




Initiatives to Address CSR Material Issues

Material Issue 1

Continue to Procure Wood and Materials that Take Sustainability and Biodiversity into Consideration

Fundamental Policy

As the world's forests continue to decrease in size as a consequence of illegal logging, excessive slash-and-burn farming and other practices, various countries are proceeding to introduce laws and strengthen regulations to eliminate illegally logged timber from the market. Meanwhile, in Japan, maintenance of forests, and of plantation forests in particular, has halted in part because of an aging and declining forestry workforce, and there are growing concerns about some forests becoming devastated. Amid this situation, as the Sumitomo Forestry Group is engaged in business centered on wood, it is promoting sustainable forest management and sustainable procurement of wood both in Japan and overseas. Furthermore, since its fields of business are directly linked to forests that nurture biodiversity, the Group has positioned conserving biodiversity as one of its key CSR themes.








Current awareness of issues and basic strategies		Evaluation metrics		Fiscal 2016 results	Relevant SDGs
Environmentally responsible society	Increase volume of sustainable timber handled, and utilize sustainable forest resources by verifying legal compliance	Percentage of imported timber from certified forests among all imported timber sold		10.9%	  
		Volume of domestic timber exported		70,000 m ³	
		Volume of plantation timber, timber from certified forests, and Japanese timber handled at overseas distribution bases		812,000 m ³	
		Volume of wood chips used for fuel		812,000 m ³	
		Volume of timber from certified forests (SGEC timber) handled at domestic distribution bases		68,000 m ³	
		Volume of unused wood in domestic timber		191,000 tons	
		Percentage of Japanese timber used for new custom-built detached housing in the housing business	Multi-balance construction method	71%	
	Big-frame construction method		50%		
	Establish forestry management that enables conservation of biodiversity, and evaluate value as natural capital	Percentage of reviews conducted for suppliers who handle directly imported timber and wood products with verified legal compliance (Timber and wood product department)		100%	
		Percentage of SGEC-certified managed forests in newly acquired forests managed by the Group		100%	
Number of native species planted at new detached housing sites		30,614 trees			

Promote the Reduction of the Environmental Impact of Our Business Activities

Fundamental Policy

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

Being engaged in such business as the housing business and the manufacturing of wooden panels and building materials, the Sumitomo Forestry Group takes into consideration its impact on the environment, and is committed to reducing the volume of greenhouse gases emitted from its business activities. Furthermore, to reduce its environmental impact and to use resources effectively, the Group promotes the curbing, reuse and recycling of industrial waste.




Current awareness of issues and basic strategies		Evaluation metrics		Fiscal 2016 results	Relevant SDGs
Low-carbon society	Reduce CO ₂ emissions by the Group	Office segment (consolidated companies inside and outside Japan)	Change in CO ₂ emissions compared to fiscal 2013	7.8% reduction Total emissions 32,660 t-CO ₂	
		Sumitomo Forestry (offices in Japan)		13.9% reduction	
		Affiliated companies in Japan (offices)		0.9% reduction	
		Affiliated companies overseas (offices)		0.7% reduction	
		Kutai Timber Indonesia (Indonesia)	Change in CO ₂ emissions per production volume compared to the previous year	3.1% increase	
		Vina Eco Board (Vietnam)		5.4% reduction	
		AST Indonesia (Indonesia)		16.0% increase	
		Nelson Pine Industries (New Zealand)		0.7% reduction	
	Rimba Partikel Indonesia (Indonesia)	15.8% increase			
	Reduce CO ₂ emissions outside the Group (products, service recipients)	Solar power generation systems handled by distribution bases in Japan		3,717 KW (791 sets)	
Percentage of Green Smart houses in new custom-built detached housing (Number of Green Smart houses at order placement / total number of houses ordered)		61.6%			
Percentage of Green Smart · ZEH-type houses in new custom-built detached housing (Number of Green Smart · ZEH-type houses at time construction started / total number of construction starts)		21.3%			
Recycling-oriented society	Achieve zero emissions	Recycling rate at new housing construction sites	92.5%		
		Recycling rate at remodeling sites	76.2%		
	Reduce volume of industrial waste generated	Reduction in industrial waste generated at new construction sites compared to fiscal 2013	8.8% reduction		
		Change in industrial waste per unit of sales* compared to fiscal 2014 *Per unit of in-house sales at domestic manufacturing plants	2.6% reduction		

Material Issue 3

Promote Development of Workplaces Where Diverse Personnel Can Work with Vigor and Enthusiasm, Demonstrating Their Abilities and Individuality

Fundamental Policy

The Sumitomo Forestry Group makes no distinctions based on gender, age, nationality, race, religion, disability, sexual orientation or gender identity, and is advancing maintenance of a safe and healthy workplace in which highly motivated employees can display their abilities. We are conducting initiatives aimed at providing opportunities for female employees in particular and the Group released the “Sumitomo Forestry Group’s Declaration on Empowering Women.” The declaration was issued to the entire Group under the name of the President, and has been the basis for subsequent efforts.

Current awareness of issues and basic strategies	Evaluation metrics		Fiscal 2016 results	Relevant SDGs
Promote fair employment and treatment	Ratio of female employees in management positions*1	Sumitomo Forestry	3.2%	  
		Domestic subsidiaries	5%	
	Ratio of female employees*1	Sumitomo Forestry	20.1%	
		Domestic subsidiaries	25.4%	
	Ratio of employees with disabilities	Sumitomo Forestry	2.12%	
		Domestic subsidiaries*2	1.45%	
Promote work-life balance	Number of paid leave days used (Target figures for each domestic subsidiary)	Sumitomo Forestry	6.9 days	—
		Domestic subsidiaries	40%	
	Hours worked overtime (Reduction in average overtime hours compared to fiscal 2013)	Sumitomo Forestry	7.5% reduction	
Strengthen occupational health and safety	Number of occupational injuries in Company-owned forests*3	Sumitomo Forestry	3	—
	Number of occupational injuries at new construction sites*4	Sumitomo Forestry	12	
	Number of occupational injuries in other situations*4	Domestic subsidiaries	8	

*1 Figures as of April 1, 2017

*2 Figures as of June 2016

*3 Number of occupational injuries among sub-contractors at workplaces in Company-owned forests

*4 Number of cases eligible for work compensation benefits under the Industrial Accident Compensation Insurance Act

Material Issue 4

Strengthen and Promote Risk Management and Compliance Mechanisms

Fundamental Policy

The Sumitomo Forestry Group is working to reinforce the mechanism for managing business risks by constantly managing prioritized risks through the CSR & Risk Management Committee.




Current awareness of issues and basic strategies	Evaluation metrics	Fiscal 2016 results	Relevant SDGs
Strengthening the Risk Management System	—	Addressed targeted risk items and shared case studies where risks materialized at monthly meetings of the Executive Committee	—

Material Issue 5

Promoting the Development and Sale of Products and Services that Are Safe, Reliable and Environmentally Conscious.

Fundamental Policy

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

Current awareness of issues and basic strategies	Evaluation metrics	Fiscal 2016 results	Relevant SDGs
Improve safety and quality	Ratio of design performance evaluations implemented for new custom-built detached houses	98.8%	
	Ratio of construction performance evaluations implemented for new custom-built detached houses	97.8%	
	Ratio of houses certified as Excellent Long-Term Housing for new custom-built detached houses	93.3%	
Improve communication with customers	Pass rate for after-sales maintenance advisors and housing inspectors (all persons at Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance)	100.0%	—
	Ratio of design performance evaluations implemented for custom-built detached housing	77.0%	

Stakeholder Relations

The Sumitomo Forestry Group takes advantage of various opportunities to communicate with stakeholders from a clear understanding of its role and purpose as a member of society. Through its business activities, the Sumitomo Forestry Group strives to meet the expectations and demands of stakeholders to build positive relationships.

1. Customers

Amid diversifying customer needs, values and lifestyles, the Sumitomo Forestry Group coordinates its efforts to ensure safety and quality in the provision of better products and services in line with one of its Action Guidelines, "Putting Customers First." Through incessant improvement and an active approach to social and environmental trends, we strive to create new business opportunities and further increase customer satisfaction.

Main responsibilities	Communication methods
Provide safe and high-quality products and services Disclose information in a timely and proper fashion, report responsibility Understand stakeholder requests and needs through communication and improve satisfaction	Sumitomo Forestry Call Centers Customer satisfaction surveys Website, mass media, etc. Exhibitions and other events

Ratio of houses certified as Excellent Long-Term Housing for new custom-built detached houses in fiscal 2016

93.3%

Pass rate for after-sales maintenance advisors and housing inspectors*

100.0%

Number of inquiries handled by call centers

140,046

Percentage of customers who responded "I would recommend Sumitomo Forestry homes"

86.8%

* All persons at Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance

2. Business Partners

As stipulated by the Sumitomo Forestry Group Timber Procurement Policy, we aggressively work toward the sustainable procurement of timber globally. While working and communicating with business partners and suppliers, we make every effort to engage in fair and open procurement activities. We aim to reinforce our business foundation by building and maintaining healthy relationships based on mutual development.

Main responsibilities	Communication methods
Build fair and open business relationships Improve occupational health and safety Strict compliance with laws and regulations	Purchasing and procurement activities Hold safety conferences, safety patrols, and building contractor meetings Hold research conferences and information exchange events Evaluate suppliers (surveys and on-site visits)

Volume of plantation timber, timber from certified forests and Japanese timber handled at overseas distribution bases in fiscal 2016

812,000 m³

Volume of wood chips used for fuel in fiscal 2016

812,000 m³

Volume of unused wood in domestic timber in fiscal 2016

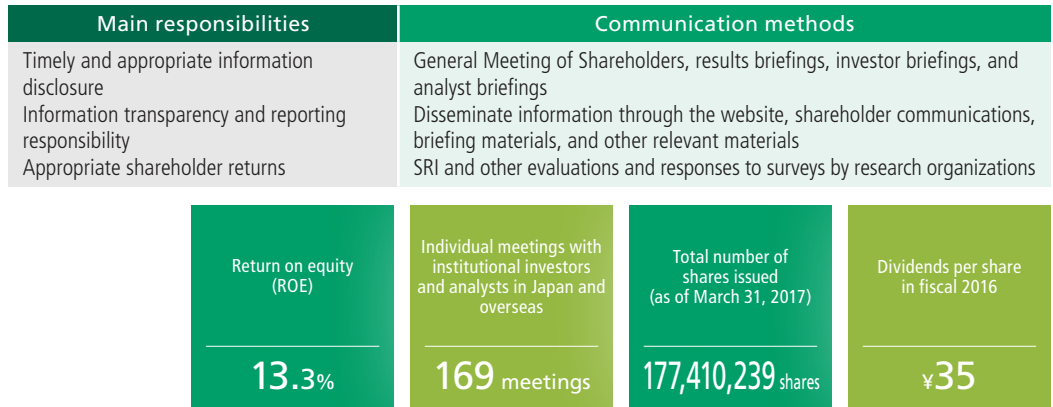
191,000 tons

Percentage of reviews conducted for suppliers who handle directly imported timber and wood products with verified legal compliance in fiscal 2016

100.0%

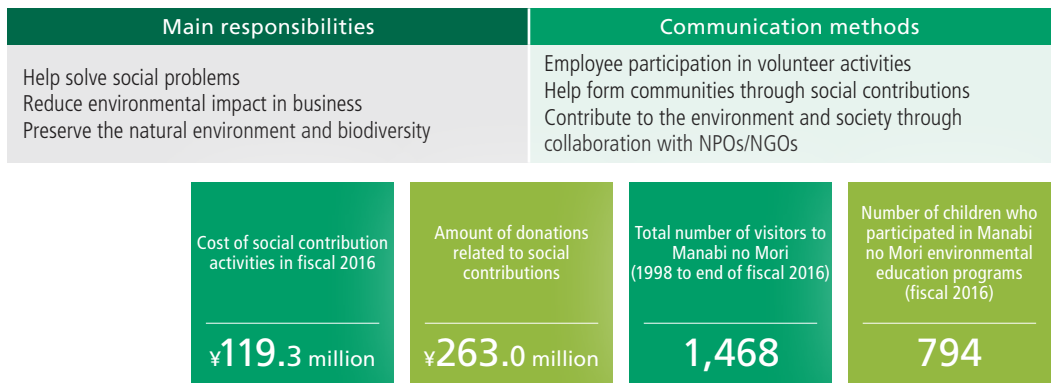
3. Shareholders and Investors

With the aim of maintaining and strengthening the trust of financial markets, the Sumitomo Forestry Group makes every effort to fulfill its reporting responsibility to shareholders and investors so its share price reflects an accurate assessment of its corporate value. Through the timely and transparent disclosure of a wide range of information, we aim for further understanding of our management policies, strategies and business plans. At the same time, we feed back the opinions and requests of investors and other stakeholders to management, facilitating the creation of measures to improve corporate value and sustain growth.



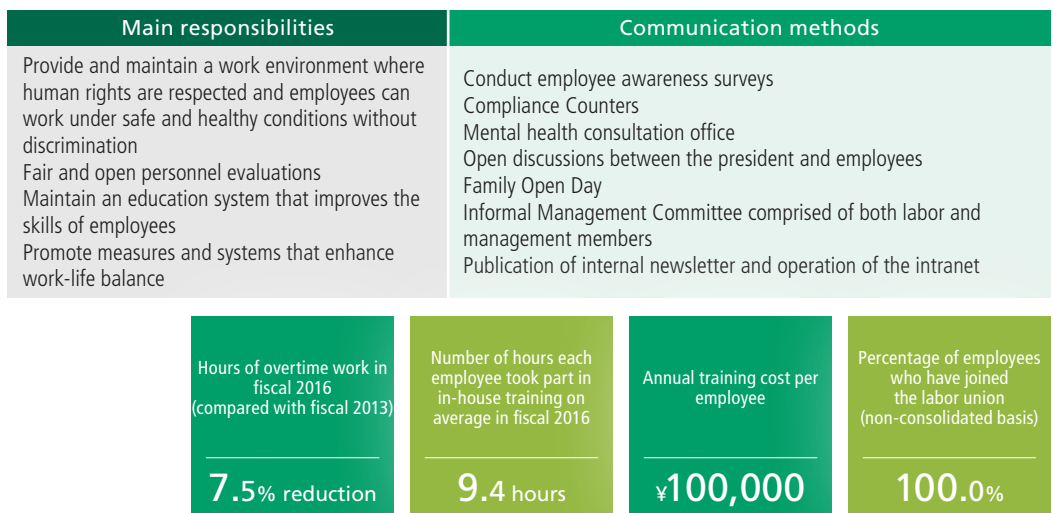
4. Regional Communities

The Sumitomo Forestry Group proactively engages in activities that give back to local communities and contribute to society in the fields of environmental preservation, welfare and healthcare. We aim to advance business development in each country and region by providing more insight into the Group through regional community engagement, cooperation and information disclosure. At the same time, we will continue to create both economic and social value for regional communities through business activities.



5. Employees and Their Families

The Sumitomo Forestry Group has put in place measures that enhance respect for diversity and human rights, promote the creation of open work environments free of discrimination, and improve work-life balance with the aim of providing workplaces where employees are motivated and lead fulfilling lifestyles. We intend to put into practice one of our Action Guidelines, “Respect for Humanity—We work to create an open and inclusive corporate culture that values diversity” and foster a group of employees who are always willing to take on new challenges.



Diversity (Fair Employment and Benefits that Respect Diversity)

Basic Policy on the Employment and Treatment of Employees

The Sumitomo Forestry Group respects equal opportunity and diversity in its employee hiring and compensation practices, without regard to gender, age, nationality, race, religion, physical ability, sexual orientation or gender identity, as defined in its Code of Conduct.

In Japan, one of the major issues confronting management is the securing of sufficient personnel due to declining birthrates and an aging population. At Sumitomo Forestry, in our recruitment activities, we do not differentiate selection processes according to academic background or gender. We concentrate our efforts on hiring talented personnel who will lead future generations by augmenting systems that support diverse workstyles and empower women in the workplace.

In addition, the Company encourages the employment of people with disabilities, prioritizing the matching of their individual abilities to the type of work and workplace.

Going forward, based on one of the Group's Action Guidelines, "Respect for Humanity," which calls for creating an open and inclusive corporate culture that values diversity, the Sumitomo Forestry Group aims to continue fostering a group of employees who are always willing to take on new challenges, as the Company promotes diversity and inclusion, maintains an up to date personnel system, optimally and efficiently allocates personnel and develops and nurtures human resources.

Promotion Structure

The Workstyle Diversification Department was created as an independent organization within the Personnel Department to promote diversity and support the various workstyles of employees including women, post-retirement reemployed people, and people with disabilities. In support of female employees, the Sumitomo Forestry Group's Declaration on Empowering Women was created in December 2013 and signed by the president. The Company has endeavored to improve its childcare system and training systems while pushing forward with initiatives to empower women. We have set a numerical target for appointment of women to managerial posts. We are now working toward our publicly announced goal of increasing the proportion of female managers to more than 5% by 2020 (3.2% as of April 1, 2017).

In March 2017, Sumitomo Forestry was selected as a Semi-Nadeshiko Brand by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) as a company that excels in encouraging the empowerment of women in the workplace.

Employment and Promotion of Women (Non-Consolidated)

	2013	2014	2015	2016	2017
Ratio of female employees*	17.7%	18.4%	19.2%	19.9%	20.1%
Ratio of women in management positions*	1.8%	2.2%	2.6%	2.8%	3.2%
Ratio of newly hired female university graduates	23.6%	28.7%	26.8%	22.8%	18.0%

*Calculated based on the number on employees on April 1, each year.

Employment and Promotion of Women (Domestic Group Companies)

	2016	2017
Ratio of female employees*	26.2%	25.4%
Ratio of women in management positions*	3.8%	5.0%
Ratio of newly hired female university graduates	47.0%	36.7%

*Calculated based on the number of employees on April 1, each year.

Employment of Persons with Disabilities (Non-Consolidated)

	2012	2013	2014	2015	2016
Ratio of employees with disabilities	1.95%	2.18%	2.24%	2.12%	2.12%

■ Work-Life Balance

Basic Policy on Employee Work-Styles

Sumitomo Forestry recognizes employees' diverse workstyles and has strived to create a workplace where they can be motivated in their jobs, and still enjoy a fulfilling private life. The Workstyle Diversification Department is in charge of support desk functions relating to workstyles and careers, including assistance for female employees and post-retirement reemployment, childcare and nursing, career development, mental health and other related services. The Company supports diverse workstyles by developing a counseling system that's easier for employees to access.

From fiscal 2017 onward, Sumitomo Forestry has introduced an hourly productivity assessment system with the objective of reducing long work hours and increasing productivity, while launching a flexible work hours system and a work interval system.

The Company aims to increase employee satisfaction and productivity by encouraging a work-life balance, raising awareness of hourly costs and prevention of fatigue from long working hours that can be detrimental to employee health.

The 6th Next Generation Law Action Plan (Fiscal 2015 to 2018)

Sumitomo Forestry formulates and implements action plans for supporting employees who are raising families, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children (Next Generation Law). From fiscal 2015, the Company has commenced initiatives to achieve the three goals outlined below over the next three years.

- 1 Host seminars themed on workstyle reforms in order to foster a work environment that actively involves female employees who are raising children. (Ikuboss Seminars)
- 2 Hold "Family Open Days" to create a pleasant work environment for all employees to execute their talent.
- 3 Establish a system in which male employees and their seniors can discuss using childcare support programs as a means of promoting paternal involvement in childcare. Also, disclose the participation status of childcare-related programs on the Company's intranet.

Initiatives to Reduce Long Working Hours

At Sumitomo Forestry, average department overtime hours and individual overtime hours are reported to the head of each department to increase awareness on the need to reduce long working hours.

Additionally, Workstyle Enhancement Committees have been set up at branches of the Housing Division to implement initiatives to address long working hours at each of the branches. For work system and operational flow reforms that are difficult to tackle at the branch level, the Long Working Hours Mitigation Committee was set up within the division to lead the campaign to reduce long working hours by making systems improvement proposals.

Encouraging Employees to Take Paid Leave

At Sumitomo Forestry, each business site draws up an Annual Vacation Schedule every January, and periodically reports to the Personnel Department on how much paid leave has actually been taken. Based on this, the results for each site are published on the intranet to encourage employees to take their paid leave.

The percentage of paid leave taken was 31.6%, 35.2%, 32.8% and 35.9% in fiscal 2013, 2014, 2015 and 2016, respectively. The Company has listed "take at least 10 days of paid leave" in its CSR budget, and will continue to promote this initiative during fiscal 2017.

Human Resource Development

Basic Policy on Human Resource Development

Based on the concepts of autonomy and support in human resource development, Sumitomo Forestry endeavors to train personnel who contribute to the realization of its corporate philosophy by nurturing a corporate culture that is open and inclusive, developing employees who are highly motivated and proud to work at Sumitomo Forestry.

Moreover, the Company has been expanding the scope of its hiring since fiscal 2014 to address a shortage of young employees. We believe it is our mission to pass along to the next generation the carpentry techniques that can be applied in a majority of situations, such as wooden houses, renovation work, and large-scale wooden structures. We are concentrating on the development of human resources with these valuable skills.

Improving the Human Resource Development Structure

The Sumitomo Forestry Business Institute, which was created in fiscal 2011, has been a center for skills development with an emphasis on self-initiative, while transitioning from a system based on training for each level for all positions to one focused more on self-development and selective training, based on the concept of "Supporting Motivated People." We also provide an e-learning curriculum that domestic Group employees can use to learn on their own.

Hours of Training Courses Taken and Training-Related Costs (Non-Consolidated)

	2012	2013	2014	2015	2016
Hours of training courses taken per employee	6.9	7.5	6.8	9.3	9.4
Spending on training per employee (¥ thousand)	103	91	91	91	100

Preserving Traditional Building Techniques for Wooden Houses

The Sumitomo Forestry School of Professional Building Techniques is an educational institution certified by the governor of Chiba Prefecture, and was founded by the Company in 1988 as an in-house training center. Through a one-year training curriculum, the school provides training for new employees at Sumitomo Forestry Home Engineering Co., Ltd. who aspire to work in carpentry. In terms of construction-related subjects, students study classroom-based subjects such as an introduction to building, structures, drawing, methods of construction, materials and supervision, as well as practical subjects, including tool operation and maintenance, the traditional technique of marking timber with sumi ink and a carpenter's square, as well as processing, safety work, model-based practical training, demonstration-based practical training and computing. By the end of their training, the students aim to obtain Grade 2 Carpenter Skills Certification.

On completion of their training, graduates are assigned to places all around Japan, and after a few years, they are given an opportunity to return to the school for 7–10 days of refresher training.

In fiscal 2016, the school welcomed 63 new enrollments, including carpenters employed at partner companies, and 61 students graduated. In fiscal 2017, the school had another 67 new enrollments.



Learning building methods



■ Environmental Management Structure

Environmental Management of the Sumitomo Forestry Group

The Sumitomo Forestry Group lists “Symbiosis with the Environment” as one of the Action Guidelines of its corporate philosophy and states, “We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.” In fiscal 2014, the CSR Mid-Term Plan (fiscal 2015–2020) was created with environmental targets, and these numerical targets for each fiscal year are included in the “CSR budget.” Our environmental activities are steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization.

Based on the Sumitomo Forestry Group Environmental Policy, all business processes, including product development, design, production, materials procurement and distribution, and waste management, are managed in a way to facilitate the creation of a sustainable society.

Sumitomo Forestry Group Environmental Policy

Since its founding, the Sumitomo Forestry Group learned to value the wonder of trees and bounty of nature through the actual experience of growing forests. As a company with a love for nature it seeks harmony between the environment and the economy and engages in business activities to 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 life cycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will prevent environmental pollution and climate change, employ environmentally conscious procurement practices, and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and, with a medium-to-long-term outlook, set and work to fulfill yearly environmental 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 the Sumitomo Forestry Group’s business operations and encourage voluntary environmental efforts.

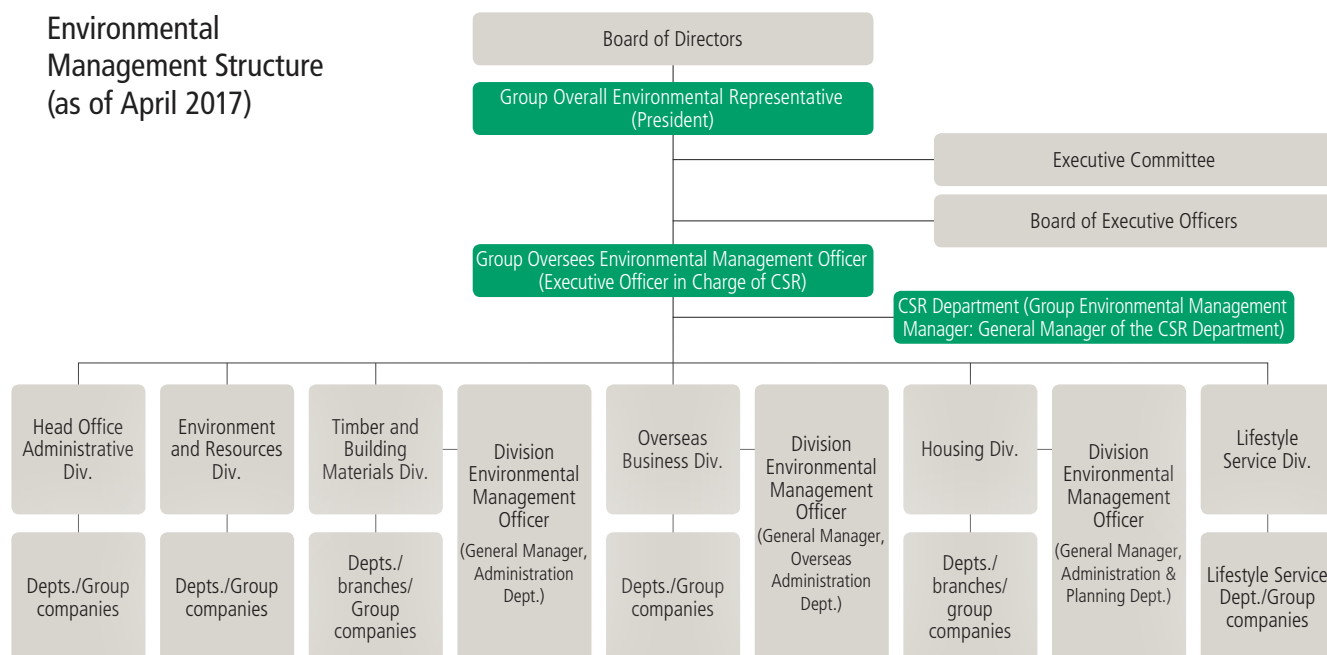
7. Pursue active communication

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.

Environmental Management Structure

The Sumitomo Forestry Group has put in place an environmental management structure with top management in charge of environmental management. Beneath the Group Overall Environmental Representative, there are the Executive Officer in Charge of CSR and the General Manager of the CSR Department. Regular checks on the progress of environmental activities advanced by divisions and departments within the Group and related issues are conducted against the “CSR budget,” which sets forth numerical targets for each fiscal year, to raise the effectiveness of those activities.

Environmental Management Structure (as of April 2017)



ISO 14001 Certification

Sumitomo Forestry acquired ISO 14001 certification for its housing operations in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations with all departments and divisions in the Company achieving integrated ISO 14001 certification in fiscal 2002. The scope of certified Group companies has been extended over critical businesses, and as of April 2017, four Group companies are integrated in Japan, and six Group companies are certified overseas. As a result, 87.3% of consolidated organizations (sales basis) have received certification.

Domestic companies within the registration scope of ISO 14001 certifications are periodically audited by external certification bodies. In fiscal 2016, 55 departments and divisions at five companies underwent transition assessments and update assessments for the new standard ISO 14001:2015 (JISQ 14001:2015), and were approved to register for transition to the new standard. Overseas companies are also preparing for this transition to the new standard.

In addition to reviews conducted by external certification bodies, internal environmental audits are periodically carried out by employees (i.e., internal environmental auditors) who have passed an exam upon completion of an in-house training course to become internal environmental auditors. In fiscal 2016, courses were held 12 times, and the Company certified 316 internal environmental auditors trained on the new standards.

Sumitomo Forestry Group ISO 14001 Certification (As of April 2017)

	Company Name	Date of Certification
Expanded Domestic Group Certification	Sumitomo Forestry (excluding overseas)	August 2002 ^{*1}
	Sumitomo Forestry Landscaping Co., Ltd.	November 2002 ^{*2}
	Sumitomo Forestry Crest Co., Ltd.	September 2003 ^{*2}
	Sumitomo Forestry Home Tech Co., Ltd.	March 2013 ^{*2}
	Japan Bio Energy Co., Ltd.	August 2014 ^{*2}
	PT. Kutai Timber Indonesia (KTI)	July 2001
	Nelson Pine Industries Ltd. (NPIL)	July 2003
	PT. Rimba Partikel Indonesia (RPI)	October 2005
	PT. AST Indonesia (ASTI)	January 2007
	Vina Eco Board Co., Ltd. (VECO)	March 2014
	Pan Asia Packing (PAP)	April 2017

*1 Certification was acquired by departments and divisions from 1997 before integrated certification was acquired for the entire Company

*2 Acquired by inclusion in Sumitomo Forestry's scope of registration