<b>Water Consumption</b>		<b>Water Discharge</b>	
	370,000 m <sup>3</sup>		154,000 m <sup>3</sup>

## PT. Rimba Partikel Indonesia (RPI) Indonesia: Manufacture and Sales of particle boards

Input		Output	
Energy Input	254,000 GJ	Product	103,000 m <sup>3</sup>
Electricity	17,900 MWh	PB	103,000 m <sup>3</sup>
Petroleum	705 kL		
Gas	1,130,000 m <sup>3</sup>	Waste	
Raw Materials	169,000 t		18,900 t
Timber	159,000 t	Greenhouse Gas Emissions	
Resin	9,830 t		20,200 t-CO <sub>2</sub>
Water Consumption		Water Discharge	
	107,000 m <sup>3</sup>		98,500 m <sup>3</sup>

## Alpine MDF Industries Pty Ltd. (ALPINE) Australia: Manufacture and sales of medium density fiberboard (MDF)

Input		Output	
Energy Input	397,000 GJ	Product	104,000 m <sup>3</sup>
Electricity	38,900 MWh	MDF	104,000 m <sup>3</sup>
Petroleum	85 kL		
Gas	1,150,000 m <sup>3</sup>	Waste	
Raw Materials	199,000 t		43,800 t
Timber	184,000 t	Greenhouse Gas Emissions	
Resin	13,800 t		32,900 t-CO <sub>2</sub>
Water Consumption		Water Discharge	
	79,500 m <sup>3</sup>		30,000 m <sup>3</sup>

**Nelson Pine Industries Ltd. (NPIL)**  
**New Zealand: Manufacture and sales of MDF,**  
**veneer sheets, and laminated veneer lumber (LVL)**

Input		Output	
Energy Input	1,000,000 GJ	Product	372,000 m <sup>3</sup>
Electricity	17,900 MWh	MDF	314,000 m <sup>3</sup>
Petroleum	287 kL	LVL	57,400 m <sup>3</sup>
<b>Raw Materials</b>		<b>Waste</b>	
	730,000 t		107,000 t
Timber	691,000 t	<b>Greenhouse Gas Emissions</b>	
Resin	36,600 t		19,400 t-CO <sub>2</sub>
<b>Water Consumption</b>		<b>Water Discharge</b>	
	330,000 m <sup>3</sup>		286,000 m <sup>3</sup>

**Vina Eco Board Co., Ltd. (VECO)**  
**Vietnam : Manufacture and sales of particle board**

Input		Output	
Energy Input	297,000 GJ	Product	195,000 m <sup>3</sup>
Electricity	28,500 MWh	PB	195,000 m <sup>3</sup>
Petroleum	324 kL	<b>Waste</b>	
Gas	275 m <sup>3</sup>		56,800 t
<b>Raw Materials</b>		<b>Greenhouse Gas Emissions</b>	
	182,000 t		11,900 t-CO <sub>2</sub>
Timber	162,000 t	<b>Water Discharge</b>	
Resin	19,400 t		38,700 m <sup>3</sup>
<b>Water Consumption</b>			
	38,700 m <sup>3</sup>		

# Corporate Profile

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## Corporate Profile

**Company Name** Sumitomo Forestry Co., Ltd.

**Address of Headquarters** Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan

**Paid-in Capital** ¥27,672 million

**Incorporated** February 20, 1948

**Founded** 1691

**Number of employees** Non-consolidated: 4,417; Consolidated: 17,001 (as of March 31, 2016)

### **Business scope** **Environment and Resources Business**

Management of forests; development of new forestry and environment-related business; management of biomass power generation business and other environmental energy business, as well as plantation forest operations overseas; consulting on the reduction of greenhouse gas emissions in Japan and overseas

### **Timber & Building Materials Businesses**

Purchase, manufacture, secondary processing and sales of timber (logs, wood chips, processed timber, engineered wood, etc.) and building materials (plywood, fiberboard, processed wood materials, concrete and ceramic building materials, metal building materials, housing systems and fixtures, etc.)

### **Overseas Businesses**

Manufacture and sales of timber and building materials; contract construction and sales of detached houses, etc. overseas.

### **Housing Businesses**

Contract construction, after-sales maintenance and renovation of detached houses and multi-unit residences; sales of spec homes; sales of interior products; rental, management, sales, and brokerage of property; contract work for housing exteriors, garden landscaping and urban greening; CAD work and site surveys, etc.

### **Lifestyle Services**

Operation of private-pay elderly care facilities; equipment leasing; insurance agency; manufacture and sales of gardening products; development of information systems; temporary staffing, etc.

**Company-owned forest** 46,443 ha (As of March 31, 2016)

## Key Financial Data

### Consolidated Net Sales, Operating Income, Recurring Income and Net Income

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Net Sales (Billions of yen)	831.9	845.2	973.0	997.3	1,040.5
Operating Income (Billions of yen)	19.2 (2.3%)	25.3 (3.0%)	33.4 (3.4%)	34.0 (3.4%)	30.1 (2.9%)
Recurring Income (Billions of yen)	20.7 (2.5%)	27.0 (3.2%)	33.6 (3.4%)	36.4 (3.7%)	30.5 (2.9%)
Net Income (Billions of yen)	9.3 (1.1%)	15.9 (1.9%)	22.5 (2.3%)	18.6 (1.9%)	9.7 (0.9%)

Percentages indicate the ratio to net sales.

### Consolidated Net Sales and Ratio of Net Sales by Segment (FY2015)

	Timber and Building Material Business	Housing Businesses	Overseas Business	Other Businesses
Net Sales (Billions of yen)	427.0	454.6	187.9	16.9
Ratio of Net Sales (%)	39.3	41.8	17.3	1.6

- Percentages indicate the ratio to net sales.
- Net sales for each segment include intersegment sales and transfers. The aggregate of each segment's net sales does not match the consolidated net sales (1,040.5 billion yen).

► [Performance Highlights \(link to Investor Relations\)](#)

## Editorial Policy

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### Editorial Policy

CSR Report is an important tool for communicating with all stakeholders, and as such, The Sumitomo Forestry Group publishes the report every year on its website. The printed version, available as PDF, covers the foremost important information, and the Group website provides comprehensive information on the Group's CSR initiatives.

In the website of fiscal 2016 edition, beginning with “Message from the President,” the CSR information is classified into three: “Management Structure,” “Social Report,” and “Environmental Report,” each of which contains basic concepts and policies to tangible actions the Group has taken.

The website also introduces you to the Group’s activities surrounding forest conservation, biodiversity protection, and social contributions in detail.

We appreciate your feedback on our wide range of CSR activities.

Publication Date: September 2016

Reference Guidelines :

- G4 Sustainability Reporting Guidelines (Edition G4), Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines (2012 Edition), Japanese Ministry of the Environment
- ISO 26000:2010 Guidance on Social Responsibility, This report contains Standard Disclosures from the GRI

Sustainability Reporting Guidelines.

Reporting Period :

April 2015 to March 2016

(The report also includes some activities from April 2016, as well as future expectations.)

Boundary of the Report :

Although this report focuses mainly on Sumitomo Forestry Co., Ltd., the Company considers it important to cover activities of the entire Sumitomo Forestry Group, and has been expanding its reporting scope.

▶ [List of Sumitomo Forestry Group Companies](#)

## ■ Reliability of Report Content

The respective departments of the Sumitomo Forestry Group have endeavored to ensure accuracy by using appropriate measurements and data collection methods for the initiatives and results reported in the CSR Report. These methods are also disclosed when relevant. Furthermore, the environmental and social performance indicators in the report has been assured by KPMG AZSA Sustainability Co., Ltd., as marked with 

## External Recognition

### Socially Responsible Investment (SRI) Indices

Sumitomo Forestry has been included in the following Socially Responsible Investment (SRI) Indices as of April 2016.

Sumitomo Forestry has been included in the FTSE4Good Global Index every year since 2004.



FTSE4Good

Sumitomo Forestry has been consecutively included in the Morningstar Socially Responsible Investment Index (MS-SRI) since 2008.



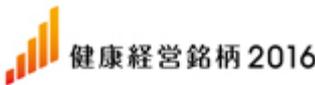
### Awards and Recognition by Third Parties in Fiscal 2015

Date	Award/Organiser	Recognition	Scope of Recognition
April 2015	INDOGREEN EXPO2015 Ministry of Environment and Forestry, Indonesia	The Group's exhibition booth has received a bronze award in the private sector category at INDOGREEN EXPO2015	PT.Kutai Timber Indonesia PT.Rimba Partikel Indonesia PT.Sumitomo Forestry Indonesia PT.Wana Subur Lestari PT. Mayangkara Tanaman Industri

<p>June 2015</p>	<p>Housing Industry Association (HIA), Australia</p>	<p>Henley Properties Group, a subsidiary of the Sumitomo Forestry Group, won the first place in the Professional Major Builder category, as well as the Professional Major Builder Award in Australian provinces of VIC and QLD.</p>  <p>► <a href="#">News Release</a></p>	<p>Henley Properties Group</p>
<p>July 2015</p>	<p>9th Kids Design Award Kids Design Association</p>	<p>"Air-Dream hybrid," the air conditioning system installed in the Sumitomo Forestry office, "Tadaima Storage Series," the timber interior materials of Sumitomo Forestry Crest received a Kids Design Award.</p>  <p>► <a href="#">News Release</a></p>	<p>Sumitomo Forestry Sumitomo Forestry Crest Co., Ltd.</p>
<p>July 2015</p>	<p>Urban Renaissance Agency</p>	<p>Sumitomo Forestry received an award for top builders from Urban Renaissance Agency</p> <p>► <a href="#">News Release</a></p>	<p>Sumitomo Forestry</p>

<p><b>October 2015</b></p>	<p>FY2015 Good Design Awards Japan Institute of Design Promotion</p>	<p>Five initiatives that had been taken to present more tangible proposals towards crating reliable, safe, and comfortable living spaces through integration of cutting-edge technologies and unique features of wood, received Good Design Awards.</p>  <p>► <a href="#">News Release</a></p>	<p>Sumitomo Forestry</p>
<p><b>October 2015</b></p>	<p>KOBE Biennale 2015 Kobe Organization Committee, City of Kobe</p>	<p>Sumitomo Forestry Landscaping received a Special Jury Award at KOBE Biennale 2015 Green Art Exhibition.</p>	<p>Sumitomo Forestry Landscaping Co., Ltd.</p>
<p><b>October 2015</b></p>	<p>32nd National Urban greening Aichi Fair - flowers and green dream Aichi 2015</p>	<p>Sumitomo Forestry Landscaping received a gold award and the Landscape Gardening Chairman award in the “Flower-Green Outdoor Exhibition Contest”</p>	<p>Sumitomo Forestry Landscaping Co., Ltd.</p>
<p><b>October 2015</b></p>	<p>Nagoya Good Green Awards</p>	<p>The green property managed by Sumitomo Forestry’s Renovation Department receives Nagoya Good Green Special Award</p>	<p>Sumitomo Forestry</p>
<p><b>October 2015</b></p>	<p>FY2015 Minister of Land, Infrastructure, Transport and Tourism Award</p>	<p>Sumitomo Forestry Home Engineering received Minister of Land, Infrastructure, Transport, and Tourism Award for Excellent Builders, and Director-General of Land Economy and Construction and Engineering Industry Bureau Award for Young Excellent Builders</p>	<p>Sumitomo Forestry Home Engineering Co., Ltd</p>

October 2015	The 32nd Home Renovation Competition Center for Housing Renovation and Dispute Settlement Support	“Landscape renovation restoring the home from 120 years ago” and “House with beautiful aged beams — the shadow of the past ” received Best Renovation Awards	Sumitomo Forestry Home Tech Co., Ltd.
November 2015	CDP Climate Change 2015 CDP	<p>Selected for Listing on the CDP 2015 CDLI as the Top Scoring Japanese Company for the Third Successive Year</p>  <p>► <a href="#">News Release</a></p>	Sumitomo Forestry
December 2015	Ministry of Environment and Forestry, Indonesia	KTI’s plantation business received Indonesian Ministry of Environment and Forestry Minister’s Award	PT.Wana Subur Lestari PT. Mayangkara Tanaman Industri
December 2015	Awarded the Japan Wood Design Award 2015	<p>“Bedroom environment combining a wooden interior with indirect lighting to improve sleep quality and reduce fatigue” receives the Judging Panel Chairman Commendation Award</p> <p>► <a href="#">News Release</a></p>	Sumitomo Forestry
December 2015	53rd National Skills Competition Ministry of Health, Labour and Welfare, and Japan Vocational Ability Development Association (JAVADA)	<p>Two Employees Win Silver Medals in the Carpentry Category at the National Skills Competition</p> <p>► <a href="#">News Release</a></p>	Sumitomo Forestry Home Engineering Co., Ltd

<p>January 2016</p>	<p>“Health and Productivity Stock Selection 2016” Ministry of Economy, Trade and Industry, Tokyo Stock Exchange</p>	<p>Selected as a "Health and Productivity Stock Selection 2016"</p>  <p>健康経営銘柄 2016</p> <p>▶ <a href="#">News Release</a></p>	<p>Sumitomo Forestry</p>
<p>January 2016</p>	<p>The Sustainability Yearbook 2016 RobecoSAM AG</p>	<p>Selected by RobecoSAM for Excellence in Sustainability Performance Selected for “Bronze Class” in the Homebuilding Industry Category</p>  <p>ROBECOSAM Sustainability Award Bronze Class 2016</p> <p>▶ <a href="#">News Release</a></p>	<p>Sumitomo Forestry</p>
<p>February 2016</p>	<p>Ministry of Economy, Trade and Industry</p>	<p>Sumitomo Forestry Home Tech was selected for FY2015 Cutting-edge Renovation Business Operator Award</p> <p>▶ <a href="#">News Release</a></p>	<p>Sumitomo Forestry Home Tech Co., Ltd.</p>
<p>March 2016</p>	<p>“Nadeshiko Brand” for FY2015 Ministry of Economy, Trade and Industry, Tokyo Stock Exchange</p>	<p>Sumitomo Forestry Granted “Nadeshiko Brand” Designation for FY2015</p>  <p>NADESHIKO BRAND 2016</p> <p>▶ <a href="#">News Release</a></p>	<p>Sumitomo Forestry</p>

## GRI G4 Content Index

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

▶ [GRI G4 Content Index](#)

## ■ Independent Assurance Report

▶ [Independent Assurance Report](#)

# GRI G4 Content Index and Compatibility Table

## GRI G4 Report Context and Correspondence

### General Standard Disclosures

G4 Disclosure		ISO26000 Disclosure	Location
<b>Strategy and Analysis</b>			
G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	6.2	▶ <a href="#">Message from the President</a>
G4-2	a. Provide a description of key impacts, risks, and opportunities. The organization should provide two concise narrative sections on key impacts, risks, and opportunities.	6.2	▶ <a href="#">Message from the President</a> ▶ <a href="#">Risk Management</a> ▶ <a href="#">CSR Management</a> ▶ <a href="#">Environmental Risk Management</a> ▶ <a href="#">IR Library</a>
<b>Organizational Profile</b>			
G4-3*	a. Report the name of the organization.		▶ <a href="#">Corporate Profile</a>

G4-4*	a. Report the primary brands, products, and services.		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Profile</a></li> <li>▶ <a href="#">Our Business</a></li> <li>▶ <a href="#">CSR Management</a></li> <li>▶ <a href="#">List of Services</a></li> </ul>
G4-5*	a. Report the location of the organization's headquarters.		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Profile</a></li> </ul>
G4-6*	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.		<ul style="list-style-type: none"> <li>▶ <a href="#">Sumitomo Forestry Group</a></li> </ul>
G4-7*	a. Report the nature of ownership and legal form.		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Profile</a></li> </ul>
G4-8*	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Profile</a></li> <li>▶ <a href="#">Sumitomo Forestry Group</a></li> </ul>
G4-9*	a. Report the scale of the organization, including: <ul style="list-style-type: none"> <li>• Total number of employees</li> <li>• Total number of operations</li> <li>• Net sales (for private sector organizations) or net revenues (for public sector organizations)</li> <li>• Total capitalization broken down in terms of debt and equity (for private sector organizations)</li> <li>• Quantity of products or services provided</li> </ul>		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Profile</a></li> <li>▶ <a href="#">Performance Highlights</a></li> </ul>

G4-10*	<p>a. Report the total number of employees by employment contract and gender.</p> <p>b. Report the total number of permanent employees by employment type and gender.</p> <p>c. Report the total workforce by employees and supervised workers and by gender.</p> <p>d. Report the total workforce by region and gender.</p> <p>e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</p> <p>f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p>	6.4 6.4.3	▶ <a href="#">Employee Data</a>
G4-11*	<p>a. Report the percentage of total employees covered by collective bargaining agreements.</p>	6.4 6.4.3 6.4.4 6.4.5 6.3.10	▶ <a href="#">Employee Data</a>
G4-12*	<p>a. Describe the organization's supply chain.</p>		▶ <a href="#">Responsible Timber Procurement</a>

G4-13*	<p>a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including:</p> <ul style="list-style-type: none"> <li>• Changes in the location of, or changes in, operations, including facility openings, closings, and expansions</li> <li>• Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations)</li> <li>• Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination</li> </ul>		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Profile</a></li> <li>▶ <a href="#">Performance Highlights</a></li> </ul>
G4-14*	<p>a. Report whether and how the precautionary approach or principle is addressed by the organization.</p>	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">Risk Management</a></li> <li>▶ <a href="#">Housing Safety and Quality Control</a></li> <li>▶ <a href="#">Safety and Quality Control of Non-Residential Buildings</a></li> <li>▶ <a href="#">Fair and Responsible Procurement</a></li> <li>▶ <a href="#">Occupational Health and Safety</a></li> <li>▶ <a href="#">Management of Hazardous Chemical Substances</a></li> </ul>

G4-15*	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">CSR Management</a></li> <li>▶ <a href="#">Promotion of Social Contribution Activities</a></li> </ul>
G4-16*	<p>a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:</p> <ul style="list-style-type: none"> <li>• Holds a position on the governance body</li> <li>• Participates in projects or committees</li> <li>• Provides substantive funding beyond routine membership dues</li> <li>• Views membership as strategic</li> </ul>	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">Promotion of Social Contribution Activities</a></li> </ul>
<b>Identified Material Aspects and Boundaries</b>			
G4-17*	<p>a. List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b. Report whether any entity included in the organization's consolidated financial</p>	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">CSR Management</a></li> <li>▶ <a href="#">Our Business</a></li> </ul>
G4-18*	<p>a. Explain the process for defining the report content and the Aspect Boundaries.</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p>		<ul style="list-style-type: none"> <li>▶ <a href="#">CSR Management</a></li> </ul>

G4-19*	<p>a. List all the material Aspects identified in the process for defining report content.</p>		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Philosophy and CSR Management</a></li> <li>▶ <a href="#">CSR Material Issues and CSR Mid-Term Plan</a></li> </ul>
G4-20*	<p>a. For each material Aspect, report the Aspect Boundary within the organization, as follows:</p> <ul style="list-style-type: none"> <li>• Report whether the Aspect is material within the organization</li> <li>• If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> <li>-The list of entities or groups of entities included in G4-17 for which the Aspect is not material or</li> <li>-The list of entities or groups of entities included in G4-17 for which the Aspects is material</li> </ul> </li> <li>• Report any specific limitation regarding the Aspect Boundary within the organization</li> </ul>		<ul style="list-style-type: none"> <li>▶ <a href="#">CSR Material Issues and CSR Mid-Term Plan</a></li> </ul>

G4-21*	<p>a. For each material Aspect, report the Aspect Boundary outside the organization, as follows:</p> <ul style="list-style-type: none"> <li>• Report whether the Aspect is material outside of the organization</li> <li>• If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified</li> <li>• Report any specific limitation regarding the Aspect Boundary outside the organization</li> </ul>		<p>► <a href="#">Editorial Policy</a></p>
G4-22*	<p>a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.</p>		<p>► <a href="#">CSR Material Issues and CSR Mid-Term Plan</a></p>
G4-23*	<p>a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.</p>		<p>► <a href="#">CSR Material Issues and CSR Mid-Term Plan</a></p>
<b>Stakeholder Engagement</b>			
G4-24*	<p>a. Provide a list of stakeholder groups engaged by the organization.</p>	6.2	<p>► <a href="#">CSR Material Issues and CSR Mid-Term Plan</a></p>
G4-25*	<p>a. Report the basis for identification and selection of stakeholders with whom to engage.</p>	6.2	

G4-26*	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	6.2	▶ <a href="#">Social Report</a>
G4-27*	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	6.2	▶ <a href="#">Social Report</a>
<b>Report Profile</b>			
G4-28*	a. Reporting period (such as fiscal or calendar year) for information provided.		▶ <a href="#">Social Report</a>
G4-29*	a. Date of most recent previous report (if any).		▶ <a href="#">Social Report</a>
G4-30*	a. Reporting cycle (such as annual, biennial).		▶ <a href="#">Social Report</a>
G4-31*	a. Provide the contact point for questions regarding the report or its contents.		▶ <a href="#">Social Report</a>
<b>GRI Content Index</b>			

G4-32*	<ul style="list-style-type: none"> <li>a. Report the 'in accordance' option the organization has chosen.</li> <li>b. Report the GRI Content Index for the chosen option (see tables below).</li> <li>c. Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.)</li> </ul>		GRI Content Index
<b>Assurance</b>			
G4-33*	<ul style="list-style-type: none"> <li>a. Report the organization's policy and current practice with regard to seeking external assurance for the report.</li> <li>b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.</li> <li>c. Report the relationship between the organization and the assurance providers.</li> <li>d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.</li> </ul>	7.5.3	<ul style="list-style-type: none"> <li>▶ <a href="#">Independent Assurance Report</a></li> </ul>
<b>Governance</b>			
<b>Governance Structure and Composition</b>			

G4-34*	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Environmental Management Structure</a></li> </ul>
G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Environmental Management Structure</a></li> <li>▶ <a href="#">Communication with Employees</a></li> </ul>
G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Environmental Management Structure</a></li> </ul>
G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Information Disclosure and Communication</a></li> <li>▶ <a href="#">Communication with Employees</a></li> </ul>

G4-38	<p>a. Report the composition of the highest governance body and its committees by:</p> <ul style="list-style-type: none"> <li>• Executive or non-executive Independence</li> <li>• Tenure on the governance body</li> <li>• Number of each individual's other significant positions and commitments, and the nature of the commitments</li> <li>• Gender</li> <li>• Membership of under-represented social groups</li> <li>• ompetences relating to economic, environmental and social impacts</li> <li>• Stakeholder representation</li> </ul>		<p>► <a href="#">Corporate Governance</a></p>
G4-39	<p>a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).</p>		<p>► <a href="#">Corporate Governance</a></p>
G4-40	<p>a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including:</p> <ul style="list-style-type: none"> <li>• Whether and how diversity is considered</li> <li>• Whether and how independence is considered</li> <li>• Whether and how expertise and experience relating to economic, environmental and social topics are considered</li> <li>• Whether and how stakeholders (including shareholders) are involved</li> </ul>		<p>► <a href="#">Corporate Governance</a></p>

G4-41	<p>a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum:</p> <ul style="list-style-type: none"> <li>• Cross-board membership</li> <li>• Cross-shareholding with suppliers and other stakeholders</li> <li>• Existence of controlling shareholder</li> <li>• Related party disclosures</li> </ul>		<p>► <a href="#">Compliance</a></p>
<b>Highest Governance Body's Role in Setting Purpose, Values, and Strategy</b>			
G4-42	<p>a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.</p>		<p>► <a href="#">Corporate Governance</a></p> <p>► <a href="#">Environmental Management Structure</a></p>
<b>Highest Governance Body's Competencies and Performance Evaluation</b>			
G4-43	<p>a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.</p>		<p>► <a href="#">Corporate Governance</a></p>

G4-44	<p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.</p>		<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> </ul>
<b>Highest Governance Body's Role in Risk Management</b>			
G4-45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Risk Management</a></li> <li>▶ <a href="#">Fair and Responsible Procurement</a></li> <li>▶ <a href="#">Environmental Management Structure</a></li> </ul>
G4-46	<p>a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.</p>		<ul style="list-style-type: none"> <li>▶ <a href="#">Risk Management</a></li> </ul>

G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Risk Management</a></li> <li>▶ <a href="#">CSR Management</a></li> <li>▶ <a href="#">Fair and Responsible Procurement</a></li> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> </ul>
<b>Highest Governance Body's Role in Sustainability Reporting</b>			
G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.		<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Management Structure</a></li> </ul>
<b>Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance</b>			
G4-49	a. Report the process for communicating critical concerns to the highest governance body.	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Risk Management</a></li> <li>▶ <a href="#">Compliance</a></li> <li>▶ <a href="#">Information Disclosure and Communication</a></li> <li>▶ <a href="#">Communication with Employees</a></li> </ul>

G4-50	<p>a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.</p>		
<b>Remuneration and Incentives</b>			
G4-51	<p>a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration:</p> <ul style="list-style-type: none"> <li>• Fixed pay and variable pay: <ul style="list-style-type: none"> <li>- Performance-based pay</li> <li>- Equity-based pay</li> <li>- Bonuses</li> <li>- Deferred or vested shares</li> </ul> </li> <li>• Sign-on bonuses or recruitment incentive payments</li> <li>• Termination payments</li> <li>• Clawbacks</li> <li>• Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees</li> </ul> <p>b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.</p>	6.2	<p>► <a href="#">Corporate Governance</a></p>
G4-52	<p>a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.</p>		

G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	6.2	<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Governance</a></li> <li>▶ <a href="#">Information Disclosure and Communication</a></li> <li>▶ <a href="#">Communication with Employees</a></li> </ul>
G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.		
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.		
<b>Ethics and Integrity</b>			
G4-56*	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	4.4	<ul style="list-style-type: none"> <li>▶ <a href="#">Corporate Philosophy and CSR Management</a></li> </ul>
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.		<ul style="list-style-type: none"> <li>▶ <a href="#">Intellectual Property Management</a></li> <li>▶ <a href="#">Compliance</a></li> </ul>

<b>G4-58</b>	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	▶ <a href="#">Intellectual Property Management</a>
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\* Core Indicator

## Specific Standard Disclosures

G4 Disclosure		ISO26000 Disclosure	Location
<b>Economic</b>			
<b>Aspect: Economic Performance</b>			
<b>G4-EC1</b>	Direct economic value generated and distributed	6.8.1 6.8.2 6.8.3 6.8.7  6.8.9	▶ <a href="#">Returns to Shareholders</a> ▶ <a href="#">Intellectual Property Management</a> ▶ <a href="#">Corporate Profile</a> ▶ <a href="#">Financial Results</a>
<b>G4-EC2</b>	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.5.5	▶ <a href="#">Environmental Risk Management</a>
<b>G4-EC3</b>	Coverage of the organization's defined benefit plan obligations	6.8.7	▶ <a href="#">IR Library</a>
<b>G4-EC4</b>	Financial assistance received from government		
<b>Aspect: Market Presence</b>			

G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2	
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	6.4.3 6.8.1 6.8.2 6.8.5 6.8.7	<ul style="list-style-type: none"> <li>▶ <a href="#">Fair Employment and Benefit</a></li> <li>▶ <a href="#">Employee Data</a></li> </ul>
<b>Aspect: Indirect Economic Impacts</b>			

G4- EC7	Development and impact of infrastructure investments and services supported	6.3.9 6.8.1 6.8.2 6.8.7 6.8.9	<ul style="list-style-type: none"> <li>▶ <a href="#">Fair and Responsible Procurement</a></li> <li>▶ <a href="#">Promotion of Social Contribution Activities</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period</a></li> <li>▶ <a href="#">Contributing to the Reduction of Greenhouse Gases Through Our Business</a></li> <li>▶ <a href="#">Forest Management in Japan</a></li> <li>▶ <a href="#">Forest Management Overseas</a></li> <li>▶ <a href="#">Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</a></li> <li>▶ <a href="#">Conservation of Biodiversity Through Business and Services</a></li> </ul>
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G4-EC8	Significant indirect economic impacts, including the extent of impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	<ul style="list-style-type: none"> <li>▶ <a href="#">Risk Management</a></li> <li>▶ <a href="#">Environmental Risk Management</a></li> </ul>
<b>Aspect: Procurement Practices</b>			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	6.4.3 6.6.6 6.8.1 6.8.2 6.8.7	
<b>Environmental</b>			
<b>Aspect: Materials</b>			
G4-EN1	Materials used by weight or volume	6.5.1 6.5.2 6.5.4	▶ <a href="#">Environmental Impact of Business Activities</a>
G4-EN2	Percentage of materials used that are recycled input materials	6.5.1 6.5.2 6.5.4	▶ <a href="#">Reduction, Recycling and Appropriate Disposal of Waste</a>
<b>Aspect: Energy</b>			
G4-EN3	Energy consumption within the organization	6.5.1 6.5.2 6.5.4	▶ <a href="#">Environmental Impact of Business Activities</a>
G4-EN4	Energy consumption outside of the organization	6.5.1 6.5.2 6.5.4	▶ <a href="#">Environmental Accounting</a>

G4-EN5	Energy intensity	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities</a></li> </ul>
G4-EN6	Reduction of energy consumption	6.5.1 6.5.2 6.5.4 6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period</a></li> </ul>
G4-EN7	Reductions in energy requirements of products and services	6.5.1 6.5.2 6.5.4 6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Contributing to the Reduction of Greenhouse Gases Through Our Business</a></li> </ul>
<b>Aspect: Water</b>			
G4-EN8	Total water withdrawal by source	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Efficient Use of Water Resources</a></li> </ul>
G4-EN9	Water sources significantly affected by withdrawal of water	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Data for Group Companies</a></li> </ul>

G4-EN10	Percentage and total volume of water recycled and reused	6.5.1 6.5.2 6.5.4	▶ <a href="#">Efficient Use of Water Resources</a>
<b>Aspect: Biodiversity</b>			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> <li>▶ <a href="#">Policies and Targets for Biodiversity Conservation</a></li> <li>▶ <a href="#">Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</a></li> <li>▶ <a href="#">Conservation of Biodiversity Through Business and Services</a></li> </ul>

G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> <li>▶ <a href="#">Examples of Social Contribution Activities in Japan</a></li> <li>▶ <a href="#">Environmental Risk Management</a></li> <li>▶ <a href="#">Policies and Targets for Biodiversity Conservation</a></li> <li>▶ <a href="#">Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</a></li> <li>▶ <a href="#">Conservation of Biodiversity Through Business and Services</a></li> </ul>
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G4-EN13	Habitats protected or restored	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> <li>▶ <a href="#">Examples of Social Contribution Activities in Japan</a></li> <li>▶ <a href="#">Policies and Targets for Biodiversity Conservation</a></li> <li>▶ <a href="#">Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</a></li> <li>▶ <a href="#">Conservation of Biodiversity Through Business and Services</a></li> </ul>
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> <li>▶ <a href="#">Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</a></li> </ul>
Aspect: Emissions			

G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities</a></li> </ul>
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities</a></li> </ul>
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities</a></li> </ul>
G4-EN18	Greenhouse gas (GHG) emissions intensity	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> </ul>

G4-EN19	Reduction of greenhouse gas (GHG) emissions	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period</a></li> <li>▶ <a href="#">Contributing to the Reduction of Greenhouse Gases Through Our Business</a></li> <li>▶ <a href="#">Sustainable Forest Management</a></li> <li>▶ <a href="#">Forest Management in Japan</a></li> <li>▶ <a href="#">Forest Management Overseas</a></li> </ul>
G4-EN20	Emissions of ozone-depleting substances (ODS)	6.5.1 6.5.2 6.5.3 6.5.5	
G4-EN21	NOX, SOX, and other significant air emissions	6.5.1 6.5.2 6.5.3	<ul style="list-style-type: none"> <li>▶ <a href="#">Forest Management Overseas</a></li> </ul>
Aspect: Effluents and Waste			

<b>G4-EN22</b>	Total water discharge by quality and destination	6.5.1 6.5.2 6.5.3	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Forest Management Overseas</a></li> </ul>
<b>G4-EN23</b>	Total weight of waste by type and disposal method	6.5 6.5.3	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Reduction, Recycling and Appropriate Disposal of Waste</a></li> </ul>
<b>G4-EN24</b>	Total number and volume of significant spills	6.5.1 6.5.2 6.5.3	
<b>G4-EN25</b>	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention <sup>2</sup> Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	6.5.1 6.5.2 6.5.3	
<b>G4-EN26</b>	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	6.5.1 6.5.2 6.5.3 6.5.4 6.5.6	
<b>Aspect: Products and Services</b>			

G4-EN27	Extent of impact mitigation of environmental impacts of products and services	6.5.1 6.5.2 6.5.3 6.5.4 6.5.5 6.7.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period</a></li> <li>▶ <a href="#">Contributing to the Reduction of Greenhouse Gases Through Our Business</a></li> <li>▶ <a href="#">Forest Management in Japan</a></li> <li>▶ <a href="#">Forest Management Overseas</a></li> <li>▶ <a href="#">Conservation of Biodiversity Through Business and Services</a></li> </ul>
G4-EN28	<p>Percentage of products sold and their packaging materials that are reclaimed by category</p> <p>a. Report the percentage of reclaimed products and their packaging materials for each product category.</p> <p>b. Report how the data for this Indicator has been collected.</p>	6.5.1 6.5.2 6.5.3 6.5.4 6.7.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Reduction, Recycling and Appropriate Disposal of Waste</a></li> </ul>
<b>Aspect: Compliance</b>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	
<b>Aspect: Transport</b>			

G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	6.5.1 6.5.2 6.5.4 6.6.6	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Impact of Business Activities</a></li> <li>▶ <a href="#">Energy Saving and Greenhouse Gas Emission Reduction Within Business Activities</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy</a></li> <li>▶ <a href="#">Contributing to the Reduction of Greenhouse Gases Through Our Business</a></li> </ul>
<b>Aspect: Overall</b>			
G4-EN31	Total environmental protection expenditures and investments by type	6.5.1 6.5.2	▶ <a href="#">Promotion of Social Contribution Activities</a>
<b>Aspect: Supplier Environmental Assessment</b>			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	

<b>Aspect: Environmental Grievance Mechanisms</b>			
<b>G4-EN34</b>	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.5.1 6.5.2	
<b>Social</b>			
<b>Labor practices and decent work</b>			
<b>Aspect: Employment</b>			
<b>G4-LA1</b>	Total number and rates of new employee hires and employee turnover by age group, gender, and region	6.4.1 6.4.2 6.4.3	► <a href="#">Employee Data</a>
<b>G4-LA2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.4.1 6.4.2 6.4.4 6.8.7	
<b>G4-LA3</b>	Return to work and retention rates after parental leave, by gender	6.4.1 6.4.2 6.4.4	► <a href="#">Employee Data</a>
<b>Aspect: Labor/Management Relations</b>			
<b>G4-LA4</b>	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	6.4.1 6.4.2 6.4.3 6.4.5	
<b>Aspect: Occupational Health and Safety (OHS)</b>			
<b>G4-LA5</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on Occupational Health and Safety (OHS) programs	6.4.1 6.4.2 6.4.6	► <a href="#">Communication with Employees</a>

G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	6.4.1 6.4.2 6.4.6 6.8.8	▶ <a href="#">Occupational Health and Safety</a> ▶ <a href="#">Employee Data</a>
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	6.4.1 6.4.2 6.4.6 6.8 6.8.3 6.8.4 6.8.8	▶ <a href="#">Occupational Health and Safety</a>
G4-LA8	Health and safety topics covered in formal agreements with trade unions	6.4.1 6.4.2 6.4.6	▶ <a href="#">Communication with Employees</a>
<b>Aspect: Training and Education</b>			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4.1 6.4.2 6.4.7	▶ <a href="#">Employee Data</a>
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.1 6.4.2 6.4.7 6.8.5	▶ <a href="#">Human Resources Development</a>
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4.1 6.4.2 6.4.7	▶ <a href="#">Human Resources Development</a>
<b>Aspect: Diversity and Equal Opportunity</b>			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.2.3 6.3.7 6.3.10 6.4.1	▶ <a href="#">Employee Data</a>
<b>Aspect: Equal Remuneration for Women and Men</b>			

G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	6.3.7 6.3.10 6.4.1 6.4.2 6.4.3 6.4.4	
<b>Aspect: Supplier Assessment for Labor Practices</b>			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria  a. Report the percentage of new suppliers that were screened using labor practices criteria.	6.3.5 6.4.1 6.4.2 6.4.3 6.6.6 7.3.1	
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	6.3.5 6.4.1 6.4.2 6.4.3 6.6.6 7.3.1	
<b>Aspect: Labor Practices Grievance Mechanisms</b>			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.4.1 6.4.2	
<b>Human Rights</b>			
<b>Aspect: Investment</b>			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.8 6.3.1 6.3.2 6.3.3 6.3.5 6.6.6	▶ <a href="#">Respect for Human Rights</a>

G4- HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	4.8 6.3.1 6.3.2 6.3.5	▶ <a href="#">Respect for Human Rights</a>
<b>Aspect: Non-discrimination</b>			
G4- HR3	Total number of incidents of discrimination and corrective actions taken	4.8 6.3.1 6.3.2 6.3.6 6.3.7 6.3.10 6.4.3	
<b>Aspect: Freedom of Association and Collective Bargaining</b>			
G4- HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.5 6.6.6	
<b>Aspect: Child Labor</b>			
G4- HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6 6.8.4	▶ <a href="#">Responsible Timber Procurement</a> ▶ <a href="#">Communication with Our Business Partners</a> ▶ <a href="#">Respect for Human Rights</a>
<b>Aspect: Forced or Compulsory Labor</b>			

G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.10 6.6.6	<ul style="list-style-type: none"> <li>▶ <a href="#">Fair and Responsible Procurement</a></li> <li>▶ <a href="#">Communication with Our Business Partners</a></li> <li>▶ <a href="#">Respect for Human Rights</a></li> </ul>
<b>Aspect: Security Practices</b>			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	
<b>Aspect: Indigenous Rights</b>			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	4.8 6.3.1 6.3.2 6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	
<b>Aspect: Assessment</b>			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Communication with Our Business Partners</a></li> </ul>
<b>Aspect: Supplier Human Rights Assessment</b>			

G4- HR10	Percentage of new suppliers that were screened using human rights criteria	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.6.6	▶ <a href="#">Communication with Our Business Partners</a>
G4- HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.6.6	▶ <a href="#">Responsible Timber Procurement</a> ▶ <a href="#">Respect for Human Rights</a>
<b>Aspect: Human Rights Grievance Mechanisms</b>			
G4- HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	4.8 6.3.1 6.3.2 6.3.6	
<b>Society</b>			
<b>Aspect: Local Communities</b>			
G4- SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.3.9 6.5.1 6.5.2 6.5.3 6.8	▶ <a href="#">Examples of Social Contribution Activities in Japan</a> ▶ <a href="#">Examples of Overseas Community Development and Regional Contribution Activities</a> ▶ <a href="#">Forest Management in Japan</a> ▶ <a href="#">Forest Management Overseas</a>

<b>G4-S02</b>	Operations with significant actual or potential negative impacts on local communities	6.3.9 6.5.3 6.8	
<b>Aspect: Anti-corruption</b>			
<b>G4-S03</b>	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	6.6.1 6.6.2 6.6.3	► <a href="#">Compliance</a>
<b>G4-S04</b>	Communication and training on anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	► <a href="#">Compliance</a>
<b>G4-S05</b>	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	► <a href="#">Business Continuity Management</a>
<b>Aspect: Public Policy</b>			
<b>G4-S06</b>	Total value of political contributions by country and recipient/beneficiary	6.6.1 6.6.2 6.6.4	
<b>Aspect: Anti-competitive Behavior</b>			
<b>G4-S07</b>	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	6.6.1 6.6.2 6.6.5 6.6.7	
<b>Aspect: Compliance</b>			
<b>G4-S08</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.6 6.6.1 6.6.2	
<b>Aspect: Supplier Assessment for Impacts on Society</b>			

G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	
G4-S10	Significant actual and potential negative impacts on society in the supply chain and actions taken	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	▶ <a href="#">Responsible Timber Procurement</a>
<b>Aspect: Grievance Mechanisms for Impacts on Society</b>			
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.6.1 6.6.2 6.8.1 6.8.2	
<b>Product Responsibility</b>			
<b>Aspect: Customer Health and Safety</b>			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	▶ <a href="#">Responsible Timber Procurement</a> ▶ <a href="#">Safety and Quality Control of Non-Residential Buildings</a> ▶ <a href="#">Product Safety and Quality Control of Building Materials</a>

G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	
<b>Aspect: Product and Service Labeling</b>			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	<ul style="list-style-type: none"> <li>▶ <a href="#">Responsible Timber Procurement</a></li> <li>▶ <a href="#">Safety and Quality Control of Non-Residential Buildings</a></li> <li>▶ <a href="#">Product Safety and Quality Control of Building Materials</a></li> </ul>
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	4.6 6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	
G4-PR5	Results of surveys measuring customer satisfaction	6.7.1 6.7.2 6.7.6	<ul style="list-style-type: none"> <li>▶ <a href="#">Housing Safety and Quality Control</a></li> <li>▶ <a href="#">Communication with Out Customers</a></li> </ul>
<b>Aspect: Marketing Communications</b>			
G4-PR6	Sale of banned or disputed products		

G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	4.6 6.7.1 6.7.2 6.7.3	
<b>Aspect: Customer Privacy</b>			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7.1 6.7.2 6.7.7	
<b>Aspect: Compliance</b>			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	4.6 6.7.1 6.7.2 6.7.6	



## Independent Assurance Report

To the President and Representative Director of Sumitomo Forestry Co., Ltd.

We were engaged by Sumitomo Forestry Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  for the period from April 1, 2015 to March 31, 2016 (the “Indicators”) included in its CSR Report 2016 (the “Report”) for the fiscal year ended March 31, 2016.

### The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan’s Ministry of the Environment.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’, ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’, issued by the International Auditing and Assurance Standards Board, and the ‘Practical Guidelines for the Assurance of Sustainability Information’ of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company’s responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and also recalculating the Indicators.
- Visiting to Vina Eco Board Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

October 27, 2016



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