

February 20, 2006



**Sustainable Green Ecosystem Council Certification  
Sought for Sumitomo Forestry-owned Forest Lands in Japan**

On February 20, 2006, Sumitomo Forestry Co., Ltd. (Ryu Yano, President; corporate headquarters: 8-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo) signed a service agreement with the Japan Forest Technology Association (JAFTA; Tatsuzo Nebashi, Director; 7 Rokubancho, Chiyoda-ku, Tokyo) for conducting an examination for certification by the Sustainable Green Ecosystem Council (SGEC), a forest certification scheme established in the context of Japanese forestry. The 40,497 hectares (equivalent to one-thousandth of Japan's land surface area) of forested land Sumitomo Forestry currently owns in Japan will be examined, and it is anticipated certification will be forthcoming by September this year, following a half-year examination process.

Sumitomo Forestry's corporate image is basically that of a builder of wood-frame homes. However, as the word "forestry" in its name implies, the company's history dates back more than 300 years, when the Sumitomo family entered the forestry business to procure timber needed for the Besshi mining operation it launched in Shikoku in 1691. As an enterprise engaged in the planting, cultivation, harvesting, effective utilization, and re-planting of trees, forestry is a sustainable (recycling-oriented) industry. Further, given that advancement in the forestry field inevitably involves efforts in environmental conservation, Sumitomo Forestry prides itself in the pioneering role it has led as an eco-friendly company.

Sumitomo Forestry owns more forested land in Japan than any other member of the forestry industry. It is anticipated that earning SGEC certification will not only provide added stimulus to the company's forestry business through the reintroduction of selective "small bloc clear-cut" harvesting operations, but also serve as a first step toward the economic revitalization of Japan's domestic forestry industry and rural communities and the standardization of silviculture practices. Furthermore, the biological activation of Japanese forests will conceivably promote the absorption of CO<sub>2</sub>, a greenhouse gas and major cause of global warming. It is hoped that certification will help lay the groundwork for a virtuous cycle of economic, environmental, and social benefits that are driven by the improved utilization of domestic timber resources.

While retaining its focus on trees and forests as the planet's only renewable natural resources, the Sumitomo Forestry Group is determined to contribute to the creation of a sustainable, recycling-oriented society through its operations in total housing and living related business.

#### 〈Reasons for Seeking SGEC Certification〉

##### ■ Changes in Policy on Forest Management

For the past 15 years, Sumitomo Forestry has followed a "non-clear-cut " harvesting policy on all of its forestlands in Japan. As a result, its timberland resources in Japanese cedar and Japanese cypress have ballooned in scale, and the forest age composition has aged in general, and has reached an age ideal for the harvest of high-quality timber. On this understanding, in the fiscal year that ends in March 2007, Sumitomo Forestry plans to adopt a “small-bloc clear-cut” strategy in the interest of providing fresh stimulus to its forestry operations. Hence, in addition to the ISO 14001 certification process now under way for its forest environment conservation systems, the company also decided to seek and publicize SGEC certification of its performance in the field of forestry management to demonstrate that it is still as committed as ever to environmentally sound and sustainable forestry practices.

Japan has two widely known forestry certification organizations: the FSC and the SGEC. To the effect mentioned above, Sumitomo Forestry decided to seek certification from the SGEC, which takes into account climatic features endemic to Japan.

\* SGEC: The Sustainable Green Ecosystem Council is a forest certification system unique to Japan. Established in 2003, it evaluates and certifies appropriate forest management from an impartial, third-party vantage point.

\* FSC: Established in 1993 by a consortium of environmental organizations, aboriginal groups, forestry enterprises, regional forestry associations, timber trading corporations, and forestry products certification bodies, the Forest Stewardship Council certifies appropriate forest management practices that are designed to counter global-scale trends in the destruction and deterioration of forest environments. In addition to forest certification, the FSC also has Chain of Custody (CoC) certifications for production, processing, and logistics management and performs labeling services.

## ■The Active Utilization of Domestic Forest Resources

To meet future, burgeoning demand for timber products, Japan has extensively promoted afforestation programs since the latter half of the 1950s. As a result, over 40 percent of its forested area (which in turn covers over 70 percent of Japan's entire land surface) was transformed into man-made forests of Japanese cedar and Japanese cypress. Thereafter, however, the steady supply and price-competitiveness of timber product imports caused business conditions throughout Japan's domestic forestry industry to deteriorate. An increasing share of Japanese forests are now wasting away from neglect, stemming from a lack of proper thinning and other stewardship practices.

Contributing to healthier forests and the conservation of the natural environment is a social mission that Sumitomo Forestry has embraced from its earliest founding days. To that end, it has been actively engaged in efforts to develop and supply domestic forest products that harness its own technological strengths and supply frameworks. As one gesture of this commitment, in October last year Sumitomo Forestry announced its "Sumitomo Forestry's Home (MyForest)", a design that utilizes domestically produced lumber -- Japanese cypress in particular -- for over 50 percent of the structural materials. The company is determined to increase that ratio and thereby more actively utilize timber from lands under its own management and contribute to healthier forests and environmental conservation in return.

\* Under the "Use Trees" educational campaign that the Forestry Agency launched in FY 2005 in an effort to encourage the increased utilization of domestic timber products, Sumitomo Forestry has received high marks for its achievements and assorted PR activities, and earned a letter of commendation from the Minister of Agriculture, Forestry, and Fisheries.

〈Forest Lands Slated for Certification〉

- Monbetsu, Hokkaido     15,314 ha (Japanese larch, Sakhalin fir, silver fir, white oak, and maple)
- Ogawa, Wakayama       2,260 ha (Japanese cedar and Japanese cypress. Selected as one of Japan's top-100 headwater forests.)
- Niihama, Shikoku       14,709 ha (Japanese cedar, Japanese cypress, red fir, and hemlock fir)
- Hyuuga, Kyushu         8,214 ha (Japanese cedar and Japanese cypress)

\* Sumitomo Forestry-owned forests absorb approximately 230,000 metric tons of CO<sub>2</sub> per annum, an amount equivalent to 2.5 times the CO<sub>2</sub> emissions from all Sumitomo Forestry Group operations in Japan. (FY 2004)