

Seeking New Ways to Expand the Potential of Trees

Topics W350 Plan

The W350 Plan is the Research Technology Development Concept for constructing a 350-meter-tall wooden high-rise building by 2041, which will mark the 350th year since the Company's founding. We strive to bring about innovation that encourages a sustainable cycle for timber utilization and forestry management, and realize a vision for "Environmentally friendly and timber-utilizing cities" where people, trees and diverse plant and animal life can coexist with the planet.

The Tsukuba Research Institute is constructing a new research building that implements the underlying technologies needed to realize the W350 Plan. It is scheduled for completion in 2019. Along with verifying and demonstrating new technologies, it is designed to incorporate innovations that enable a diverse range of workstyles everywhere. Designs that will help to improve intellectual productivity will also be examined.

Image provided by Sumitomo Forestry / Nikken Sekkei Ltd.



Sustainability

Research and Development (R&D)

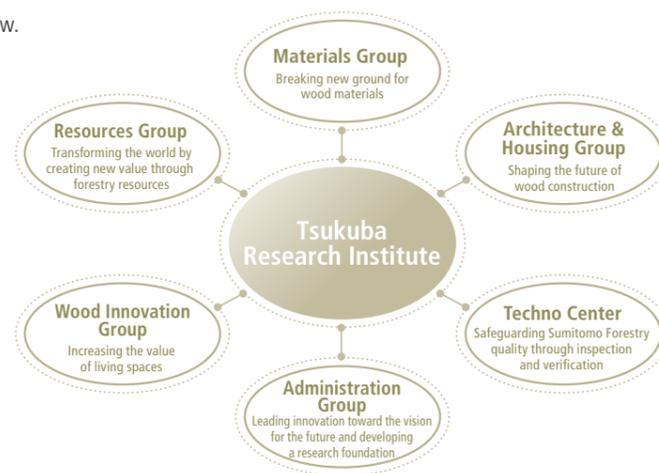
In order to enhance the potential of trees and their added value, it will be absolutely essential to continuously develop technologies. The Tsukuba Research Institute will serve as the driving force behind this effort. Ever since it was established in 1991, the Tsukuba Research Institute has supported the foundations of the Sumitomo Forestry Group. At present, it conducts two main types of R&D activities: (1) Corporate R&D, which seeks to create future technologies over the long term; and (2) Business-related R&D, which aims to boost earnings over the short and medium terms. The Tsukuba Research Institute is pushing ahead with these R&D activities through the six groups below.

The potential of trees is expected to provide important

solutions to a host of issues we face. These issues range from global environment to urban environment, living environment, and the mental and physical wellbeing of every individual. The Tsukuba Research Institute has produced various research achievements. The Group, through its business activities, will return the benefits derived from these R&D achievements to individuals and society as a whole. By doing so, the Group will contribute to the realization of a sustainable and prosperous society.



Exterior of the new research building



For more details on non-financial items, please refer to sustainability report: (<http://sfc.jp/english/information/society/index.html>)

Sustainability

Initiatives to Address Five Material Issues

In 2015, the Group established five CSR Material Issues and its specific strategies and targets, the Medium-Term CSR Management Plan, and implemented initiatives at each Group company and department within the target fiscal year 2020.

Under these circumstances, we have determined that it is necessary to further promote sustainability management in response to growing interest in ESG in society and changes in the business environment. In addition, the “Medium-Term Sustainability Targets as part of the Sumitomo Forestry Group 2021 Medium-Term Management Plan,” which incorporates sustainability strategies and CSR material issues, was newly formulated, and some of the five important material issues were also revised. The “Medium-Term Sustainability Targets” defines 15 qualitative targets based on contributions to the SDGs and five important material issues and indicators for evaluation (numerical targets) targeting FY2021.

Sustainability Report website the results of the former Medium-Term CSR Management Plan up to FY2018

➔ Please refer to the (<http://sfc.jp/english/information/society/index.html>).

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

Fundamental Policy

Sustainable forest management and timber procurement in Japan and overseas are positioned as important themes in sustainability management.

In recent years, there has been growing concern about deforestation, which is a cause of climate change and biodiversity loss. For sustainable

procurement, efforts that include social aspects such as human rights are required. The Group will continue to make further improvements and contribute to the resolution of social issues, such as stricter evaluation criteria for sustainable timber procurement.

Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2018 results	FY2019 target	FY2020 target	FY2021 target	Key related SDGs
Management forests while mitigating climate change and protecting biodiversity	Maintain and expand certified forest area	Domestic and overseas certified forest area (ha)	220,951ha	220,417ha	221,117ha	221,467ha	     
Expanding the utilization of sustainable forest resources	Expand seedling reforestation area in Japan and overseas	Area of forest plantation with in-house produced seedlings (ha)	6,055ha	6,553ha	7,487ha	7,920ha	
		Number of seedlings supplied	—	5.11 million seedlings	6.04 million seedlings	7.26 million seedlings	
	Increase volume of fuel wood chips and pellets handled	Volume of fuel wood chips and pellets handled (t)	—	1,188,010t	1,221,130t	1,363,930t	
		Volume of sustainable timber and wood products	85%	89%	93%	100%	
Increase the amount of sustainable timber and wood products handled and used	Rate of certified timber (including per-certified timber) used as key structural materials	—	80%	100%	100%		
		—	65%	75%	80%		
Building sustainable supply chains	Update CSR procurement survey form and formulate survey plan	Sustainability survey implementation rate in the supply chain of the domestic housing department	—	65%	75%	80%	
		Sustainability survey implementation rate at suppliers of imported wood products	100%	100%	100%	100%	

Material Issue 2

The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society

Fundamental Policy

We strive to develop and sell products and lifestyle-related services, such as housing, while ensuring the safety and security of our customers and creating a sustainable society.

Among them, the reduction of greenhouse gases emitted when living in a house greatly

contributes to reducing the environmental impact. By recommending ZEH (net zero-energy house) specification housing, we will reduce the energy consumption of each household and realize a sustainable and prosperous society while meeting customer needs.

Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2018 results	FY2019 target	FY2020 target	FY2021 target	Key related SDGs
Increasing environmentally conscious products and services <small>* Including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</small>	Promote energy-saving and standards for energy generation and conservation	Rate of orders for ZEHs	38.0%	60.0%	80.0%	80.0%	     
		Rate of orders for eco-friendly renovation	48.4%	50.0%	55.0%	60.0%	
		Sales of sash, glass wool, and solar power generation systems in the building material business (millions of yen)	¥22,723 million	¥23,119 million	¥23,568 million	¥24,040 million	
	Increase added value by carbon stock from use of timber	Carbon stock in wooden architecture in Japan (t-CO ₂)	192,536 t-CO ₂	190,676 t-CO ₂	190,164 t-CO ₂	199,509 t-CO ₂	
Creating an environment that considers biodiversity	Propose products utilizing local saplings and natural cycles	Rate of orders for eco-friendly products ((1) Local saplings (2) Permeable pavement materials (3) Wall greening (4) Rooftop greening (5) Biotores (6) Use of recycled materials)	56.5%	58.0%	60.0%	63.0%	
		Expand sales of local species	Number of local species sold (trees)	402,000 trees	450,000 trees	480,000 trees	500,000 trees
Expanding businesses that contribute to resolving social issues	Increase the number of rooms through new facilities construction	Number of rooms for the private-pay elderly care facilities	1,457 rooms	1,457 rooms	1,890 rooms	2,014 rooms	
		Expand the Renewable Energy Business	Amount of electricity supplied in Renewable Energy Business (converted to number of households)	213,860 households	217,768 households	217,768 households	373,826 households
Promoting sustainable and innovative technological development	Solve technical issues toward achieving the W350 Plan	Status of progress on W350 Plan	—	Establish basic concepts towards realization of the W30 Plan	Achieve the W30 Plan and build actual properties	Develop materials and implement basic designs towards realization of the W70 Plan	

Initiatives to Address Five Material Issues

Material Issue 3

The Reduction of the Environmental Impact of Our Business Activities

Fundamental Policy

Considering the impact on the environment, we are promoting activities aimed at reducing greenhouse gas emissions and mitigating climate change, including thorough energy-saving activities and the use of renewable energy. We established targets for reducing greenhouse gas emissions looking to 2030

with an eye to the medium- to long-term future. In July 2018, those targets were officially approved as Science Based Targets (SBT).

Moreover, we are promoting the reduction, reuse, and recycling of industrial waste to reduce our environmental impact and use resources effectively.

➔ See Energy Conservation and Reductions in Greenhouse Gas Emissions in Business Activities on page 46 for details.

Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2018 results	FY2019 target	FY2020 target	FY2021 target	Key related SDGs
Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 and 2)	Reduce greenhouse gas emissions	Greenhouse gas emissions volume compared to fiscal 2017	381,613 t-CO ₂ e +3.2%	380,356 t-CO ₂ e +2.9%	398,274 t-CO ₂ e +7.7%	402,768 t-CO ₂ e +8.9%	   
		Carbon efficiency	– (0.292)*1 t-CO ₂ /millions of yen	0.341 (0.275)*1 t-CO ₂ /millions of yen	0.341 (0.279)*1 t-CO ₂ /millions of yen	0.318 (0.264)*1 t-CO ₂ /millions of yen	
Protecting resources, reducing the generation of waste and achieving zero emissions	Promote industrial waste separation	Recycling rate at new housing construction sites*2	94.2%	96.1%	98.0%	98.0%	
		Recycling rate at housing demolition sites (based on demolition starts at the parent company)*3	77.6%*4	98.0%	98.0%	98.0%	
		Recycling rate at renovation sites*5	74.3%	80.0%	82.0%	84.0%	
		Recycling rate of the power generation business	64.5%	52.5%	54.3%	56.5%	
		Recycling rate at overseas manufacturing plants	97.5%	97.9%	98.0%	98.0%	
		Recycling rate at domestic manufacturing plants	99.1%	99.5%	99.5%	99.5%	
		Recycling rate of the Lifestyle Service Business*6	92.8%	95.2%	96.6%	98.0%	
Waste reduction Promote zero emissions	Final disposal volume of industrial waste compared to fiscal 2017	56,643t ▲11.0%	58,860t ▲7.5%	56,632t ▲11.0%	54,087t ▲15.0%		
		Total industrial waste emissions compared to fiscal 2017	3,087kg/building ▲7%	3,020kg/building ▲9%	2,950kg/building ▲11%	2,730kg/building ▲18%	
Conserving and effectively utilizing water resources	Properly manage water resources	Water consumption (m ³) (Part of domestic and overseas affiliates)	2,978,000 m ³	Within 2,981,000 m ³	Within 2,990,000 m ³	Within 3,011,000 m ³	

*1 Figures in parentheses are calculated based on sales before applying "Accounting Standard for Revenue Recognition"

*2 For new housing construction sites of the Housing & Construction Division, Sumitomo Forestry Landscaping, and Sumitomo Forestry Home Engineering

*3 Applicable to specified construction materials (concrete, ascon, wood waste) under the Construction Recycling Law added with metal

*4 Only the results for FY2018 include those not covered by the Construction Recycling Law.

*5 For remodeling sites at Sumitomo Forestry Home Tech

*6 Emissions associated with lifestyle services and housing-related materials sales

Material Issue 4

A Vibrant Work Environment where a Diverse Workforce can Unharness Their Skills and Individuality

Fundamental 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. Further, we are advancing development of a vibrant workplace where diverse human assets can be actively engaged without regard to gender, age, nationality, race, religion or disability.

Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2018 results	FY2019 target	FY2020 target	FY2021 target	Key related SDGs	
Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	Promotion of women's participation and advancement in the workplace	Female employees in management positions (%)	Sumitomo Forestry 3.7%	4.2%	5.0%	5.5%	  	
		Consolidated in Japan	6.0%	6.2%	6.7%	7.3%		
Improve employee satisfaction	Employee satisfaction level	Sumitomo Forestry	81.0%	83.0%	84.0%	85.0%		
		Consolidated in Japan	–*1	–*1	compared to fiscal 2019 105%	compared to fiscal 2019 110%		
Securing human resources by training younger workers and utilizing older ones	Develop human resources from a long-term perspective according to the revision of the evaluation system (April 2019) and evaluator training	Three-year turnover rate among newly hired graduates	Sumitomo Forestry 18.0%	17.0%	16.0%	15.0%		
		Consolidated in Japan	22.2%	15.3%	13.2%	12.9%		
		Training costs per employee	Sumitomo Forestry ¥97 thousand	¥120 thousand	¥132 thousand	¥132 thousand		
	Enhance training programs	Total number of training participants	Sumitomo Forestry	11,367	13,000	13,000		13,000
			Consolidated in Japan	13,297	15,224	15,700		16,176
		Training time per employee (hours)	Sumitomo Forestry	13.6	13.7	14.4		15.5
	Implementing interviews for retirees prior to full-term retirement at the beginning of the fiscal year	Rate of retiree re-employment	Sumitomo Forestry	81.7%	82.0%	85.0%	87.0%	
Consolidated in Japan			73.3%	64.0%	67.7%	78.0%		
Reducing long work hours through workstyle reforms	Guidance for improvement to departments with low rates of paid leave use	Average paid leave taken by employees (days)	Sumitomo Forestry 10.1	12.3	13.5	14.0		
		Consolidated in Japan	8.7	10.0	10.6	11.3		
Expand departments using flextime and so on	Average reduction rate of overtime hours compared to fiscal 2013	Sumitomo Forestry	▲24.9%	▲27.6%	▲30.0%	▲32.0%		
		Consolidated in Japan	2.0%	▲3.3%	▲6.2%	▲11.3%		
Eliminating occupational injuries	Implement reciprocal safety audits and manufacturing department safety audits	Share case studies and implement risk assessments	Number of serious occupational injuries (four or more days of work leave)	Sumitomo Forestry 2	0	0	0	
			Consolidated in Japan	10	0	0	0	
			Consolidated outside Japan	16	0	0	0	
			Domestic forest sites (contractors)	4	0	0	0	
			Overseas plantation sites (contractors)	3	0	0	0	
			New construction sites in Japan (contractors)*2	9	0	0	0	
			Number of occupational injuries (One or more days of work leave)	New construction sites in Japan (contractors)*2	16	0	0	0

*1 Employee satisfaction that is scheduled for implementation in fiscal 2019 is used as a reference value

*2 The number includes sole proprietorships

Initiatives to Address Five Material Issues

Material Issue **5**

Corporate Ethics and Governance Structures

Fundamental Policy

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 risks—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee while strengthening our Business Continuity Management (BCM) system as a measure against disasters.

Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2018 results	FY2019 target	FY2020 target	FY2021 target	Key related SDGs
Reinforcing risk crisis and compliance structures	Progress check of prioritized risk items set by the Risk Management Committee and share materialized risks	Progress of management for prioritized risks (conducted on a quarterly basis by the Risk Management Committee)	100%	100%	100%	100%	
	Understand the extent of compliance awareness and enhance channels for reporting misconduct and compliance violations	Regular implementation and phased deployment of compliance awareness surveys	—	Sumitomo Forestry	Major Group companies in Japan	All Group companies in Japan and some overseas	
	Obtain external certification for Business Continuity Management (BCM)	Obtaining Resilience Certification	—	Sumitomo Forestry	All Group companies in Japan	All Group companies in Japan	
	Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Implement for two sectors, domestic Housing Business and Timber and Building Materials Distribution Business	Re-examination of analysis results and expansion of scope of application for two sectors: domestic Housing Business and Timber and Building Materials Business	Re-examination of analysis results and expansion of scope of application for two sectors: domestic Housing Business and Timber and Building Materials Business	Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent medium-term plan	

Environmental Management

The Group has established the Sumitomo Forestry Group Environmental Policy. The environmental policy applies to all manner of business processes and product lifecycles, including product and service development, design, production, materials procurement, distribution, waste management, supplier and partner selection, new business launches as well as mergers and acquisitions. Furthermore, “Co-existence with the environment” is an article of the Sumitomo Forestry Group Code of Conduct, which incorporates not only Group businesses, but supply chains as well. In this way, we promote business operations that contribute to a sustainable society.

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, the 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 assess environment-related risks associated with our business activities and, with a medium- 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 the Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

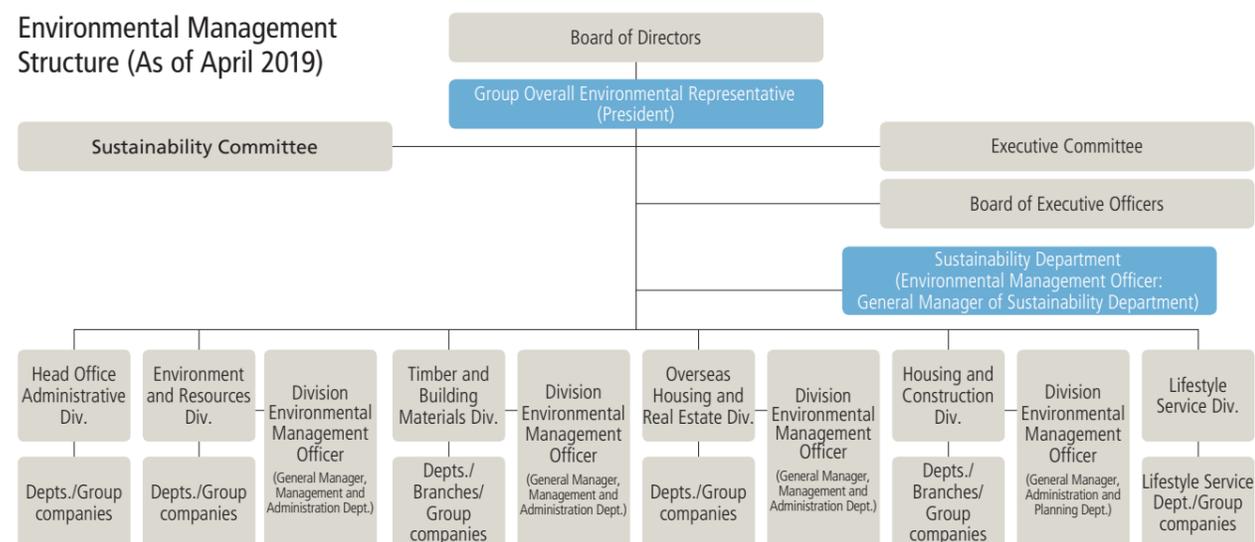
7. Pursue active communication

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

To put its environmental policy into practice in business, the Sumitomo Forestry Group has put in place an environmental management structure with the top management in charge of environmental management. General Manager of Sustainability Department, as the Environmental Management Officer, compiles a sustainability budget with numerical targets on a fiscal year basis in each Group division. The Sustainability Committee periodically checks up on progress to enhance the effectiveness of environmental activities.

Environmental Management Structure (As of April 2019)



ISO 14001 Certification Status

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for a part of its custom-built detached housing business in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations, with all domestic departments and divisions in the Company achieving integrated ISO 14001 certification in fiscal 2002.

The scope of certified Group companies has been extended to businesses with a substantial impact on the environment, and 4 Group companies are integrated in Japan. In addition, 6 Group companies are proceeding with certification overseas, with a focus on manufacturing companies. As of March 2019, 85.7% of consolidated organizations (Net sales basis) have received certification.

Domestic companies within the registration scope of ISO 14001 certifications are periodically audited once a year by external certification bodies. In fiscal 2018, 37 departments and divisions at 5 companies underwent transition assessment surveillance for the new standard, ISO 14001:2015 (JISQ 14001:2015), and were approved to register for transition to the 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.

Sumitomo Forestry Group ISO 14001 Certification Status (As of March 2019)

	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 LTD.	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

Identification and Measures for Environmental Risk

We recognize that changes in the environment, such as climate change or biodiversity, may have an impact on our business activities. We therefore collect relevant information, conduct analyses when necessary, and make use of the results in business risk assessments.

Depending on the degree of risk, each department decides on specific measures and assessment indicators for risks that arise in day-to-day operations and delivers a progress report every quarter to the Risk Management Committee, while for longer-term risks, countermeasures are formulated by the Sustainability Committee. Moreover, risks with the potential to have a major impact on operations are reported to the Board of Directors for discussion on countermeasures. In fiscal 2018, we conducted scenario analysis based on TCFD and discussed the result at the Sustainability Committee.

Risks and Strategies Related to Changes in Climates and Biodiversity

Risks Related to Natural Disasters

Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases arising from interrupted operations at facilities or verification of safety in our housing products, delays in the completion of construction contracts, or other events. A significant increase in costs caused by a natural disaster could influence the Group's operating results and financial position.

< Strategy >

Sumitomo Forestry promotes sales of homes using its BF (Big-Frame) construction method, which offers high earthquake resistance, as well as disaster-resilient homes with functions that allow people to stay for a certain period of time even if lifeline services are disrupted. The Company is also creating services that offer rapid assistance in the event of a natural disaster by using IoT technology to remotely look for damage.

Risks Related to Changes in Timber Resources and Procurement Restrictions

Given that timber is our main material and the source of our products, depletion of timber resources or changes in vegetation as a result of climate change may mean that Sumitomo Forestry will incur costs and be forced to change suppliers if restrictions are put in place.

< Strategy >

Sumitomo Forestry imports timber from over 20 countries as a measure to mitigate the risk of changes in forest conditions and new regulations on timber procurement, and has dispatched employees to key countries in order to gather information and check the legality of timber procurement by headquarters staff. Also, Sumitomo Forestry was the first company in Japan to be registered as a Type 1 Wood-Related Entity under the Clean Wood Act that came into effect in May 2017, and makes a concerted effort to procure legally harvested timber for the entire Group.

Risks Related to Mandatory Emission Reductions

As the movement to reduce greenhouse gas (GHG) emissions gains momentum globally, there is the possibility that reduction of GHG emissions will be imposed upon businesses in countries where the Sumitomo Forestry Group has a presence. If Group companies with bases in these countries are unable to meet reduction targets, they will be required to purchase carbon emission credits, a risk that will increase business costs. In Japan as well, introduction of a new carbon tax could influence business activities and costs.

< Strategy >

We have set greenhouse gas emission reduction targets for each Group company and business division, and work to reduce emissions in line with targets set each fiscal year. In addition to these actions, we have promoted reduction of energy consumption.

Risk Related to Energy Supply Shortages

In countries such as New Zealand for example, which consumes electricity generated by hydropower plants, operations at our Group's plants that use hydroelectric power could come to a halt if dam levels fall as a result of less rainfall and hydroelectric power transmission is suspended.

< Strategy >

We have set greenhouse gas emissions reduction targets for each Group company and business division, and work to reduce emissions in line with targets set each fiscal year. In addition to the actions, we have promoted reduction of electricity consumption.

Risks Related to Reputational Damage

If Sumitomo Forestry makes mistakes when addressing risks, such as climate change and the preservation of biodiversity, the Company's reputation may be damaged and earnings, such as sales, would be directly affected.

< Strategy >

The Risk Management Committee and the Sustainability Committee take a comprehensive approach to analyzing and responding to risks related to the environment, society and corporate governance from short-, medium- and long-term perspectives.

Addressing Climate Change

In December 2015, COP21 (2015 United Nations Climate Change Conference) negotiated and adopted the Paris Agreement, the new framework for addressing climate change starting in the year 2020. The global aim of the agreement, which entered into force in November 2016, is to maintain global average temperature levels that do not rise more than 2°C from what they were before the Industrial Revolution.

Energy Conservation and Reductions in Greenhouse Gas Emissions in Business Activities

As the impact of climate change becomes more imminent globally, companies are required to reduce greenhouse gas emissions as a measure against global warming. Sumitomo Forestry Group declared in June 2017 that it would set Science Based Targets (SBT) under the SBT initiative*¹ and establish new greenhouse gas emission reduction targets for the entire Group. Subsequently, those targets were officially approved as SBT in July 2018. The SBT for the Sumitomo Forestry Group are as follows.

SBT (Science Based Targets)

① Scope 1 and 2*²: Total 21% reduction

(Target year 2030; Base year 2017)

② Scope 3*³:

Total 16% reduction in categories 1*³ and 11*³
(Target year 2030; Base year 2017)



*1: The SBT initiative was established in 2015 by four organizations (The United Nations Global Compact (UNGC), CDP, World Resources Institute (WRI), World Wide Fund for Nature (WWF)) for the purpose of promoting GHG emission reduction targets based on scientific data in order to keep global warming to below 2°C compared to pre-industrial levels. In Japan, the Ministry of the Environment encourages companies to adopt SBT in their initiatives.
*2: Scope 1: Direct GHG emissions of a company, including those from fuel consumption. For example, CO₂ emissions from using gasoline in company vehicles.
Scope 2: Indirect GHG emissions (including CH₄ and N₂O) from purchased electricity and heat. For example, CO₂ emissions from using electricity in office buildings.
Scope 3: GHG emissions occurring in the supply chain. For example, CO₂ emissions when sold products are used.
*3: Category 1 (in Scope 3): GHG emissions when harvesting, manufacturing, or transporting purchased (or acquired) goods and services.
Category 11 (in Scope 3): GHG emissions when using sold goods and services.

< State of progress of SBT >

	Fiscal 2017 (reference year)	Fiscal 2018	Change
Scope 1 and 2	369,785	381,613*	3.2%
Scope 3	8,895,066	9,009,596	1.3%

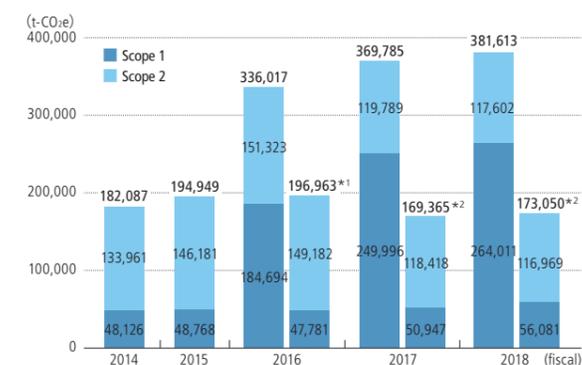
* In fiscal 2018, greenhouse gas emissions increased as the Hachinohe Biomass Power Plant starting operations in April 2018.

Based on SBT, the Sumitomo Forestry Group will further strengthen its energy-saving activities, promote use of renewable energy, and take other measures to reduce greenhouse gas emissions and mitigate climate change.

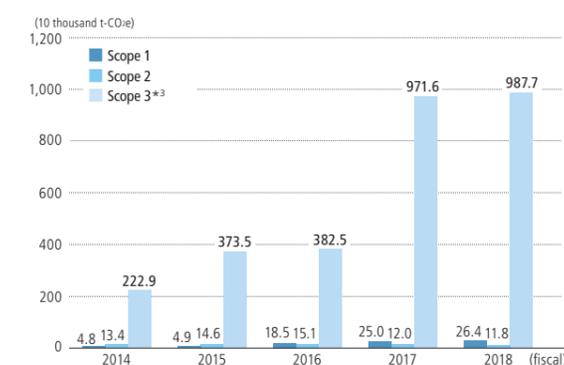
Greenhouse Gas Emissions by Scope, Based on the GHG Protocol

Since fiscal 2012, we obtain quantitative data for each scope that conforms to the GHG Protocol, the widely used global greenhouse gas measurement standard. In light of increasing demand for renewable energy in recent years, the Group made an entry into the biomass power generation business in 2011 and in December 2016 commenced operations at the Mombetsu Biomass Power Plant (consolidated subsidiary). While the plant's main fuel source is unused timber from forests, coal is used as a supplementary fuel to ensure smooth operation and maintenance. Accordingly, total CO₂ emissions for Scopes 1 and 2 in fiscal 2018 for the Sumitomo Forestry Group increased 3.2% year on year to 381,613 t-CO₂e. Of the total for Scope 1 and 2, overseas plants emitted 29.0%, while domestic plants and the power generation business accounted for 56.9%. We started measuring Scope 3 emissions in fiscal 2013 and broadened the scope of our measurements in fiscal 2015 and fiscal 2017. In fiscal 2018, the amount came to 9.877 million t-CO₂e.

CO₂ emissions for Scopes 1 and 2



CO₂ emissions for Scopes 1, 2, and 3



*1 Excludes figures for the power generation business (Mombetsu Biomass Power Plant)

*2 Excludes figures for the power generation business (Mombetsu Biomass Power Plant and Hachinohe Biomass Power Plant)

*3 The scope for calculating Scope 3 was expanded from three categories to 15 categories in fiscal 2015.

The scope for calculating Scope 3 was expanded from domestic operations to the entire Sumitomo Forestry Group in fiscal 2017.

Carbon Stock in Forests

Trees absorb CO₂ and fixate carbon as they grow. The Group owns and manages forests in Japan and overseas; the total amount of carbon stock* by Company-owned forests in Japan in fiscal 2018 was 13.10 million t-CO₂ (up 0.04 million t-CO₂ YoY) and by plantation areas overseas it was 7.38 million t-CO₂ (down 0.45 million t-CO₂).

*The volume of carbon accumulated through absorption of CO₂ by forests. The volume accumulated by forests is estimated with a formula that multiplies various coefficients for different tree types, including bulk density and carbon content ratio. Note that we exclude large forests purchased during the fiscal period subject to the estimate because we are unable to ascertain how much carbon increased over the 12 months prior. In Japan, our carbon stock estimate covers both natural forests and plantations, but only plantations for overseas.

➔ Please see page 40 for CO₂ emission reduction targets and results.

Response to TCFD



The Sumitomo Forestry Group understands that climate change poses great risks. In July 2018, the Company announced its support for the TCFD*, and began to analyze scenarios the same year.

*TCFD stands for Task Force on Climate-related Financial Disclosures. The Financial Stability Board directed the creation of a task force for disclosing financial information related to climate in April 2015, which led to a framework for companies to voluntarily disclose information on climate related risks and opportunities.

Climate Change Initiatives

Governance

- Chaired by the President and Executive Officer, the Sustainability Committee meets four times a year. The committee works to promote integration of businesses and ESG initiatives and all discussions are reported to the Board of Directors.
- The committee addresses medium- to long-term ESG issues including analysis of climate change related risks and opportunities.

- Business divisions collaborate to identify risks and opportunities, and assess their financial impact
- Countermeasures are discussed for important items and reported to the Sustainability Committee

Scenario analysis

Risks, opportunities and strategies related to climate change and biodiversity
(Examples based on opportunities)

- Expand sales of homes in tune with government's net zero-energy house promotion
- Expand the Renewable Energy Business
- Procure funds by issuing green bonds

Improve strategic resilience to be prepared for uncertain future conditions

Based on experts' reports and analysis from business divisions, climate change related risks are discussed by the Sustainability Committee.
Risks, opportunities and countermeasures are evaluated.

Risk management framework

Report and submit to the Board of Directors

Reflect in business execution

* The Risk Management Committee discusses and responds to short-term risks and risks that have become apparent.

KPIs and targets

Group companies and business divisions set annual numerical targets based on the Medium-Term Sustainability Targets as part of the 2021 Medium-Term Management Plan and SBT



➔ Please see page 46 for SBT initiatives targeting 2030.

Initiatives towards Sustainable Procurement

The Sumitomo Forestry Group strives to contribute to realization of a sustainable and prosperous society through business activities that utilize wood as a renewable natural resource. To undertake practical implementation of procurement activities that are considerate of economic, social, and environmental issues, we have established the Sumitomo Forestry Group Procurement Policy.

The Sumitomo Forestry Group Procurement Policy (Excerpt)

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
2. Procurement based on fair opportunity and competition
3. Procurement of sustainable timber and wood products
4. Communication

Timber Procurement Management

The Sumitomo Forestry Group established the Timber Procurement Committee, comprising managers from departments in charge of timber procurement to promote Group-wide management of timber procurement through confirming legality of imported timber, setting procurement standards and risk assessments for illegal logging and such.

In fiscal 2018, the committee met three times and confirmed legal compliance and conducted sustainability surveys at all 109 direct suppliers subject to inspections, as well as to 43 suppliers for overseas Group companies (distributors). Sumitomo Forestry periodically checks legal compliance and sustainability at these suppliers, including new and ongoing suppliers, once a year - no more than two years from the current year.

Initiatives for Enabling Sustainable Timber Procurement

Based on the Sumitomo Forestry Group Procurement Policy, the Group carries out due diligence to ensure the legality of our timber procurement. Each division that procures timber reports to the Timber Procurement Committee on the progress with this due diligence, and works to promote continual improvement in the supply chain.

Access to Information

The Timber & Building Materials Division, Housing & Construction Division, and the timber procurement divisions across the Group conduct due diligence to ensure suppliers supply timber and wood products that meet logging compliance requirements. Procurement managers gather information in accordance with the due diligence manual for timber procurement.

Risk Assessments and Measures to Reduce Risk

With this information sorted by country, region, wood species, and timber type, risk assessment on illegal logging or human rights violation is carried out based on procurement standards stipulated by the committee. Risk categories are A (low risk), B (medium risk) and C (high risk). Timber and wood products in the B (medium risk) and C (high risk) categories should not be solely evaluated with documentation to prove that they are legally harvested according to that country's laws and regulations. In addition, when necessary, company staff are sent for on-site inspections to ensure traceability back to the logging site.

Initiatives for Enabling Sustainable Timber Procurement

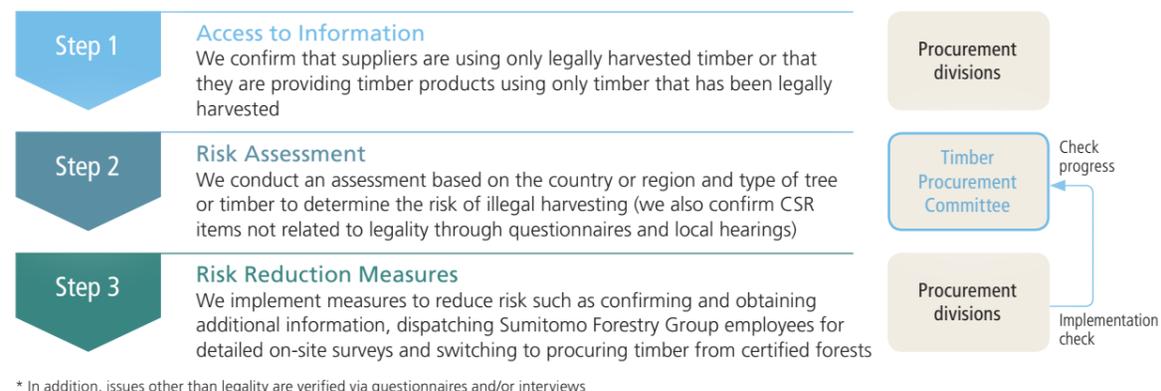
Consideration for Human Rights, Labor, Biodiversity Conservation and Local Communities

Following items are checked, through supplier surveys and local interviews for the products that are being procured:

- Whether the rights of workers, local and indigenous communities are abused in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration for these rights.
- Whether forests with high conservation value are included in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration to forests with high conservation value.

Review

Each procurement division reports the status and progress of these initiatives to the Timber Procurement Committee, facilitating continuous improvements throughout the supply chain. In fiscal 2018, we strengthened the management system by scoring survey outcomes to improve the visualization of suppliers' sustainability initiatives. Sumitomo Forestry requested that improvements be made at five suppliers that did not satisfy our standards.



Strengthening Sustainability Initiatives for Timber and Wood Products

Amid growing concerns over deforestation as a factor in climate change, the Sumitomo Forestry Group established a new Action Plan in May 2019, in addition to its own timber procurement due diligence mechanism. We have reinforced and newly implemented sustainability evaluation standards for suppliers.

Policy on "Sustainable Timber and Wood Products"

In the Medium-Term Sustainability Targets as part of the 2021 Medium-Term Management Plan, we set a target of 100% procurement of sustainable timber and wood products by the end of fiscal 2021. Even in situations where legality can be confirmed, we will promote the gradual increased use of alternative wood (natural timber from forest thinning or plantation timber) to stop the handling of items that do not fall under our definition of sustainable timber or timber products.

Our thinking regarding "sustainable timber and wood products"

1 Certified timber and pre-certified timber: FSC, PEFC, and SGEC <small>(Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)</small>	2 Timber from plantation forests
3 Natural timber where forestry management and distribution can be assessed as sustainable <small>(This does not include timber from conversion forests = timber harvested from natural forests that were converted to farm land such as palm oil plantations)</small>	4 Recycled timber

Engagement

As part of timber procurement initiatives, we organized a stakeholder dialogue in July 2019 to meet with environmental NGOs and ESG experts and researchers. Experts from the certified NPO Sustainable Management Forum of Japan, World Wildlife Fund (WWF) Japan, FoE Japan, Global Environment Forum, Institute for Global Environmental Strategies, Takasaki City University of Economics and Waseda University participated to discuss various themes, such as the implementation of the Sustainability Procurement Survey, the process and time frame for improvements, timber from conversion forests and recycled timber.

Communication with Procurement Partners and Partner Evaluation

Material suppliers of the Housing and Construction Business (suppliers excluding on-site equipment manufacturers, precut factories, building material operators and frame centers) are evaluated every year on items that include a corporate overview, quality, cost, delivery period, environmental response as well as services. We provide feedback from the evaluation results as a way to play a role in bettering our suppliers. In fiscal 2018, feedback was passed to 235 suppliers (100% implementation rate). As a part of evaluations, audits are periodically carried out at suppliers' factories. In fiscal 2018, we implemented 153 factory audits.

Topics A smooth response to the Clean Wood Act

In May 2017, Japan implemented the "Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products," commonly known as the "Clean Wood Act." This law aims to encourage the use of timber made from trees harvested in conformity with the laws and ordinances of Japan and other countries of origin, and to form markets that exclude illegally logged wood that leads to environmental destruction. At Sumitomo Forestry, each business division has been registered as a business operator under this law, and the entire Group makes every effort to procure legal timber.

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 a variety of stakeholders to build positive relationships.

Customers

Our customers are surrounded by widespread social and environmental change. Amidst the diversification of people's needs, perspectives, and lifestyles, the Sumitomo Forestry Group remains committed to providing high-quality products and services that bring joy to our customers, in line with Our Values. In addition, the Group is enforcing initiatives related to safety and quality issues and formulating risk mitigation. The Group is also linking further progress to the creation of new business opportunities and customer satisfaction by promptly addressing social and environmental change through sustainable improvements.



Proposals to customers using apps

Main responsibilities	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
Communication methods	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

93.8%

Customer satisfaction regarding custom-built detached houses according to surveys conducted when owners move in

96.1%

Business Partners

As stipulated by the Sumitomo Forestry Group Timber Procurement Policy, we proactively 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 focused on the preservation, growing, and planting of forest resources and the promotion of effective application of limited natural resources, including positive utilization of timber from certified forests. We aim to reinforce our business foundation by building and maintaining healthy relationships based on mutual development.



Traceability confirmation in timber procurement

Main responsibilities	Build fair and open business relationships Improve occupational health and safety Strict compliance with laws and regulations
Communication methods	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 unused wood in domestic (Japan) timber

338 thousand tons

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

100%

Shareholders and Investors

With the aim of maintaining and strengthening the trust of capital 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, including non-financial aspects, 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.



Guiding domestic investors (Tsukuba Research Institute)

Main responsibilities	Timely and appropriate information disclosure Information transparency and reporting responsibility Appropriate shareholder returns
Communication methods	General Meeting of Shareholders, results briefings, and individual investor briefings One-on-one meetings with analysts and institutional investors Disseminate information through the website, shareholder communications, briefing materials, and other relevant materials Responses to ESG and other evaluations and research organizations

Return on equity (ROE)

9.3%

Individual meetings with institutional investors and analysts in Japan and overseas

183 meetings

Employees and Their Families

The Sumitomo Forestry Group is engaged in measures that enhance respect for diversity and human rights, promote the creation of open work environments free of discrimination, ensure safety in the workplace, consider work-life balance, and reduce long work hours with the aim of providing workplaces where employees are motivated and lead fulfilling lifestyles. Along with removing risks to employees by undertaking initiatives to resolve related issues, we intend to carry out one of Our Values, "We promote a free and open-minded corporate culture that respects diversity," and foster a group of employees who are always willing to take on new challenges.



Family Open Day

Main responsibilities	Provide and maintain a work environment where human rights are respected and employees can work under safe and healthy conditions without discrimination Promote measures and systems that enhance work-life balance
Communication methods	Conduct employee awareness surveys Family Open Day Informal Management Committee comprised of both labor and management members Publication of internal newsletter and operation of the intranet

Hours of overtime work (compared with fiscal 2013) (non-consolidated basis)

24.9% reduction

Number of hours each employee took part in in-house training on average per year (non-consolidated basis)

13.6 hours

Regional Communities

The Sumitomo Forestry Group proactively promotes business activities in harmony with local communities, thereby aiming to revitalize local economies and promote employment. 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.



Free distribution of seedlings to local residents

Main responsibilities	Help solve social problems Reduce environmental impact in business Preserve the natural environment and biodiversity
Communication methods	Help form communities through social contributions Contribute to the environment and society through collaboration with NPOs/NGOs Volunteers for planting and forest development Supporting employee volunteer activities

Cost of social contribution activities

Approx. ¥103 million

Amount of donations related to social contributions

Approx. ¥307 million

Human Rights Initiatives

In July 2019, we formulated the Sumitomo Forestry Group Human Rights Policy based on respect for the International Bill of Human Rights (the Universal Declaration of Human Rights and the International Covenants on Human Rights), the International Labour Organization's (ILO) Core Labor Standards, the 10 Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. And the Sumitomo Forestry Group Code of Conduct contains language for respecting human rights and creating healthy workplaces. With the aim of spreading acceptance of these policies at our business partners, we periodically conduct assessments of our partners. We also conduct due diligence of human rights, address risks related to human rights, and further engage in reduce risks related to human rights.

Sumitomo Forestry Group Human Rights Policy website
<http://sfc.jp/english/corporate/policies/humanrights.html>

Due Diligence and Addressing Significant Risks

Through human rights due diligence, the Sumitomo Forestry Group identifies factors that may have a negative impact on human rights and works to prevent or reduce them.

CSR Fact-Finding Surveys

As the CSR initiatives at each Group company in fiscal year 2018, we conducted the surveys at 57 Group companies, confirming that 44 companies provided human rights training, 40 companies have systems to handle grievances, and 47 companies have risk mitigation plans in place. Based on this survey, we did not find any human rights violations in fiscal 2018.

Respect for Human Rights in the Supply Chain

We engage in fair and responsible procurement activities based on the Sumitomo Forestry Group Procurement Policy. For importing and procuring timber, we conduct surveys of our suppliers and on-site interviews to ensure our procurement activities take into account human rights, labor, biodiversity conservation and local communities.

➔ See Initiatives towards Sustainable Procurement on page 49 for details.

Identifying and Addressing Significant Human Rights Risks

The Company identified significant human rights risks in 2019 by mapping out risks at stakeholders in the value chains of each business division. The Company has already taken steps to address these identified significant risks, and is drawing up plans and advancing countermeasures to prevent, avoid, mitigate and rectify the risks for each stakeholder.

Respect for Human Rights at Overseas Plantations

At our plantation forest operations in West Kalimantan of Indonesia (PT. Wana Subur Lestari / PT. Mayangkara Tanaman Industri), operations are carried out with respect for human rights and the environment. We conduct joint surveys with the International Finance Corporation (IFC), a member of the World Bank Group, and interview local residents to hear their opinions.

Initiatives in Recent Years

2012: Sumitomo Forestry signed an advisory agreement with the IFC. Along with the IFC, we conducted surveys of business locations to understand whether land usage plans at business sites were being properly implemented and adequate consideration is made for the livelihoods of local residents while respecting the rights of indigenous people and protecting cultural assets.

2013 and 2015: Public hearings were held with invitations sent to local residents, neighboring companies, academics, NGOs, government officials and other stakeholders.

2018: With help from IFC, Sumitomo Forestry set up grievance mechanisms at WSL and MTI to collect information and opinions from local residents. With the University of Indonesia, Sumitomo Forestry launched a three-year social survey covering its business sites and surrounding areas.

Participation in the United Nations Global Compact

The ten principles of the United Nations 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 labor and child labor. In December 2008, we formally signed the United Nations Global Compact to declare our support for its principles.



Diversity (Fair Employment and Benefits that Respect Diversity)

Equal opportunity and diversity in employee hiring and compensation practices are respected based on international standards for the human rights of people from all walks of life. These principles are set out in the Sumitomo Forestry Group Code of Conduct and the Sumitomo Forestry Group Human Rights Policy.

Activities for Diverse Talent Acquisition

In its recruitment activities, the Group emphasizes the ambition and volition of the applicant, and does not differentiate selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender.

If there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations. Unfair dismissals are not allowed.

Sumitomo Forestry strives for talent acquisition, a major issue for management, by properly reflecting in our recruitment activities. The Workstyle Diversification Department, an independent organization within the Personnel Department, takes the lead in supporting the activities of our diverse workforce, including female employees, re-employed retirees, and employees with disabilities.

Employment and Promotion of Women (Non-Consolidated)

	(fiscal year)				
	2014	2015	2016	2017	2018
Ratio of female employees* ¹	18.8 %	19.4 %	20.0 %	20.4 %	21.0 %
Ratio of female employees in management positions* ¹	2.2 %	2.6 %	2.8 %	3.2 %	3.7 %
Ratio of newly graduated female recruits* ²	29.0 %	26.8 %	22.8 %	18.0 %	24.8 %

Status of Female Recruitment / Employment (Domestic Subsidiaries)

	(fiscal year)				
	2014	2015	2016	2017	2018
Ratio of female employees* ¹	29.6 %	30.4 %	30.7 %	31.6 %	32.0 %
Ratio of female employees in management positions* ¹	3.6 %	4.0 %	4.2 %	4.6 %	6.0 %
Ratio of newly graduated female recruits* ²	36.1 %	48.0 %	40.3 %	40.2 %	43.5 %

* 1 The ratio of female employees and the ratio of female employees in management positions are calculated based on the number of employees as of March 31 each year.

* 2 The ratio of newly graduated female recruits is calculated based on the number of employees as of April 1 each year.

Employment of Persons with Disabilities (Non-Consolidated)

	(fiscal year)				
	2014	2015	2016	2017	2018
Ratio of employees with disabilities	2.24 %	2.12 %	2.12 %	2.26 %	2.32 %

* For fiscal 2017, the calculation includes special subsidiary company Sumirin Wood Peace Co., Ltd.

* For fiscal 2018, the calculation includes special subsidiary company Sumirin Wood Peace Co., Ltd. and Group affiliate Sumirin Business Service Co., Ltd.

Number of Re-Employed Retirees

	(fiscal year)				
	2014	2015	2016	2017	2018
Number of Re-Employed Retirees	43	33	47	52	48

Work-Life Balance

We aim to improve employee motivation and productivity through various initiatives to create a workplace where employees can lead a mentally and physically fulfilling private life.

Initiatives to Reduce Long Working Hours

In fiscal 2017, we overhauled our personnel system and have since been placing greater importance on preventing long working hours and encouraging productivity improvements. Some initiatives include a switch to a system where overtime hours worked are actually counted (as opposed to our previous deemed working hours system), the launch of flex-time and work interval systems, and the roll-out of an hourly productivity assessment system.

We recognize that long working hours pose a significant business risk; if such a situation is left ignored, it will likely lead to occupational accidents and damage the reputation of our brand, and ultimately lead to future labor shortages. Workstyle Enhancement Committees have been set up at branches of the Housing & Construction Division to implement initiatives to reduce long working hours. Additionally, for work system and operational flow reforms at the head office, the Long Working Hours Mitigation Committee was set up within the division to lead the campaign to reduce long working hours by making system improvement proposals.

Practicing Mental Healthcare

Based on the Guideline on Maintaining and Improving Mental Health of Workers formulated by the Ministry of Health, Labour and Welfare, Sumitomo Forestry offers care for mental health through self-care, care provided by line managers, care provided by occupational health staff within the workplace, and care using resources from outside the business.

The Company has established the Workstyle Diversification Department within the Personnel Department. In order to further enhance mental healthcare, the Company has assigned an employee who is a qualified clinical psychologist to the Workstyle Diversification Department, and has closely cooperated with an external provider of the Employee Assistance Program (EAP) to provide follow-up support and help in returning to work for individuals with mental disorders.

* Employee Assistance Program (EAP): A workplace mental healthcare service

Supporting Diverse Workstyles

The 6th Next Generation Law Action Plan (Fiscal 2015 to 2019)

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).

1. Host seminars themed on workstyle reforms in order to foster a work environment that actively involves female employees who are raising children.
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.

Supporting Workstyles for Employees Caring for Family Members

As a part of measures to help employees continue working while caring for family members, we have set up systems such as reduced work hours, in addition to revising the care leave system. Employees may take time off for the equivalent of ten days a year in 30-minute increments under our family care leave and medical leave.

Telecommuting System

We offer a telecommuting system to all employees (excluding new graduates who have been at the Company less than three years and newly hired employees yet to pass six months at the Company). There are no limitations on how long an employee may telecommute and most users utilize the system for childcare or nursing care reasons, or to avoid long commuting times.

Encouraging Different Systems for Paid Leave

We encourage employees to take planned paid leave of more than 14 days every year, including so-called "refresh" leave and summer holiday leave. The average number of paid leave days used in fiscal 2018 was 10.1 (53.2%), up from 9.0 (47.4%) the previous year.

Also, for employees at our housing and construction business branches which are opened on Saturdays and Sundays to meet with customers, we strive to improve our workplace environment by offering "Family Friendly Day Leave." It allows employees to take one Saturday or Sunday off every month to spend time with their family or engage in their favorite pastime.

Human Resource Development

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

The Company promotes independent efforts for capacity building and career development, and has regulations for assisting employees who seek to obtain qualifications or take classes at external educational institutions.

Moreover, 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.

Development of the Sumitomo Forestry Business Institute

The Sumitomo Forestry Business Institute, which was created in fiscal 2011, is based on the concept of "Supporting Motivated People," and focuses on skill development with an emphasis on self-initiative. We also provide an e-learning curriculum that domestic Group employees can use to learn on their own.

Number of Employees Attending Main Training Programs (FY2018)

Training program	Number of people attending (non-consolidated)	Number of people attending (Group companies)
Training for specific levels (13 courses)	876	154
Selective training (24 courses)	74	24
Self-development training (40 courses)	144	1
e-learning (6 mandatory courses)	4,798	4,911

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

(fiscal year)	2014	2015	2016	2017	2018
Hours of training courses taken	6.8	9.3	9.4	13.1*	13.6
Spending on training (¥ thousand)	91	91	100	100	97

* The calculation method was changed in fiscal 2017.



Students receive individualized instruction in small class settings (The Sumitomo Forestry School of Professional Building Techniques)

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.

New Students and Performance at the Sumitomo Forestry School of Professional Building Techniques

(fiscal year)	2015	2016	2017	2018	2019
Number of new students	64	63	67	69	57
Number of graduates	57	61	66	68	–
Students who acquired Grade 2 Carpenter Skills Certification	54	57	49	62	–

Winners of WorldSkills Competitions

Fiscal year	Participants in WorldSkills competitions		
	Regional competition (Chiba Prefecture event)	National competition (Chiba Prefecture representative)	International competition
2010	28 people (all 28 received a skills certificate)	5 people (one gold, one silver, one bronze, and two medallions for excellence)	
2011	27 people (all 27 received a skills certificate)	5 people (one silver, one medallion for excellence)	1 person (silver medal at the London competition)
2012	40 people (all 40 received a skills certificate)	5 people (one silver, two bronze, two medallions for excellence)	
2013	35 people (28 received a skills certificate)	5 people (one silver, two medallions for excellence)	1 person (medallion for excellence at the Leipzig competition)
2014	56 people (46 received a skills certificate)	4 people (three medallions for excellence)	
2015	57 people (54 received a skills certificate)	2 people (two silver)	
2016	61 people (57 received a skills certificate)	5 people (one bronze, two medallions for excellence)	
2017	65 people (49 received a skills certificate)	7 people (three bronze, three medallions for excellence)	
2018	68 people (62 received a skills certificate)	7 people (one gold, two silver, one bronze, three medallions for excellence)	



National competition of WorldSkills in fiscal 2018



Governance