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For Immediate Release

Sumitomo Forestry Co., Ltd.

Project EARTH Update on Plantation

Sumitomo Forestry Co., Ltd. is continuing to promote its carbon offset initiative, Project EARTH¹ with both commercial forest plantation, which ensures sustainable supply of plantation timber, and environmental reforestation aimed at forest regeneration for environmental conservation. We regret to announce that in Bromo Tengger Semeru National Park in East Java, the Republic of Indonesia, where environmental reforestation has been undertaken since 2009, forest fires spread from outside the plantation area, causing damage between October 22 and November 2, 2014.

The first fires occurred on October 22. An area of 48 hectares (approximately 52,800 trees) was destroyed of 78.15 hectares planted from 2013 to 2014. The second fires occurred between November 2 and 3. On this occasion, most of the 301.79 hectares planted between 2009 and 2013 was lost. There is a possibility that some trees have survived depending upon the species, therefore we intend to wait until the rainy season so that we can identify new growth.

We had already established a 6-meter-wide, 12-kilometer-long firebreak, with fire-fighting equipment and patrols in place, and conducted fire-prevention and fire-fighting drills worked with locals in coordination with the national park and Japan International Cooperation Agency (JICA). However, there was no rain for three months from early this August, causing unprecedented dry conditions, which combined with extreme winds, making it impossible to prevent the fires spreading.

Forest fires are a matter of public concern in rain-forested Indonesia. Recently in particular, large-scale forest fires have occurred every few years, due to dry conditions caused by extremely low rainfall. It has been suggested that these abnormal weather events are a result of climate change. Moving forward, we will learn from this experience, and aim, together with the relevant Indonesian authorities, to establish fire-prevention and fire-fighting systems to address the high risk of forest fires from unexpected abnormal weather conditions.

In addition to its work with environmental reforestation in the national park, Project EARTH is conducting commercial forest plantation in cooperation with residents of Supit Ulan and other towns in East Java. In August 2014, the community organization received an award from the Minister of Forestry in recognition of their exemplary reforestation initiatives. They were honored for their efforts whereby some 200 of the less than 1,000 households of Supit Ulan are engaged in reforestation, conducted continuously over a long period and involving many of the residents. Furthermore, we have formed a planting cooperative together with local residents undertaking commercial forest plantation, and have acquired FSC[®]-FM certification. With regards to the damaged plantation, we plan to establish fire-prevention and fire-fighting systems and nurture additional seedlings for reforestation, working with and recognizing the importance of the local community.

We will continue our efforts for the success of Project EARTH undaunted by natural disaster, due to the importance of preventing the reduction and degradation of forests. Reaffirming our strong awareness of the social significance of forest creation, we will continue working with the local community of the forests and with our housing customers in Japan.

¹ Project EARTH aims to offset the approximately 60,000 tons of CO₂ emitted through the harvest, transportation, timber manufacturing, shipping, and construction of the principal structural members used to build all custom-built and spec homes sold each year by Sumitomo Forestry. This is achieved through the establishment of plantation forest in degraded areas of the Republic of Indonesia, which Sumitomo Forestry subsequently manages and cultivates over the subsequent 10 year period. Bromo National Park accounts for 20% of the overall area of this forestation project.