

## **New Action Plans Formulated Based on our Timber Procurement Philosophy and Policy**

—New, farther-reaching Standards of Conduct  
established as periods for existing goals end

Sumitomo Forestry Co., Ltd. (Head office: 3-2 Otemachi 1-chome, Chiyoda-ku, Tokyo; President, Representative Director and Executive Officer: Akira Ichikawa) has established new Action Plans based on its Timber Procurement Standards and Timber Procurement Philosophy and Policy. Various initiatives were implemented as a result of Action Plans—covering the period from 2007 through 2009—established in the previously mentioned Standards and Policy, which were first announced in June 2007. Three years have passed since these Action Plans were presented. By thoroughly reviewing our achievements and establishing new goals, Sumitomo Forestry Group will further strengthen global environmental awareness across the entire Group and continue to contribute to the environment through its business activities.

As of March 31, 2010, the Company maintained approximately 42,600 hectares of Company-owned forests nation-wide, roughly equivalent to one nine-hundredth of Japan's landmass. In addition to being the largest trader of timber and building materials in Japan, as the leading brand in custom-built wooden homes, we are developing businesses that are closely related to trees and forestry. As a leading company of the industry, particularly in our timber and building materials procurement and sales business which has 12 subsidiaries outside of Japan acting as procurers, we exert a substantial influence over the quality and grade of products in the market.

In accordance with the Action Plans that we established three years ago, when necessary, we have asked local representatives and responsible managers to inspect the logging and forest sites of the overseas vendors supplying us with logs, lumber, and timber products, to confirm that they have been operating lawfully. We have completed inspection of all of the overseas suppliers from whom we import directly, and in line with our original target, we can confirm that 100% of our timber and timber products are in legal compliance.

With the world's population continuing to grow and increasing demand from China and other countries with expanding economies for resources, there are concerns about possible shortages of timber resources occurring in the near future. In our newly established Action Plans, we are going even further than what has been done before to ensure the compliance of our timber procurement operations, and we seek to expand our handling and use of certified timber, which has been confirmed for sustainability and legality, sustainable timber from plantations, and Japanese timber, which contributes to the revitalization of the forestry industry in Japan. Though this is a major hurdle, even for the Sumitomo Forestry Group, one of the largest handlers of timber by volume in the industry, by taking the initiative and driving the industry in this direction, we seek to become a world leader in environmental action.

## ■ Major New Action Plans for Fiscal 2010 and beyond ■

(Please refer to the tables in the appendix for specific targets)

### 1) Greater Handling of Certified Timber

The Company seeks to increase its handling of timber and wood building materials from forests that have been certified by third party organizations as having undergone sustainable forest management.

### 2) Expanding Handling of Timber from Plantation Forests

For Group Companies outside of Japan engaged in the manufacture of wood building materials, the Company is implementing its own plantation forest operations to ensure a stable supply of raw materials while considering the environment. At the same time the Company seeks to increase the usage ratio of timber from plantation forests. The Company has set up plantation forest operations in Indonesia, New Zealand, and Papua New Guinea, which will be properly run, as it continues to secure a steady supply of raw materials.

### 3) Expanding Handling of Japanese Timber

In addition to efforts to produce Japanese timber through our forestry operations, we also seek to popularize its use through our timber and building materials business. Moreover, by increasing the percentage of Japanese timber used in custom-built wooden homes, we are actively encouraging its use.

#### ■ New Action Plan for Timber Procurement

Segment	Division	Action Plan・ FY2012 Target
Group-wide		With the objective of contributing to the global environment, expand use and handling of timber from forests certified as legally compliant and sustainable (FSC, PEFC, SGEC); use and handle timber from sustainable plantation forests; use and handle timber from forests in Japan to promote revitalization of the domestic forestry industry.
		Do not use, handle or purchase illegally logged timber. Continue handling 100% certified legally compliant directly imported timber and timber products.
Action Plan by Division		
Domestic Forestry	Forestry Department of Forestry and Environment Division	Continue 100% certification of Company-owned forests (SGEC certification).
		Preserve and protect biodiversity in Company-owned forests.
Domestic Distribution	Sumitomo Forestry Timberland Management Co., Ltd.	Promote handling of Japanese timber / Increase to 75% of volume used from FY2009.

Timber Distribution	Forest Products Trading Department of the Timber & Building Materials Division	Promote use and handling of timber from certified forests (FSC, PEFC, SGEC) and plantation forests. Increase to 70% of total volume handled (currently 64%).
Domestic Manufacturing	Sumitomo Forestry Crest Co., Ltd. (incl. former Toyo Plywood Co., Ltd. plants)	Promote use of timber from certified forests (FSC, PEFC, SGEC), plantation forests, and Japanese forests. Increase to 50% of total volume used (currently 17%).
Housing	Housing Division	Promote and expand use of timber produced in Japan. Continue 70% share of Japanese timber used in principal structural members.
		Expand use of timber from certified forests (FSC, PEFC, SGEC) and double the volume used compared with FY2009.

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\*FSC: The Forest Stewardship Council is a third-party organization that provides a global forest certification system.

\*PEFC: The Programme for the Endorsement of Forest Certification (PEFC) is a forest certification program that promotes sustainable forest management by offering certification from third parties independent of stakeholders.

\*The Sustainable Green Ecosystem Council is Japan's own forestry certification system, in which third parties verify sustainable forest management.

#### Action Plan Progress Report (More Detail / Less Detail)

Segment	Division	Action	Goal		Evaluation	Progress
			FY	Target		
Group-wide *		Survey supply chain	2007	Finish confirming legality of timber from all suppliers	○	Completed survey of all direct suppliers
		Examine sustainability	2008	Formulate standards for sustainable forests	×	Discussions complete but standards were not set
		Examine legality of timber	2009	Confirm legality of all timber handled	○	Confirm legality of all directly imported timber handled

#### Action Plans by Division

Domestic Forestry	Forestry Department	Promote forestry certification	2007	Use 2,000m <sup>3</sup> /year (log basis) of certified timber from Company-owned forests	○	FY2008: 3,659m <sup>3</sup> /year (log basis) Supplied SGEC timber to Housing Division
Domestic Distribution						

		Promote forestry certification (SGEC)	Continuous	Maintain forestry certification of Company-owned forests and pursue continual improvement	○	Activity continues (received certification of new forests acquired)
	Sumitomo Forestry Timberland Management Co., Ltd.	Establish system for confirming legality of timber	2007	Acquire group certification to establish systems for confirming legal compliance	○	Acquired group certification in August 2008
		Promote handling of Japanese timber	2010	Handle 1,000,000 m <sup>3</sup> of Japanese timber annually	Continues	Handled 700,000 m <sup>3</sup> in FY2009
Building Materials Distribution	Building Materials	Survey supply chain	2008	Finish survey of corporate initiatives of all suppliers	○	Completed surveys of primary suppliers in FY2007 and FY2008
	Department of the Timber & Building Materials Division	Examine the legality of imported solid wood building materials	2009	Handle only legal imported solid wood building materials	○	Confirmation of legality of all directly imported solid wood building materials completed
Domestic Manufacturing	Sumitomo Forestry Crest Co., Ltd.	Promote use of Japanese timber	2007	Use 8,000m <sup>3</sup> /month of Japanese cedar for plywood (Komatsushima Plant)	○	Used 9,475 m <sup>3</sup> /month of Japanese cedar in FY2008
		Promote forestry certification	2007	Acquire SGEC Separation and Labeling certification	○	Acquired SGEC Separation and Labeling certification in December 2007
	Former Toyo Plywood Co., Ltd. (merged)	Promote use of Japanese timber	2007	Develop and launch building materials made of Sakhalin fir	○	Started sales of <i>Totorop</i> in 2007

	with Sumitomo Forestry Crest (in April 2010)	Promote forestry certification	2007	Commence examination of SGEC Separation and Labeling certification	○	Began in FY2007. Acquired SGEC Separation and Labeling certification in March 2008
Housing	Housing Division	Promote forestry certification	2007	Begin use of certified timber for housing	○	Began use of SGEC-certified timber for detached homes of the Sapporo Branch
		Promote use of Japanese timber	2008	Raise usage rate of Japanese timber for principal structural members to 70%	○	Achieved target of 70% Japanese timber used in principal structural members in FY2008

## Reference Notes

### Sumitomo Forestry Group Timber Procurement Philosophy & Policy (June, 2007)

#### 1. Timber Procurement Philosophy

Timber is a renewable natural resource. Sumitomo Forestry views forest ecosystems and natural resources of the forest as precious and irreplaceable assets belonging to all mankind. Together with our suppliers, we will incorporate environmental and social considerations into our procurement of timber as we strive to realize a sustainable society that is able to develop in harmony with our forests.

#### 2. Timber Procurement Policy

Ensure timber procurement is legal and sustainable:

- Comply with relevant laws and regulations and enhance systems for confirming the legality of timber;
- Increase procurement of timber produced through sustainable forest management;
- Increase the use of plantation timber while promoting planting efforts as a way to help maintain forest resources.

Establish a highly reliable supply chain:

- Together with suppliers, strive to improve the reliability of traceability management;
- Together with suppliers, ascertain whether forests of high conservation value are being properly managed;
- Carry out proper information disclosure to ensure transparency in procurement;
- Maintain ongoing dialogue with suppliers to help prevent corruption and to advocate human rights and basic worker's rights.

Reduce environmental impact throughout the entire lifecycle of products and utilize timber resources effectively:

- Actively use domestic timber to help conserve national land and revitalize the forestry industry;
- Promote the utilization of such materials as thinnings and wood waste, the reuse and recycling of timber, and related technological development;
- Strive to reduce the environmental impact of procurement such as through improvements to distribution efficiency.

Together with stakeholders:

- Together with stakeholders, make continual improvements;
- Place value on biological diversity and the cultures, traditions and economies of communities coexisting with forests;

- Convey to stakeholders the importance of incorporating environmental and social considerations into timber procurement.

### 3. Action Principles

[1] Review Timber Procurement Philosophy, Policy and Action Plan at least once a year

[2] Place importance on direct communication with suppliers, and implement logging and processing site surveys by employees as necessary.

[3] Survey suppliers' stances on and activities for environmental protection and other efforts.

[4] Ascertain the legality and whether or not procured timber is produced from sustainable forests at least once a year based on the standards and methods established in each area.

[5] Promote procurement of timber produced from sustainable forests, plantation forests and certified forests.

[6] Reduce the environmental impact of products with respect to their lifecycles. This includes effective utilization of wood materials, technical development, and improvements to distribution efficiency.

[7] Maintain ongoing dialogue with stakeholders, such as governmental organizations, environmental NGOs, business associations, and consumers, and reflect such dialogue in improvements.

[8] Disclose pertinent information through the Environmental and Social Report and other means.