Sumitomo Forestry Group's Sustainability Management

Corporate Philosophy and Sustainability Management

Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues

Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity

Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society

Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities

Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality

Material Issue 5: Corporate Ethics and Governance Structures

Former Mid-Term CSR Management Plan and Results

Stakeholder Engagement

Sustainability-related Policies
The Sumitomo Forestry Group operates under its Corporate Philosophy to utilize timber friendly to people and the global environment and contribute to a prosperous society through all types of housing-related services according to the Sumitomo Spirit, which aims to be beneficial to society based on the principles of integrity and sound management. We have been operating based on this philosophy and engaging in sustainable management that would contribute to achieving the SDGs.

We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives. We formulate various policies and guidelines according to these principles, such as our environmental, procurement and human rights policies. In addition, to ensure Group-wide adoption of the Sumitomo Forestry Group Code of Conduct, we explain the Sumitomo Forestry Group Code of Conduct by distributing a Sumitomo Forestry Group Code of Conduct Handbook to each and every employee of Group companies in Japan and by carrying out e-Learning. This information is translated into English and other languages to implement the Code of Conduct along with Corporate Philosophy and Our Values among affiliated companies outside of Japan.

This information has also been disclosed on our website to our business partners and other stakeholders.

At the ESG Promotion Committee convened four times a year, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct.

Moreover, based on the ISO26000, the International standard requiring organizations to practice social responsibility, the Sumitomo Forestry Group actively communicates with all stakeholders.

Incorporating the Sumitomo Group’s shared values into its brand message “Happiness Grows from Trees,” we will further promote sustainable management, thereby contributing to a sustainable society.

Corporate Philosophy

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

Our Values

- We provide high-quality products and services that bring joy to our customers.
- We create new businesses that lead to happiness for generations to come with a fresh perspective.
- We promote a free and open-minded corporate culture that respects diversity.
- We set and strive to achieve ambitious goals through ongoing effort.
- We do work that wins us the trust of society with fair and honest conduct.
Purpose and scope of application
Based on its corporate philosophy and Our Values, the Sumitomo Forestry Group shall manage its operations, including the supply chain, in accordance with this Code of Conduct.

Fair and transparent corporate activities

1. **Strict adherence to laws and regulations**
   We shall adhere to all domestic and overseas laws and company regulations and respect international norms of behavior.

2. **Prevention of corruption**
   We shall have absolutely no involvement in corrupt practices, including bribery, embezzlement and money laundering.

3. **Fair business transactions**
   We shall pursue fair business transactions and refrain from any involvement in cartels, bid rigging or other such activities.

4. **Fair accounting procedures**
   We shall conduct fair accounting and tax practices based on accurate records.

5. **Communication with stakeholders**
   In consideration of the interests of our shareholders and other stakeholders, we shall disclose necessary information in a timely and fair manner and promote dialogue.

6. **Maintaining confidentiality**
   We shall ensure the protection of confidential information, both our own and that of third parties.

7. **Information security**
   We shall install appropriate information security measures to prevent information leaks and other breaches.

8. **Relationships with companies we do business with**
   We shall build and maintain constructive relationships with the parties we do business with and refrain from inappropriate behaviors, such as the abuse of power.

9. **Protection of intellectual property rights**
   In addition to protecting our own Company’s intellectual property rights, we shall not infringe on the intellectual property rights of others.

10. **Protection of personal information**
    We shall appropriately manage personal information, use it only for authorized purposes and prevent leaks.

11. **Responsible advertising/promotional efforts**
    We shall engage in accurate and appropriate advertising and promotional efforts that do not cause misunderstanding or offense.

12. **Healthy relationship with the government**
    We shall maintain a healthy and transparent relationship with the government that is in conformance with all laws.

13. **Stance on organized crime**
    We shall have absolutely no involvement in organized crime.

14. **Establishment of a whistleblowing mechanism**
    We shall establish a mechanism for people to report any suspicions of breaches to any laws or this Code of Conduct. By allowing reports to be made anonymously and strictly prohibiting retaliation against informants and other measures, we will actively promote its use.

Ethical conduct

15. **Avoidance of a conflict of interest**
    We shall make a clear distinction between professional and personal matters and refrain from activities that may constitute a conflict of interest with the company.

16. **Prohibition of misappropriation of company assets**
    We shall not use company funds or assets for personal purposes.
17. **Prohibition of insider trading**
   We shall take no part in insider trading, including being complicit with others.

18. **Appropriate gift giving and entertainment**
   We shall neither accept nor offer gifts or entertainment that would be considered inappropriate according to socially accepted norms.

19. **Prohibition of political or religious activities**
   During work hours, we shall not recruit or otherwise promote political, religious or other activities based on personal ideology.

**A respectful, healthy workplace**

20. **Respect for human rights**
   According to internationally accepted human rights norms, we shall respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people.

21. **Prohibition of discrimination and the promotion of diversity**
   We shall not discriminate on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. In addition, we shall work to secure and promote diversity.

22. **Prohibition of forced labor and child labor**
   We shall not tolerate forced labor or child labor in any form.

23. **Freedom of association and collective bargaining rights**
   In accordance with laws, we shall secure workers’ rights for freedom of association and collective bargaining.

24. **Appropriate working hours and wages**
   In accordance with laws, we shall ensure that working hours and wages are appropriate.

25. **Work/life balance**
   We shall secure the appropriate balance between work and individual commitments, such as caring for children and the elderly.

26. **Occupational health and safety**
   We shall strive to maintain a safe and healthy work environment. In addition, we shall implement regular educational and training programs to prepare for disasters, accidents and other.

27. **Human resources development**
   We shall strive to nurture human resources by providing skill enhancement opportunities, such as training seminars.

28. **Prohibition of harassment**
   We shall not commit or tolerate acts of sexual harassment, power harassment, inhumane punishment or other.

29. **Protection of privacy**
   We shall respect and protect the individual’s right to privacy.

**Business activities that respect society and the environment**

30. **Customer satisfaction and safety**
   We shall secure the safety and security of our customers and at the same time, sincerely engage with them and work to improve quality and customer satisfaction.

31. **Coexistence with the environment**
   We shall strive to reduce the environmental impact of our products and services throughout their entire lifecycle, prevent global warming, recycle resources, prevent pollution and maintain biodiversity.

32. **Contribution to the local community**
   We shall respect the local region’s culture and customs and through dialogue, shall seek to contribute to their sustainable development.

Established July 1, 2017
In December 2008, Sumitomo Forestry 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 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.

**Labor**
- 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; and
- 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.
In 2015, Sumitomo Forestry Group identified five CSR Material Issues and established a Mid-Term CSR Management Plan that specified strategies and targets for each issue. With fiscal 2020 set as the target year, each company and division within the Group has been engaged toward achieving those goals.

At the same time, as interest in ESG has heightened in the society and changes in our business environment, we have determined that there is a need to work on promoting sustainable management to an even greater extent. As such, we have formulated the “Mid-Term Sustainability Targets” that incorporates our sustainability strategy and CSR Material Issues within the “Sumitomo Forestry Group 2021 Medium-Term Management Plan”, which includes “Promote further of business operations and ESG initiatives” as one of the basic policies of.

"Mid-Term Sustainability Targets" announced in May 2019 is a revision of our previous Mid-Term CSR Plan based on our contribution to achieving the SDGs and the five CSR Material Issues. Deliberations have been held in each business division and at management level, resulting in the expansion of our list of qualitative targets from 12 to 15 items.

Incorporating specific non-financial targets into our 2021 Mid-Term Management Plan has enabled us to further strengthen the link between our business and sustainability strategies. Not only does this enable us to meet the expectations of society such as SDGs, we believe it will also lead to an increase in corporate value which cannot be determined from a financial perspective alone.
Following the 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 Our Values, 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.

In conjunction with the formulation of Mid-Term Sustainability Targets in 2018, we also revised our CSR Material Issues in light of new demands from the society.
In Mid-Term Sustainability Targets, we establish 15 qualitative targets based on contributions to achieving SDGs and on our five material issues. In addition, we specified evaluative indexes (quantitative goals) for each qualitative target item, which serve as our targets for fiscal 2021.

Each group company and department has set “Sustainability Budget” with numerical targets set for the fiscal year and commenced initiatives toward achieving these goals.

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

- Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity
- Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society
- Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities
- Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality
- Material Issue 5: Corporate Ethics and Governance Structures
Dissemination of SDGs

Sumitomo Forestry Group, we believe that it is crucial to disseminate and foster an understanding of SDGs by each and every employee as we contribute to the SDGs through our business activities.

Cosponsoring the Nikkei SDGs Forum

Sumitomo Forestry Group is cosponsoring the Nikkei SDGs Forum, a project run by the Nikkei Group to support companies in their efforts to achieve the Sustainable Development Goals (SDGs) set by the United Nations, from fiscal 2018.

Implementation of SDGs Dissemination Workshops

The Sumitomo Forestry Group holds “SDGs Workshop” sessions by external lecturers for employees to provide learning opportunities that link SDGs to business operations. At the workshops, participants play a card game in which participants envision the achievement of their life goals at the year 2030, such as “wealth acquisition,” “comfortable leisure lifestyle,” and “environmental conservation” in light of economic, social and environmental “barometers” that reflect global circumstances. Participants were divided into groups, which then used Lego blocks as a tool to discuss what they can do based on the results as members of the Sumitomo Forestry Group to help realize a world in which “No one will be left behind.”

Workshop and training sessions were held four times in fiscal 2018 with 127 participants, mainly among employees working on new business development.

At the Sumitomo Forestry Group, the workshops and other efforts are aimed at further dissemination of SDGs understanding and action toward achieving the goals, both internally and externally.
With businesses centered on wood, Sumitomo Forestry Group promotes sustainable forest management and timber procurement both domestically and abroad. In procuring wood and timber products, we engage in management under specified numerical targets, placing it as an important theme of sustainability that encompasses environmental aspects such as climate change measures and biodiversity conservation as well as social aspects such as human rights.

With increase in concern about forest depletion as one of the causes of climate change, demand for sustainability in procurement of timber is on the rise. Amid these circumstances, Sumitomo Forestry Group has declared the goal of handling all of its timber and timber products to be sustainable by fiscal 2021. We have heightened our evaluation criteria for sustainable timber procurement as we work to step up our confirmation system. As we continue to contribute to solving social issues, we have defined KPI to establish timber procurement that achieves both forest resource utilization and biodiversity conservation.

### Basic Policy

With businesses centered on wood, Sumitomo Forestry Group promotes sustainable forest management and timber procurement both domestically and abroad. In procuring wood and timber products, we engage in management under specified numerical targets, placing it as an important theme of sustainability that encompasses environmental aspects such as climate change measures and biodiversity conservation as well as social aspects such as human rights.

With increase in concern about forest depletion as one of the causes of climate change, demand for sustainability in procurement of timber is on the rise. Amid these circumstances, Sumitomo Forestry Group has declared the goal of handling all of its timber and timber products to be sustainable by fiscal 2021. We have heightened our evaluation criteria for sustainable timber procurement as we work to step up our confirmation system. As we continue to contribute to solving social issues, we have defined KPI to establish timber procurement that achieves both forest resource utilization and biodiversity conservation.

### Related SDGs

- **SDG 10**: Reduced inequalities
- **SDG 12**: Responsible consumption and production
- **SDG 13**: Climate action
- **SDG 15**: Life on land
- **SDG 17**: Partnerships for the goals

### Management of Material Issue 1

Material Issue 1 of our Mid-Term Sustainability Targets is “Ongoing timber and materials procurement that considers sustainability and biodiversity.” We have derived three targets from this issue, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

### Targets of Material Issue 1

1. Management forests while mitigating climate change and protecting biodiversity
2. Expanding the utilization of sustainable forest resources
3. Building sustainable supply chains
## Management of Each Target

### Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain and expand the area of certified forests</td>
<td>Domestic and overseas certified forest area (ha)</td>
<td>Environment and Resources Division</td>
<td>220,951</td>
<td>220,417</td>
<td>221,117</td>
<td>221,467</td>
</tr>
</tbody>
</table>

### Expanding the Utilization of Sustainable Forest Resources

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand domestic and overseas forest plantation area with seedlings produced.</td>
<td>Area of forest plantation with in-house produced seedlings (ha)</td>
<td>Environment and Resources Division</td>
<td>6,055</td>
<td>6,553</td>
<td>7,487</td>
<td>7,920</td>
</tr>
<tr>
<td></td>
<td>Seedlings supplied (unit: 10 Thousand)</td>
<td>Environment and Resources Division</td>
<td></td>
<td>511</td>
<td>604</td>
<td>726</td>
</tr>
<tr>
<td>Expand the volume of chip and pellet fuel used</td>
<td>Volume of chip and pellet fuel used (t)</td>
<td>Environment and Resources Division, Timber and Building Materials Division</td>
<td>-</td>
<td>1,188,010</td>
<td>1,221,130</td>
<td>1,363,930</td>
</tr>
<tr>
<td>Increase quantity of sustainable timber and timber products handled and used</td>
<td>Volume of sustainable timber and timber products handled (%)</td>
<td>Timber and Building Materials Division</td>
<td>85</td>
<td>89</td>
<td>93</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Ratio of certified timber (including material obtained from a certified process) used as primary building materials (%)</td>
<td>Housing and Construction Division</td>
<td></td>
<td>80 (12)*</td>
<td>100 (12)*</td>
<td>100 (12)*</td>
</tr>
</tbody>
</table>

* Figures in parenthesis do not include per-certified timber.
## Building Sustainable Supply Chains

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Update the CSR procurement survey form and formulate survey plan</td>
<td>Sustainability survey implementation rate in the supply chain of the domestic housing department (%)</td>
<td>Housing and Construction Division</td>
<td>-</td>
<td>65</td>
<td>75</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Sustainability survey implementation rate of suppliers of imported timber (%)</td>
<td>Timber and Building Materials Division</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Sumitomo Forestry Group provides a full complement of products and services related to our customers’ lifestyles, beginning with housings. While it goes without saying that we attend to customer’s peace of mind and safety in providing products and services, we also believe that engaging in development and sales mindful of creating a sustainable society is a crucial role that our Group must fulfill.

One of the areas that we could contribute the most in reducing environmental impact is the reduction of greenhouse gases emissions from housings. Net Zero Energy Houses (ZEH) and other housing measures in Japan offer guidance to promote eco products as well as advocate excellent long-term housing as an asset. We have set targets for ratio of orders we receive for ZEH and other environmentally-friendly products to contribute in a sustainable society while serving customers in keeping with their needs by reducing household energy consumption through recommending houses built to ZEH specifications.

Within our Mid-Term Sustainability Targets, our material Issue 2 “the development and sale of reliable and safe products and services that consider the environment and society” is broadly divided into four goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

1. Increasing environmentally conscious products and services
   * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)
2. Creating an environment that considers biodiversity
3. Expanding businesses that contribute to resolving social issues
4. Promoting sustainable and innovative technological development
### Management of Each Target

#### Increasing Environmentally Conscious Products and Services

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote standards for energy generation and conservation housing</td>
<td>Rate of orders for ZEH (%)</td>
<td>Housing and Construction Division</td>
<td>38</td>
<td>60</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Rate of Environmentally-friendly renovation order rate (%)</td>
<td>Housing and Construction Division</td>
<td>48.4</td>
<td>50</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Sales of slat, glass wool and solar power generation systems (unit: million yen)</td>
<td>Timber and Building Materials Division</td>
<td>22,723</td>
<td>23,119</td>
<td>23,568</td>
<td>24,040</td>
</tr>
<tr>
<td>Increase value added by carbon stock from use of timber</td>
<td>Carbon stock in wooden architecture in Japan (t-CO₂)</td>
<td>Housing and Construction Division</td>
<td>192,536</td>
<td>190,676</td>
<td>190,164</td>
<td>199,509</td>
</tr>
<tr>
<td>Propose products utilizing local seedlings and natural cycle</td>
<td>Rate of orders for Environmentally-friendly product* (%)</td>
<td>Housing and Construction Division</td>
<td>56.5</td>
<td>58.0</td>
<td>60.0</td>
<td>63.0</td>
</tr>
</tbody>
</table>

* Environmentally-friendly products consist of the following: (1) local seedlings, (2) permeable paving material, (3) green wall construction, (4) rooftop greening, (5) biotope and (6) use of recycled materials

#### Creating an Environment that Considers Biodiversity

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand sales of local species</td>
<td>Number of local tree species (unit: trees)</td>
<td>Housing and Construction Division</td>
<td>402,000</td>
<td>450,000</td>
<td>480,000</td>
<td>500,000</td>
</tr>
</tbody>
</table>
Expanding Businesses that Contribute to Resolving Social Issues

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase number of rooms through new facilities construction</td>
<td>Number of rooms at private-pay elderly care facilities (rooms)</td>
<td>Lifestyle Service Division</td>
<td>1,457</td>
<td>1,457</td>
<td>1,890</td>
<td>2,014</td>
</tr>
<tr>
<td>Expand renewable energy business</td>
<td>Amount of electricity supplied by renewable energy business (converted to number of households)</td>
<td>Environment and Resources Division</td>
<td>213,860</td>
<td>217,768</td>
<td>217,768</td>
<td>373,826</td>
</tr>
</tbody>
</table>

Promoting sustainable and innovative technological development

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solve technical issues toward achieving W350 Project</td>
<td>The current state of progress in W350 Project development</td>
<td>Tsukuba Research Institute</td>
<td></td>
<td>Basic design formulation toward achieving W30</td>
<td>Achievement of W30 and construction of actual properties</td>
<td>Materials development and basic design formulation toward achievement of W70</td>
</tr>
</tbody>
</table>
With the impact of climate change becoming increasingly problematic on a global scale, companies are being asked to reduce emission of greenhouse gas that cause global warming and to implement energy saving initiatives.

In consideration of the environmental impact of these operations, the Sumitomo Forestry Group fully recognizes the importance of reducing greenhouse emissions and taking other measures to combat climate change through the promotion of strict energy-saving activities, renewable energy use and other efforts. With a mid- to long-term perspective of the future, in 2018, we established greenhouse gas emission reduction goals for 2030, and were certified as SBT* in July 2018.

In addition, to reduce environmental burden and more effectively utilize natural resources, we are promoting the reduction, reuse and recycling of industrial waste.

* Science Based Targets. These targets are set for companies to achieve reduction goals in-line with scientific knowledge to limit the raising average temperature around the world to less than 2°C.

**Management of Material Issue 3**

Within Mid-Term Sustainability Targets, our material Issue 3 “the reduction of the environmental impact of our business activities” is broadly divided into three goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

**Targets of Material Issue 3**

1. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)
2. Protecting resources, reducing the generation of waste and achieving zero emissions
3. Conserving and effectively utilizing water resources
### Reducing Greenhouse Gas Emissions Toward Creating a Decarbonized Society (SBT: Scope 1 & 2)

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce greenhouse gas emissions</td>
<td>Greenhouse gas emissions (t-CO₂e)</td>
<td>Each department</td>
<td>381,613</td>
<td>380,356</td>
<td>398,274</td>
<td>402,768</td>
</tr>
<tr>
<td></td>
<td>Percentage change from fiscal 2017</td>
<td></td>
<td>+3.2%</td>
<td>+2.9%</td>
<td>+7.7%</td>
<td>+8.9%</td>
</tr>
<tr>
<td></td>
<td>Carbon efficiency (t-CO₂e/million yen)</td>
<td>Sustainability Department</td>
<td>- (0.292)*</td>
<td>0.341 (0.275)</td>
<td>0.341 (0.279)</td>
<td>0.318 (0.264)</td>
</tr>
</tbody>
</table>

* Figures in parenthesis are sales before applying accounting standards related to revenue recognition

#### Protecting Resources, Reducing the Generation of Waste and Achieving Zero Emissions

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote industrial waste separation</td>
<td>Recycling rate at new housing construction sites (%)&lt;sup&gt;*&lt;/sup&gt;¹</td>
<td>Housing and Construction Division</td>
<td>94.2</td>
<td>96.1</td>
<td>98.0</td>
<td>98.0</td>
</tr>
<tr>
<td></td>
<td>Recycling rate at housing demolition site (%)&lt;sup&gt;*&lt;/sup&gt;² (as of start of demolition work on main structure)</td>
<td></td>
<td>77.6&lt;sup&gt;*&lt;/sup&gt;³</td>
<td>98.0</td>
<td>98.0</td>
<td>98.0</td>
</tr>
<tr>
<td></td>
<td>Recycling rate of renovation&lt;sup&gt;*&lt;/sup&gt;⁴ business (%)</td>
<td></td>
<td>74.3</td>
<td>80.0</td>
<td>82.0</td>
<td>84.0</td>
</tr>
<tr>
<td></td>
<td>Recycling rate of power generation business (%)</td>
<td>Environment and Resources Division</td>
<td>64.5</td>
<td>52.5</td>
<td>54.3</td>
<td>56.5</td>
</tr>
<tr>
<td></td>
<td>Recycling rate of overseas manufacturing plants (%)</td>
<td>Timber and Building Materials Division</td>
<td>97.5&lt;sup&gt;*&lt;/sup&gt;⁴</td>
<td>97.9</td>
<td>98.0</td>
<td>98.0</td>
</tr>
</tbody>
</table>
### Specific steps based on issues and strategies

<table>
<thead>
<tr>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling rates of domestic manufacturing plants (%)</td>
<td>Timber and Building Materials Division</td>
<td>99.1</td>
<td>99.5</td>
<td>99.5</td>
<td>99.5</td>
</tr>
<tr>
<td></td>
<td>Housing and Construction Division</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Environment and Resources Division</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycling rate of Lifestyle Service Business, etc. (%)</td>
<td>Lifestyle Service Division, etc.</td>
<td>92.8</td>
<td>95.2</td>
<td>96.6</td>
<td>98.0</td>
</tr>
</tbody>
</table>

### Waste reduction

**Promote zero-emissions**

<table>
<thead>
<tr>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial waste final disposal amount (t)</td>
<td>Sustainability Department</td>
<td>56,643</td>
<td>58,860</td>
<td>56,632</td>
<td>54,087</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-11.0%</td>
<td>-7.5%</td>
<td>-11.0%</td>
<td>-15.0%</td>
</tr>
<tr>
<td>Total industrial waste generated (waste generated per detached house) (kg/structure)</td>
<td>Housing and Construction Division</td>
<td>3,087</td>
<td>3,020</td>
<td>2,950</td>
<td>2,730</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-7%</td>
<td>-9%</td>
<td>-11%</td>
<td>-18%</td>
</tr>
</tbody>
</table>

---

*1 Includes new housing construction sites of the Housing and Construction Division, Sumitomo Forestry Landscaping, as well as Sumitomo Forestry Home Engineering.

*2 Includes construction materials specified under the Construction Material Recycling Law (concrete, asphalt concrete, wood waste) and metals.

*3 Only result for FY2018 includes items not covered by the Construction Material Recycling Law.

*4 Includes renovation work sites of Sumitomo Forestry Home Tech.

*5 Includes emissions associated with Lifestyle Service Business, housing-related materials sales, and other operational locations.

*6 Percentage change from fiscal 2017.

### Conserving and Effectively Utilizing Water Resources

<table>
<thead>
<tr>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proper management of water resources (unit: 1,000m³)</td>
<td>Sustainability Department</td>
<td>2,978</td>
<td>2,981 or less</td>
<td>2,990 or less</td>
<td>3,011 or less</td>
</tr>
</tbody>
</table>

---

*About symbol for Independent assurance*
Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality

Basic Policy

The Group promotes a free and open-minded corporate culture that respects diversity in accordance with Our Values. We are also committed to securing an appropriate balance between work and individual commitments such as caring for children and the elderly, maintaining a safe and healthy work environment, implementing regular educational and training programs to prepare for disasters, accidents and so forth, as stipulated in the Sumitomo Forestry Group Code of Conduct established in 2017. Further, we are advancing development a vibrant workplace where diverse human assets can be actively engaged without regard to gender, age, nationality, race, religion or disability.

Related SDGs

Management of Material Issue 4

Within our Mid-Term Sustainability Targets, our Material Issue 4 “a vibrant work environment where a diverse workforce can unharase their skills and individuality,” is broadly divided into four goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

Targets of Material Issue 4

1. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy
2. Securing human resources by training younger workers and utilizing older ones
3. Reducing long work hours through work style reforms
4. Eliminating occupational injuries
## Management of Each Target

### Creating a Work Environment that Generates Diverse Ideas, Job Satisfaction and Vibrancy

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promotion of women’s participation and advancement in the workplace</strong></td>
<td>Female employees in management positions (%)</td>
<td>Sumitomo Forestry Personnel Department</td>
<td>3.7</td>
<td>4.2</td>
<td>5.0</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan Personnel Department</td>
<td></td>
<td>6.0</td>
<td>6.2</td>
<td>6.7</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Improve employee satisfaction</strong></td>
<td>Employee satisfaction level (%)</td>
<td>Sumitomo Forestry Personnel Department</td>
<td>81.0</td>
<td>83.0</td>
<td>84.0</td>
<td>85.0</td>
</tr>
<tr>
<td></td>
<td>Change in employee satisfaction level compared to base year (%)</td>
<td>Consolidated in Japan Personnel Department</td>
<td>- *</td>
<td>- *</td>
<td>Compared to Fiscal 2019 Percentage Change 105%</td>
<td>Compared to Fiscal 2019 Percentage Change 110%</td>
</tr>
</tbody>
</table>

* No figures are available until fiscal 2018 because employee satisfaction surveys were administered biennially until then. They have been implemented annually since fiscal 2019.

关于符号的说明

### Securing Human Resources by Training Younger Workers and Utilizing Older Ones

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop human resources from a long-term perspective according to the revision of the evaluation system (April 2019) and evaluator training</td>
<td>Three-year turnover rate among newly hired graduates (%)</td>
<td>Sumitomo Forestry Personnel Department</td>
<td>18.0</td>
<td>17.0</td>
<td>16.0</td>
<td>15.0</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan Personnel Department</td>
<td></td>
<td>22.2</td>
<td>15.3</td>
<td>13.2</td>
<td>12.9</td>
</tr>
<tr>
<td>Enhance training programs</td>
<td>Training cost per employee (unit: 1,000 yen)</td>
<td>Sumitomo Forestry Personnel Department</td>
<td>97</td>
<td>120</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan Personnel Department</td>
<td></td>
<td>53</td>
<td>65</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>
### Specific steps based on issues and strategies

<table>
<thead>
<tr>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance training programs</td>
<td>Total number of training participants (persons)</td>
<td>Sumitomo Forestry Personnel Department</td>
<td>11,367</td>
<td>13,000</td>
<td>13,000</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan Personnel Department</td>
<td>13,297</td>
<td>15,224</td>
<td>15,700</td>
<td>16,176</td>
</tr>
<tr>
<td></td>
<td>Training time per employee (hours)</td>
<td>Sumitomo Forestry Personnel Department</td>
<td>13.6</td>
<td>13.7</td>
<td>14.4</td>
</tr>
<tr>
<td>Implement year-initial interviews prior to full-term retirement</td>
<td>Rate of retiree re-employment (%)</td>
<td>Sumitomo Forestry Personnel Department</td>
<td>81.7</td>
<td>82.0</td>
<td>85.0</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan Personnel Department</td>
<td>73.3</td>
<td>64.0</td>
<td>67.7</td>
<td>78.0</td>
</tr>
</tbody>
</table>

#### Sumitomo Forestry Group Sustainability Report 2019
## Eliminating Occupational Injuries

### Specific steps based on issues and strategies

- Implement reciprocal safety audits and manufacturing department safety audits
- Share case studies and implement risk assessments

### Indicators for Evaluation

<table>
<thead>
<tr>
<th>Specific Indicator</th>
<th>Managing Department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of serious occupational injuries occurrences (incidents) (four or more days' work leave)</td>
<td>Personnel Department</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Consolidated in Japan</td>
<td>-</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Consolidated outside Japan</td>
<td>-</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Domestic forest sites (contractors)</td>
<td>Environment and Resources Division</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Overseas plantation sites (contractors)</td>
<td>Environment and Resources Division</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>New construction sites* (contractors)</td>
<td>Housing and Construction Division</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of occupational injuries (incidents) (requiring one or more days' work leave)</td>
<td>New Construction sites* in Japan (contractors)</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* Includes sole proprietorships

*About symbol for Independent assurance*
With the background of globalization, diversification and expansion of our business, the Group is reviewing its philosophy structure. Sustainability management based on the Corporate Philosophy, Our Values, and Code of Conduct complies with international codes, international initiatives, and other social demands. In addition, 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 while strengthening Business Continuity Management (BCM) system as a measure against disasters.

Within our Mid-Term Sustainability Targets, our Material Issue 5 “corporate ethics and governance structures” is reflected in one broad goal, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

**Targets of Material Issue 5**

- Reinforcing risk crisis and compliance structures
## Management of Each Target

### Reinforcing Risk Crisis and Compliance Structures

<table>
<thead>
<tr>
<th>Specific steps based on issues and strategies</th>
<th>Indicators for Evaluation</th>
<th>Managing department</th>
<th>FY2018 result</th>
<th>FY2019 target</th>
<th>FY2020 target</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress check of prioritized risk items set by the Risk Management Committee and share materialized risks</td>
<td>Progress management for prioritized risks (conducted on a quarterly basis by the Risk Management Committee) (%)</td>
<td>General Administration Department</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Understand the extent of compliance awareness and enhance channels for reporting misconduct and compliance violations</td>
<td>Regular implementation and phased deployment of compliance awareness surveys</td>
<td>General Administration Department</td>
<td>-</td>
<td>Sumitomo Forestry</td>
<td>Major group companies in Japan</td>
<td>All group companies in Japan and some group companies overseas</td>
</tr>
<tr>
<td>Obtain external certification for Business Continuity Management (BCM)</td>
<td>Obtaining resilience certification</td>
<td>General Administration Department</td>
<td>-</td>
<td>Sumitomo Forestry</td>
<td>Major group companies in Japan</td>
<td>All major domestic group companies</td>
</tr>
<tr>
<td>Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization</td>
<td>Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)</td>
<td>Sustainability Department</td>
<td>Implement for two sectors, domestic housing business and timber and building materials business</td>
<td>Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business</td>
<td>Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business</td>
<td>Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent mid-term plan.</td>
</tr>
</tbody>
</table>
In keeping with the Sumitomo Forestry Group Mid-Term CSR Management Plan formulated in fiscal 2015, we defined quantitative targets each year for both environmental and societal issues to be addressed by fiscal 2020. In undertaking specific measures, we have incorporated these targets into the CSR budget, and subjected them to PDCA cycles. Results through fiscal 2018 are explained below.

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

We conduct regular inspections of all of our suppliers of direct import timber and timber products to ensure legality. The volume of domestically produced timber and log exports is increasing year by year, particularly with respect to China. And the recent increase in demand at biomass power generation plants has caused an increase in the volume of fuel wood chips handled.

#### Current awareness of issues and basic strategies

<table>
<thead>
<tr>
<th>Indicators for Evaluation</th>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase volume of ...</td>
<td>10.9</td>
<td>12.8</td>
<td>11.0</td>
<td>12.0</td>
<td>×</td>
<td>12.0</td>
</tr>
<tr>
<td>Volume of exported ...</td>
<td>70</td>
<td>120</td>
<td>160</td>
<td>183</td>
<td>△</td>
<td>200</td>
</tr>
<tr>
<td>Volume of plantation ...</td>
<td>812</td>
<td>1,163</td>
<td>629</td>
<td>626</td>
<td>○</td>
<td>783</td>
</tr>
<tr>
<td>Volume of fuel wood ...</td>
<td>812</td>
<td>847</td>
<td>1,132</td>
<td>1,316</td>
<td>×</td>
<td>1,380</td>
</tr>
<tr>
<td>Volume of certified ...</td>
<td>68</td>
<td>78</td>
<td>78</td>
<td>68</td>
<td>○</td>
<td>85</td>
</tr>
<tr>
<td>Volume of unused wood</td>
<td>191</td>
<td>286</td>
<td>338</td>
<td>236</td>
<td>○</td>
<td>236</td>
</tr>
</tbody>
</table>

#### Related SDGs

12 Responsible Consumption and Production
13 Climate Action
15 Life on Land
<table>
<thead>
<tr>
<th>Current awareness of issues and basic strategies</th>
<th>Indicators for Evaluation</th>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Japanese timber used for new custom-built detached housing (Housing and Construction Division)</td>
<td>Multi-Balance Construction Method</td>
<td>70.9</td>
<td>71.0</td>
<td>71.0</td>
<td>71.0</td>
<td>〇</td>
<td>75.0</td>
</tr>
<tr>
<td></td>
<td>Big-Frame Construction Method</td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
<td>〇</td>
<td>55.0</td>
</tr>
<tr>
<td>Percentage of reviews conducted for wood product suppliers who handle directly imported timber and wood products with verified legal compliance (%) (Timber and wood product department)</td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>〇</td>
<td>100</td>
</tr>
<tr>
<td>Establish forestry management that enables conservation of biodiversity, and value as natural capital</td>
<td>Percentage of certified (by SGEC) forests in newly acquired forests managed by the Group (%)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>〇</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Number of native species planted at new detached housing sites (trees)</td>
<td>30,614</td>
<td>31,248</td>
<td>30,101</td>
<td>36,000</td>
<td>×</td>
<td>210,000 /6 years</td>
</tr>
</tbody>
</table>

*1 Quantity including imported PKS and pellets, from FY2018 targets and results.

* Rating
〇: Achieved △: Not achieved but improved from previous year ✕:Not achieved and declined compared to previous year

About symbol for Independent assurance

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

Office segment CO₂ emissions volumes have been trending downward year by year. Since the initial 7% reduction target was achieved early, the target was adjusted upward in April 2018 to a 16% reduction. Gasoline consumption volume has been cut through the phasing in of hybrids in the company-owned vehicle fleet, while electric power consumption has been cut by switching to LED lighting and reducing overtime work by having personal computers shut down at preset times, all of which have helped reduce CO₂.

In non-office segment, meanwhile, increases in electricity consumption volume resulted from the introduction of new equipment, while declining sales resulted in a failure to reduce per-unit CO₂ emissions volumes as planned at some overseas manufacturing plants.

Regarding the ZEH specification ratio, we did not reach our target level of 45%, although the ratio is increasing year by year. We will continue to bring up the ZEH specification ratio by actively showcasing the appeal of first-rate insulation performance compared to other major housing builders.
### Current awareness of issues and basic strategies

<table>
<thead>
<tr>
<th>Low-carbon society</th>
<th>Indicators for Evaluation</th>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the office segment (consolidated company within and outside Japan)</td>
<td>-7.8 Total emissions 33,660 t-CO₂</td>
<td>-10.1 Total emissions 31,871 t-CO₂</td>
<td>-14.1 Total emissions 30,454 t-CO₂</td>
<td>-11.4 Total emissions 31,407 t-CO₂</td>
<td>O</td>
<td>-16.0 or more</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Forestry (offices in Japan) Change in CO₂ emissions compared to FY2013 (%)</td>
<td>-13.9</td>
<td>-18.7</td>
<td>-25.2</td>
<td>-19.4</td>
<td>O</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Affiliated companies in Japan (offices)</td>
<td>-0.9</td>
<td>-4.6</td>
<td>-6.1</td>
<td>-1.8</td>
<td>O</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Affiliated companies outside Japan (offices)</td>
<td>-0.7</td>
<td>+14.0</td>
<td>+14.1</td>
<td>-3.0</td>
<td>×</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Kutai Timber Indonesia (Indonesia)</td>
<td>+3.1</td>
<td>-10.8</td>
<td>+4.3</td>
<td>+0.8</td>
<td>×</td>
<td>At least 1.0% reduction per year on average per production volume in FY2015 - 2020</td>
<td></td>
</tr>
<tr>
<td>Vina Eco Board (Vietnam) Change in CO₂ emissions per production volume compared to the previous year (%)</td>
<td>-5.4</td>
<td>+38.0</td>
<td>-10.6</td>
<td>-23.9</td>
<td>△</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AST Indonesia (Indonesia)</td>
<td>+16.0</td>
<td>+9.0</td>
<td>+20.6</td>
<td>-4.1</td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nelson Pine Industries (New Zealand)</td>
<td>-0.7</td>
<td>-5.8</td>
<td>+0.2</td>
<td>+23.7</td>
<td>O</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rimba Partikel Indonesia (Indonesia)</td>
<td>+15.8</td>
<td>-9.6</td>
<td>-1.2</td>
<td>-0.5</td>
<td>O</td>
<td></td>
<td></td>
</tr>
<tr>
<td>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)</td>
<td>61.6</td>
<td>69.4</td>
<td>72.1</td>
<td>73.0</td>
<td>△</td>
<td>At least 80.0</td>
<td></td>
</tr>
</tbody>
</table>
### Current awareness of issues and basic strategies

#### Indicators for Evaluation

<table>
<thead>
<tr>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage of ZEH type houses (%)</strong>&lt;sup&gt;1&lt;/sup&gt; (Number of ZEH type houses / total number of houses ordered)&lt;sup&gt;1&lt;/sup&gt;</td>
<td>32</td>
<td>33</td>
<td>40</td>
<td>45</td>
<td>△ At least 80.0</td>
</tr>
</tbody>
</table>

<sup>1</sup> Excludes Hokkaido, Okinawa.

#### Rating

- **〇**: Achieved
- **△**: Not achieved but improved from previous year
- **✕**: Not achieved and declined compared to previous year

### About symbol for Independent assurance

The amount of industrial waste such as construction debris generated at new housing construction sites was reduced and the recycling rate was increased through the efforts of the Company's working group that included changing the standard dimensions of sub-floor plasterboard to reduce the amount of non-recyclable waste generated, and adopting reusable packing materials for flooring, etc.

Expansion of the area subject to inter-region recovery and recycling certification also helped reduce industrial waste.

### Related SDGs

- SDG 11: Sustainable cities and communities
- SDG 12: Responsible consumption and production

### Current awareness of issues and basic strategies and other strategies

#### Indicators for Evaluation

<table>
<thead>
<tr>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
</table>
| **Recycling society**
  
  **Achieve zero emissions**
  
  Recycling rate at new housing construction sites (%)<sup>1</sup> | 92.5 | 92.5 | 94.1 | 93.9 | 〇 98.0 |

  **Recycling rate at renovation sites (%)<sup>2</sup>** | 76.2 | 76.2 | 77.7 | 77.6 | 〇 80.0 |

  **Reduce volume of industrial waste generated**
  
  Reduction in industrial waste generated at new housing construction sites compared to FY2013 (%) | -8.8 | -15.5 | -31.9 | -20.6 | 〇 -30 |

  **Change in industrial waste per sales cost<sup>3</sup> compared to FY2014 (%)** | -2.6 | +5.2 | +14.4 | +1.9 | ✕ At least 2% |
Economic Effect Seen by Promoting the Reduction of the Environmental Impact of Our Business Activities

Regarding energy consumption volumes, gasoline was reduced by 4.4% and electric power was reduced by 4.0%, although a 9.8% increase in gasoline unit cost meant that no cost-cutting effect was achieved.

<table>
<thead>
<tr>
<th>Effects</th>
<th>Value (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>Profit on sold for value</td>
</tr>
<tr>
<td>Cost Reduction</td>
<td>Cost Reduction Amount saved as a result of energy-saving efforts</td>
</tr>
<tr>
<td></td>
<td>* Include the fluctuation of petroleum price</td>
</tr>
<tr>
<td></td>
<td>Amount saved as a result of waste reduction efforts</td>
</tr>
<tr>
<td>Total</td>
<td>129</td>
</tr>
</tbody>
</table>

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

Measures aimed at changing employee awareness regarding work responsibilities helped reduce overtime working hours. These measures included encouragement of tablet terminal device use and direct commuting to and from home to increase operational efficiency, while setting work PC shut-off times and revising employee evaluation methods.

The rate of paid vacation / leave use was improved by hiring supplemental personnel and establishing planned vacations.

Related SDGs

3. Good Health and Well-being
5. Gender Equality
8. Decent Work and Economic Growth
<table>
<thead>
<tr>
<th>Current awareness of issues and basic strategies</th>
<th>Indicators for Evaluation</th>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote fair employment and treatment</td>
<td>Female employees in management positions (%)</td>
<td>Sumitomo Forestry</td>
<td>2.8</td>
<td>3.2</td>
<td>3.7</td>
<td>At least 3.8</td>
<td>△</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan</td>
<td>5.0</td>
<td>4.6</td>
<td>6.0</td>
<td>Target set by each company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Female employees including contract employees (%)</td>
<td>Sumitomo Forestry</td>
<td>20.0</td>
<td>20.4</td>
<td>21.0</td>
<td>At least 20</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan</td>
<td>25.4</td>
<td>31.6</td>
<td>32.0</td>
<td>Target set by each company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Ratio of Disabled Employees (%)&lt;sup&gt;*&lt;/sup&gt;</td>
<td>Sumitomo Forestry</td>
<td>2.12</td>
<td>2.14</td>
<td>2.32</td>
<td>At least 2.2</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan</td>
<td>1.45</td>
<td>1.75</td>
<td>1.76</td>
<td>Target set by each company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Promote work-life balance</td>
<td>Paid leave usage</td>
<td>Sumitomo Forestry (days)</td>
<td>6.9</td>
<td>9</td>
<td>10.1</td>
<td>At least 10</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Consolidated in Japan (%)</td>
<td>40</td>
<td>43.9</td>
<td>50.5</td>
<td>Target set by each company</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Overtime working hours (Reduction from the average overtime working hours in FY2013) (% reduction)</td>
<td>Sumitomo Forestry</td>
<td>-7.5</td>
<td>-20.7</td>
<td>-24.9</td>
<td>-25.2</td>
<td>△</td>
</tr>
<tr>
<td>Strengthen occupational health and safety</td>
<td>Number of occupational injuries in Company-owned forests (incidents)&lt;sup&gt;*&lt;/sup&gt;</td>
<td>Sumitomo Forestry</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>×</td>
</tr>
<tr>
<td></td>
<td>Number of occupational injuries at new construction sites (incidents)&lt;sup&gt;*&lt;/sup&gt;</td>
<td>Sumitomo Forestry</td>
<td>12</td>
<td>9</td>
<td>7</td>
<td>0</td>
<td>×</td>
</tr>
<tr>
<td></td>
<td>Number of occupational injuries in other places (incidents)&lt;sup&gt;*&lt;/sup&gt;</td>
<td>Consolidated in Japan</td>
<td>8</td>
<td>2</td>
<td>10</td>
<td>Target set by each company</td>
<td>-</td>
</tr>
</tbody>
</table>
*1 Data as of June 2018

*2 Number of occupational injuries involving contractors at work sites in Company-owned forests

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

* Rating
  ○: Achieved △: Not achieved but improved from previous year ✕: Not achieved and declined compared to previous year

About symbol for Independent assurance

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

Regarding the 45 prioritized risk items, quarterly meetings were held by the Risk Management Committee to check on the state of progress as we worked to strengthen our risk management system.

<table>
<thead>
<tr>
<th>Current awareness of issues and basic strategies</th>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen risk management framework</td>
<td>Reviewed target items and shared case reports on emerging risks at the monthly Board of Executive Officers meetings.</td>
<td>Reviewed target items and shared case reports on emerging risks at the monthly Board of Executive Officers meetings.</td>
<td>Items shown at right were implemented.</td>
<td>Manage risks by using prioritized risk items set by the Risk Management Committee.</td>
<td>○</td>
<td>Manage risks by using prioritized risk items set by the Risk Management Committee.</td>
</tr>
</tbody>
</table>

* Rating
  ○: Achieved △: Not achieved but improved from previous year ✕: Not achieved and declined compared to previous year
Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Among new custom-built detached houses, the implementation ratios of design performance evaluations, of construction performance evaluations, and of Excellent Long-term Housing certification were all at nearly 100%. We achieved our changed target for fiscal 2020 earlier than planned for the implementation ratio of design performance evaluations. At the same time, the rate at which new custom-built detached houses were completed and handed over earlier than planned fell by 4% compared to the previous year.

<table>
<thead>
<tr>
<th>Current awareness of issues and basic strategies</th>
<th>Indicators for Evaluation</th>
<th>FY2016 result</th>
<th>FY2017 result</th>
<th>FY2018 result</th>
<th>FY2018 target</th>
<th>FY2018 value</th>
<th>FY2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve safety and quality</td>
<td>Ratio of design performance evaluations implemented for new custom-built detached housing (%)</td>
<td>98.8</td>
<td>98.9</td>
<td>99.0</td>
<td>99.0</td>
<td>〇</td>
<td>99.0</td>
</tr>
<tr>
<td></td>
<td>Ratio of construction performance evaluations implemented for new custom-built detached housing (%)</td>
<td>97.8</td>
<td>97.9</td>
<td>98.4</td>
<td>99.0</td>
<td>△</td>
<td>99.0</td>
</tr>
<tr>
<td></td>
<td>Ratio of houses certified as Excellent Long-term Housing for new custom-built detached housing (%)</td>
<td>93.3</td>
<td>93.3</td>
<td>93.8</td>
<td>97.0</td>
<td>△</td>
<td>97.0</td>
</tr>
<tr>
<td>Improve communication with customers</td>
<td>Pass rate for after-sales maintenance advisors and housing inspectors (%) (All persons assigned to Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>〇</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Ratio of early completion of handing the as-built drawing for new custom-built detached housing (%)</td>
<td>77.0</td>
<td>83.0</td>
<td>79.0</td>
<td>85.0</td>
<td>✕</td>
<td>90</td>
</tr>
</tbody>
</table>

* Rating
〇: Achieved △: Not achieved but improved from previous year ✕: Not achieved and declined compared to previous year
The Sumitomo Forestry Group is involved with various stakeholders because the business activities conducted by the Group are in broad range of global businesses from the upstream to the downstream with wood at the core. We are always focused on communication, starting with our business activities while taking into account the relationship between the direct and indirect impact. Our basic policy is to sincerely respond to that expectations and requirements.

**Stakeholders of the Sumitomo Forestry Group**

- Customers
- Global Society and Local Communities
- Global Environment
- NPOs/NGOs
- Businesses
- Students
- Government and Regulatory Authorities
- Industries and Companies in the Same Business
- Employees and Their Families
- Shareholders and Investors

**Responsibilities and Communication Methods**

**Customers**

Customer needs are diversifying as the social environment changes dramatically due to energy issues resulting from frequent large-scale disasters and global warming in addition to the decreasing population and aging society of Japan, centralization and depopulation in urban areas as well as a growing mindset toward health.

The Sumitomo Forestry Group conducts comprehensive efforts toward safety and quality issues based on these circumstances to not only reduce risk but also to create new business opportunities by responding to societal and environmental changes with the hope that it will further heighten customer satisfaction.
### Responsibilities
- Providing safe, high-quality products and services
- Disclosing timely and accurate information and providing accountability
- Understand the requests and needs and improve satisfaction through communication

### Communication Methods
- Sumitomo Forestry Call Center
- Customer Satisfaction Survey
- Websites and media, news magazines, etc.
- Exhibitions and various other events

### Relevant Targets and Performance

<table>
<thead>
<tr>
<th>Ratio of design performance evaluations implemented for new custom-built detached housing FY2020 target</th>
<th>Ratio of design performance evaluations implemented for new custom-built detached housing FY2018 result</th>
<th>Ratio of construction performance evaluations implemented for new custom-built detached housing FY2020 target</th>
<th>Ratio of construction performance evaluations implemented for new custom-built detached housing FY2018 result</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 90%</td>
<td>99.0%</td>
<td>At least 90%</td>
<td>98.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio of houses certified as Excellent Long-term Housing for new custom-built housing FY2020 target</th>
<th>Ratio of houses certified as Excellent Long-term Housing for new custom-built housing FY2018 result</th>
<th>Number of calls received by the call center (FY2018)</th>
<th>Customer satisfaction ratio (customers survey when they move in) (FY2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 90%</td>
<td>93.8%</td>
<td>132,547</td>
<td>96.1%</td>
</tr>
</tbody>
</table>

### Employees and Their Families
A wide range of themes have been raised concerning social challenges related to employment and labor from human rights and the form of an equal workplace without discrimination to ensuring safety on-site, considerations toward work-life balance and the reduction of long working hours.

We believe working to resolve these challenges is the driving force to improving corporate value and business promotion that have a positive effect that includes gaining human resources and improving the motivation of employees while eliminating risks on employees.
## Responsibilities

- Establishing and providing a healthy working environment where people can work safely that respects human rights without any discrimination
- Equal and fair personnel evaluation
- Establishing educational systems able to drive and improve skills
- Establishing measures, policies and other regulations to enhance the work-life balance

## Communication Methods

- Conducting regular consultations and performance reviews
- Conducting employee satisfaction surveys
- Installing a compliance counter
- EAP (Employee Assistance Program) service
- Carrying on a dialogue (casual discussions) between the president and employees
- Holding Family Open Day
- Carrying out meetings made up of management and union members
- Publishing internal magazines, creating an internal website

### Relevant Targets and Performance

<table>
<thead>
<tr>
<th>FY2020 Target</th>
<th>Ratio of Female employees in management positions (Non-consolidated)</th>
<th>FY2020 Target Overtime working hours (Compared to FY2013) (Non-consolidated)</th>
<th>Overtime working hours FY2018 results (Compared to FY2013) (Non-consolidated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of Female employees in management positions</td>
<td>At least 5%</td>
<td>30% reduction</td>
<td>24.9% reduction</td>
</tr>
<tr>
<td>(Non-consolidated)</td>
<td>3.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2019 (Non-consolidated)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2020 Target</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overtime working hours (Compared to FY2013) (Non-consolidated)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2018 results (Compared to FY2013) (Non-consolidated)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total annual participation time in internal training per employee (Non-consolidated)</th>
<th>Annual education costs per employee (Non-consolidated)</th>
<th>Membership rate in labor unions (Non-consolidated)</th>
<th>Occurrence of occupational injuries (Non-consolidated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.6 hours</td>
<td>97,000 yen</td>
<td>100%</td>
<td>2</td>
</tr>
</tbody>
</table>

### Shareholders and Investors

In recent years, institutional investors have shifted the way to evaluate a company. One emphasis from this perspective of evaluation is engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Trends to promote even broader engagement are growing after the publishing of the Stewardship Code even in Japan.

The Sumitomo Forestry Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feeds back the opinions and requirements of investors who are a vital stakeholder into operations to put in place measures toward sustainable growth.
As a company involved in a variety of businesses centered upon wood, Sumitomo Forestry Group needs to adhere to laws and regulations by continually updating information about relevant laws and regulations in each region and country where it conducts business.

For example, housing construction must comply with the Building Standards Act as well as a wide range of other laws and regulations. We also must engage in broad communication as a business involved with national lands through forest management, such as notifications to government and regulatory authorities.

Therefore, we strive to earn greater trust from society by thoroughly complying with the various laws and regulations as well as ensuring proper communication with the government and regulatory authorities in each country where our businesses are expanding.
Industries and Companies in the Same Business

The Sumitomo Forestry Group believes a fair, open competitive environment is essential to foster sustainable growth throughout the entire industry.

We also know industry associations and other organizations are indispensable in creating relevant rules.

We participate in organizations such as industry associations and contribute to the growth and development of the industry by taking a leading role as a front runner in the industry.

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Communication Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Assembling the appropriate markets and competitive</td>
<td>● Participating in industry associations and other</td>
</tr>
<tr>
<td>environment</td>
<td>organizations</td>
</tr>
<tr>
<td>● Offering cooperation for the growth and development</td>
<td></td>
</tr>
<tr>
<td>of our industry</td>
<td></td>
</tr>
</tbody>
</table>

Contributions to Public Policy

Business Partners

Promoting sustainable forest management and procuring timber from sustainable forests are extremely vital endeavors for the Sumitomo Forestry Group, which is expanding its business around "wood". We believe initiatives are also necessary to respond to risk elements that include the laws in each country and the various regulations related to the illegal logging.

These efforts strengthen our foundation of business by promoting the preservation, development, and planting of forests as well as effectively using limited global resources such as the active use of timber cut from forests that have received Forest Stewardship Council (FSC) certification together with our business partners.

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Communication Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Building equal and fair relationships with business</td>
<td>● Engaging in purchasing and procurement activities</td>
</tr>
<tr>
<td>partners</td>
<td>● Conducting safety conferences, safety patrols and building</td>
</tr>
<tr>
<td>● Improving the occupational health and safety</td>
<td>contractor meetings</td>
</tr>
<tr>
<td>environment</td>
<td>● Conducting workshops and informational exchange</td>
</tr>
<tr>
<td>● Complying with all relevant laws</td>
<td>meetings</td>
</tr>
<tr>
<td></td>
<td>● Conducting supplier evaluations (surveys and</td>
</tr>
<tr>
<td></td>
<td>questionnaires)</td>
</tr>
</tbody>
</table>
Relevant Targets and Performance

- Reinforcing Engagement with NGOs and Other External Stakeholders

Students

The Sumitomo Forestry Group shares information about various initiatives as well as the medium to long-term outlook, including our philosophy, the current state of business, work style reforms, with all of the students entrusted with the next generation.

We strive to actively share information and engage in communication to of course deepen understanding in our own company but also to facilitate mutual growth in a dramatically changing environment.

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Communication Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Conducting equal and fair hiring practices</td>
<td>• Participating in various briefings and other events</td>
</tr>
<tr>
<td>• Actively communicating information</td>
<td>• Visiting schools</td>
</tr>
</tbody>
</table>

NPOs/NGOs

The Sumitomo Forestry Group works together with everyone at NPOs and NGOs to cultivate understanding about the situations faced in each region through expert knowledge and businesses when working to confront social challenges such as biodiversity and regional development. Through the cooperation with civil society, we fulfill our role for not only the company but also many other people. We expect to produce even greater results toward solving the challenges faced by society rooted in each community.

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Communication Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Working cooperatively to solve social challenges</td>
<td>• Participating in employee volunteer activities</td>
</tr>
<tr>
<td>• Providing business know-how</td>
<td>• Working cooperatively through social contribution activities</td>
</tr>
<tr>
<td></td>
<td>• Stakeholder Dialogue</td>
</tr>
</tbody>
</table>
Global Environment

The Sumitomo Forestry Group prioritized the global environment in both the direct and indirect impact its business activities have on the world. The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

We also formulated the Mid-Term Environmental Management Plan (FY2010-FY2014) with Mid-term environmental targets for the first time in fiscal 2009 and established the Mid-Term CSR Management Plan (FY2015-FY2020) that includes environmental targets in fiscal 2014. In addition, given further heightened ESG-related demands from the society, we began further increasing our numerical targets from fiscal 2019, incorporating them as Sustainability Goals into our “Sumitomo Forestry Group 2021 Medium-Term Management Plan.” By implementing PDCA cycles for all organizations, we are steadily stepping up our environmentally conscious activities based on the plan.

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Communication Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Preserving the natural environment and biodiversity</td>
<td>● Providing an environment for business</td>
</tr>
<tr>
<td>● Reducing the environmental impact of business activities</td>
<td>● Supplying and standardizing environmentally-friendly housing</td>
</tr>
<tr>
<td>● Developing and providing products and services with minimal environmental impact</td>
<td>● Acting as volunteers in building forests such as in reforestation</td>
</tr>
<tr>
<td></td>
<td>● Carrying on a dialogue with NPOs/NGOs</td>
</tr>
<tr>
<td></td>
<td>● Conducting environmental and social contribution activities linked up with NPOs/NGOs</td>
</tr>
</tbody>
</table>

Relevant Targets and Performance

- Recycling rate at new housing construction sites FY2020 Target: 98.0%
  - FY2018 Result: 94.1%

- Change in CO2 emissions compared to FY2013 in the office segment (consolidated company within and outside Japan) FY2020 Target: At least 7.0% reduction
  - FY2018 Result: 11.4% reduction

- Change in CO2 emissions compared to FY2013 in the office segment (consolidated company within and outside Japan) FY2020 Target: At least 7.0% reduction
  - FY2018 Result: 11.4% reduction

- Percentage of Green Smart / ZEH type new custom-built detached houses FY2020 Target: At least 80.0%
  - FY2018 Result (Excluding Hokkaido and Okinawa): 40.0%
Global Society and Local Communities

The Sumitomo Forestry Group recognizes the importance of contributing to the growth of local communities as well as protecting the local forest resources when starting and expanding businesses.

Therefore, we work to build an infrastructure for smooth operations and business expansion in each country and region by engaging in local social contribution activities and activities that focus on efforts, such as dialogue and cooperation with the local community in the promotion of overseas businesses.

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th>Communication Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Contributing to solutions to both global and local challenges in society</td>
<td>• Participating in employee volunteer activities</td>
</tr>
<tr>
<td></td>
<td>• Supporting the formation of communities through social contribution activities</td>
</tr>
<tr>
<td></td>
<td>• Preparation of Regional Infrastructure</td>
</tr>
</tbody>
</table>

Relevant Performance

| Expenditure on social contribution activities FY2018                        | Social contribution donations FY2018                                               | Cumulative numbers of visitors to Manabi no Mori FY2018 | Number of children participated in Manabi no Mori Environmental Education Program FY2018 |
| Approx. 103 million yen                                                      | Approx. 307 million yen                                                              | 1,630                                                  | 957                                                                                     |

Grievance Desk

The Sumitomo Forestry Group provides a Customer Service Department as a point of contact to handle inquiries from customers and local residents near ongoing housing construction, as well as a Compliance Hotline and Harassment Help Desk for business partners and employees in addition to receiving inquiries such as complaints (in Japanese, English, and Chinese) at our website. We respond appropriately to inquiries received through our website by having the Corporate Communications Department receive them, then communicate them according to their content to each relevant specialized department at the head office or each division handling the relevant operations.

In overseas, Open Bay Timber Ltd. (OBT) in Papua New Guinea, for example, we have put in place a complaint box in which anyone from the area within and outside the company can post a complaint or comment. Inquiries received in this way from local residents and others in the area are shared internally as needed so that we can undertake appropriate responses.

In 2018, we also established a grievance mechanism at our plantation forest operations in Indonesia. We receive opinions from local residents, both in writing and through regular visits, and respond to them within seven working days.

Moving forward, we will establish more contact points that can respond in each of the local language in where we conduct business activities.

- Compliance Hotline
- Respect for Human Rights at Overseas Plantations
The Sumitomo Forestry Group formulates separate policies for each issue related to sustainability management, and carries out initiatives according to those policies.

### Governance Policies

- Basic Policy on Corporate Governance
- Sumitomo Forestry Group Code of Conduct
- Preventing Corruption
- Promotion of Fair Competition and Appropriate Transactions with Subcontractors
- Information Security Policy
- Intellectual Property Management Policy
- Responsible Advertising/Promotional Efforts

### Business Policies

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

### Social Policies

- Sumitomo Forestry Group Procurement Policy
- Green Procurement Guidelines (extract)
- Basic Policy on Occupational Health and Safety
- Sumitomo Forestry Group Human Rights Policy
- Sumitomo Forestry Group Declaration on Empowering Women
- Basic Policy on Social Contribution Activities/Donations

### Environmental Policies

- Sumitomo Forestry Group Environmental Policy
- The Sumitomo Forestry Group’s Long-term Biodiversity Targets (summary)
- Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)
Sumitomo Forestry Group Procurement Policy

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. **Pursue active 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 23, 2015

---

**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 protection, 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
The Sumitomo Forestry Group respects the human rights of all people involved in our Group’s operations and considers the respect for human rights a basic principle in all our activities. This thinking is rooted in Sumitomo’s Business Spirit, which places prime importance on fairness and integrity for the good of society.

The Sumitomo Forestry Group Human Rights Policy (hereinafter, this Policy) has been formulated to further clarify the Group’s thinking regarding the respect for human rights and to complement the Group’s Corporate Philosophy, Action Guidelines, Code of Conduct, Procurement Policy and others.

1. A commitment to respect human rights
   Based on the United Nations’ Guiding Principles on Business and Human Rights, the Sumitomo Forestry Group respects human rights as defined by such international norms as the World Human Rights Declaration, the International Covenants on Human Rights (the International Covenant on Civil and Political Rights as well as the International Covenant on Economic, Societal and Cultural Rights), and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The Group also strictly complies with all related laws in each of the countries it conducts business in. In countries and regions that diverge from these laws and international norms, the Group strives to the greatest extent possible to undertake and prioritize initiatives that respect international norms.

2. Scope of application
   This Policy applies to Sumitomo Forestry Co., Ltd., and its consolidated subsidiaries. Furthermore, the Group asks all its business partners and other parties affiliated with the Group’s operations to respect and not infringe human rights based on this Policy.

3. Measures related to the respect for human rights
   a. Human rights due diligence
      The Sumitomo Forestry Group has created a human rights due diligence system, has incorporated it as a necessary process of our operations and applies it in an ongoing manner. Human rights due diligence evaluates and identifies potential and actual human rights risks and takes measures to prevent or reduce those risks.
   b. Relief measures
      If a Sumitomo Forestry Group operation has been found to have directly caused or participated in a situation that has had a negative impact on human rights, the Company shall undertake all necessary external and internal procedures and implement relief measures. Furthermore, the Company shall create and maintain necessary mechanisms to handle grievances and evaluate the effectiveness of corrective and relief measures in an ongoing manner.
   c. Education
      The Sumitomo Forestry Group shall conduct periodic and appropriate training for directors, employees and other parties to ensure that this Policy is integrated into the business activities of Sumitomo Forestry Co., Ltd., and all consolidated subsidiaries.
   d. Communication with stakeholders
      Sumitomo Forestry Group shall communicate and discuss potential human rights risks, measures to counter actual influences and other related issues with relevant stakeholders.
   e. Information disclosure
      To fulfill our reporting responsibilities, we shall disclose information and provide reports in a timely manner regarding initiatives based on this Policy and our response to potential or actual human rights issues.

July 1, 2019

(Attachment)

Sumitomo Forestry Group Human Rights Material Issues

The following are the Group’s material issues in relation to human rights as defined by international norms. These high priority issues may be reevaluated as appropriate according to changes in the Group’s operations and state of society.

<60> Sumitomo Forestry Group Sustainability Report 2019
Sumitomo Forestry Group 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 Guidelines. 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**
   In Japan, with a falling birthrate and aging population, worker population is projected to decline. By utilizing a workforce made up of individuals without regard to values, age, gender, nationality or disability, and by respecting the individual lifestyles of each and every female employee, we are working to create an open corporate culture and positive working environment where everyone can gain a sense of fulfillment in their work.

2. **We will leverage women’s unique creative powers**
   Women’s success in business is gaining prominence, such as with companies that utilize the perspective and creative powers of women to develop new products and services. In all business sectors, Sumitomo Forestry is striving to nurture the culture and processes that will harness women’s unique creative powers and create new value.

3. **We will spur innovation through the participation of women**
   Lively interaction among employees of different values, ages, gender, nationalities and other qualities leads to new ideas. Expanding work opportunities for women employees, in particular, spurs innovation in all areas, from sales and marketing to product development, business strategy and operational efficiencies.
Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

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 access 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.

Revised July 23, 2015

The Sumitomo Forestry Group’s Long-term Biodiversity Targets (summary)

**Group-wide Targets**

1. **(Aim to achieve sustainable forests)**
   In all timber-related businesses, from upstream to downstream, we will work to prevent a reduction in forest areas and pursue forest sustainability.
   - We will strive to regenerate forests through reforestation and natural regeneration and logging a planned, sustainable manner that takes into account the forest’s ability to grow.
   - We will increase the procurement and use of sustainable timber, such as forest certified timber, plantation forest timber and Japanese timber.
   - We will promote the efficient use as well as the recycling and reuse of timber.

2. **(Increase the amount of CO\textsubscript{2} absorbed by and sequestered in forests and timber)**
   By cultivating healthy forests and promoting the use of timber through the greater use of timber construction materials and the construction of wooden buildings, we will strive to increase the amount of...
CO₂ absorbed by and sequestered in forests and timber to contribute to the protection of biodiversity and the alleviation of climate change.

Individual targets

3. (Forests)
   We will promote forest management that regenerates, maintains and increases biodiversity.
   ● We will carry out zoning to protect ecosystems and the habitats of living creatures.
   ● We will ensure that in terms of area, 20% or more of our Company-owned forests in Japan are environment forests that emphasize environmental conservation.
   ● We will maintain that 100% Company-owned forests remain forest-certified.
   ● We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.
   ● We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

4. (Products)
   We will provide products and services that take into account biodiversity, such as forest-certification and products and services that have undergone environmental assessment.

5. (Design)
   We will work to develop homes and communities that are in harmony with the natural environment and their surrounding urban landscapes.

6. (Construction)
   We will manage and minimize the generation of waste by promoting a zero-emissions policy in building and construction.

7. (Greening)
   We will be considerate to the surrounding ecosystems and tree species and actively cultivate native species.

8. (Plants)
   We will manage and minimize pollutants, waste and noise, and reduce their impact on biodiversity.

9. (Public relations)
   We will actively communicate the importance of biodiversity to all stakeholders, including customers, business partners, and local communities.

10. (Research)
    We will gather the latest information and develop conservation technologies to implement biodiversity initiatives.

11. (Social contribution)
    We will protect trees that are historically and culturally important and also preserve their genetic material.
Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

1. **Diversity of ecosystems**
   We will properly manage strictly protected areas designated under the Natural Parks Law of the Japanese government 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.

   June, 2006