

Environmental and Social Responsibility Report 2011

(March 2011)



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Editorial Policy for Environmental and Social Report 2011

| Purpose of this Report

The purpose of this report is to inform a wide range of people about the Sumitomo Forestry Group's policies and initiatives aimed at realizing a sustainable society.

Sumitomo Forestry believes that it is essential to clarify the important issues it faces. Accordingly, the Company has formulated four material issues to address, based on the results of a survey given to its stakeholders in fiscal 2007. In fiscal 2008, Sumitomo Forestry gave priority to these four material issues in its initiatives, the results of which are presented in this report.

The Company's principle method of informing stakeholders about its CSR activities is its *Environmental and Social Report* on its website. Aiming to meet stakeholders' diverse needs, the report also discloses highly specialized content.

In addition to the *Environmental and Social Report* on its website, the Company also actively uses its Corporate Profile, Annual Report, and other media to effectively convey to its various stakeholders that information that will be of most interest to them, based on their differing perspectives.

- ▶ Internal Link: "Environmental and Social Report 2011" (<http://sfc.jp/english/information/kankyo/index.html>)

The *Environmental and Social Report* is no longer distributed as a brochure and is only available on the Company's website. However, PDFs of the report are publicly available for download and printing.

- ▶ Internal Link: "PDF Downloads / Back Issues" (<http://sfc.jp/english/information/kankyo/pdf/index.html>)

From this report onwards, information will be presented in three sections—Policy & Plans, Results, and Future Plans—in order to more accurately convey to stakeholders how the Group is continuously improving its activities through PDCA. The Future Plans section will not be included if only the same initiatives from the previous fiscal year are being continued.

Stakeholder Comments

- I would think that this kind of report would not only give an account of my company's activities, but can also be expected to report on the impact that it has on the stakeholders that read the report and the changes in behavior that it encourages. I expect this report to convey stakeholders' wishes and what we would like to achieve together. (Company employee)

| Reliability of Report Content

The respective departments of Sumitomo Forestry have endeavored to ensure accuracy by using appropriate measurement and data collection methods for the initiatives and results reported in the report. These methods are also disclosed when relevant. Sumitomo Forestry has solicited third-party opinions from external specialists to impartially assess the appropriateness of the report's content and the Company's CSR activities.

Reference Guidelines

- *Sustainability Reporting Guidelines (Third Edition)*, Global Reporting Initiative (GRI)
- *Environmental Reporting Guidelines (2007 Edition)*, Japanese Ministry of the Environment
- *ISO 26000: Guidance on Social Responsibility*, Japanese Standards Association

Reporting Period

April 2010 to March 2011

(The period also includes some activities from April 2011, as well as future expectations.)

Companies Covered in the Report

Although this report focuses mainly on Sumitomo Forestry Co., Ltd., the Company considers it important to cover activities of the entire Sumitomo Forestry Group, and has been expanding its reporting scope. This report covers 41 Group companies and 6 affiliates considered to have material significance for the sustainability of the entire Sumitomo Forestry Group's (45 consolidated subsidiaries, 20 affiliates) business in Japan and abroad.

- ▶ Link to Related Website: "Sumitomo Forestry Group" (<http://sfc.jp/english/business/group.html>)

Main Changes during the Reporting Period

Effective April 1, 2011, the Komatsushima Plant, which carried out the plywood manufacturing business for Sumitomo Forestry Crest Co., Ltd., was sold to Nissin Co. Ltd., a major Japanese plywood manufacturer.

Effective October 1, 2010., it was resolved to sell all the shares held by Sumitomo Forestry Crest Co., Ltd. in its subsidiary, Toyo Land Transportation Co., Ltd. (a sub-subsidiary of Sumitomo Forestry) to Dainihon Wood-Preserving Co. Ltd., a business partner of Sumitomo Forestry.

Publication Date

The end of July 2011

(Previous: August 2010; Next: July 2012)

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 Our Commitment



Ryu Yano,
Chairman and Representative Director,
Sumitomo Forestry Co., Ltd.

Contributing to society and the global environment is a priority mission for the Sumitomo Forestry Group.



Akira Ichikawa,
President and Representative Director,
Sumitomo Forestry Co., Ltd.

We contribute to the sustainable development of society through our business, which centers on wood and housing-related services

Our Commitment

▼ Chairman and Representative Director

▶ President and Representative Director

Contributing to society and the global environment is a priority mission for the Sumitomo Forestry Group.



Our goal is to be the world's leading forestry company—a company that contributes to regional development, people's happiness and preservation of the global environment based on the Sumitomo Spirit—“We conduct business that is beneficial to society based on the principles of integrity and sound management.”

Ryuzo Ueyama

Chairman and Representative Director,
Sumitomo Forestry Co., Ltd.

Providing Homes in which People Can Live with Peace of Mind

I would like to express my heartfelt condolences to the victims of the Great East Japan Earthquake.

Many people sustained serious damage to their homes—the basis for their lives—as a result of the earthquake and tsunami. As a company that supplies homes, we at the Sumitomo Forestry Group see it as our mission to help people return to a secure way of life as soon as possible. The Sumitomo Forestry Group has a major role to play in the reconstruction process, and we will spare no effort in working for the recovery of the affected region, including the promotion of employment.

In the area affected by the earthquake, as well as in other regions, there is a need to encourage the use of wood in building and to create a stock of good quality housing. To achieve this, we will push forward even more vigorously with the Excellent Long-Term House Leading Model Project, while also promoting the development of new renovation technologies that can enhance the performance of the house.

Drawing on its experience of house construction and community-building, the Sumitomo Forestry Group will demonstrate leadership and unite with the industry to contribute to the reconstruction of the disaster region, while continuing to supply homes that provide peace of mind.

The Sumitomo Forestry Group's Business Spirit

The roots of the Sumitomo Forestry Group can be traced back 320 years to the opening of the Besshi

Copper Mine in Shikoku and the start of copper mining there. The Besshi Copper Mine developed steadily as one of the major copper mines in Japan, but with the advent of the Meiji era, air pollution caused by copper refining and the felling of vast quantities of trees for use as fuel led to the degradation of the mountain environment. It was then that Teigo Iba, manager of the Besshi Copper Mine, implemented a large-scale reforestation plan to return the degraded mountains to their original condition in the spirit of repaying what had been reaped from the land. In some years, as many as a million or more trees were planted in order to restore greenery to the mountain landscape. This spirit of conducting business while avoiding over-emphasis on short-term gain became our business policy, namely that Sumitomo's operations must be at the service of society and the people, and this policy is also reflected in our corporate philosophy today.

In fiscal 2008, Sumitomo Forestry declared its participation in the United Nations Global Compact, and we believe that its ten principles in the areas of human rights, labor standards, the environment and anti-corruption echo the Sumitomo Spirit. The Sumitomo Forestry Group has developed the scope of its original forest management business to the timber and building materials business and housing business, while also expanding its operations overseas. As a company engaged in operations around the world, we will demonstrate our commitment to the Sumitomo Spirit on a global scale and work for the benefit of society—and hence for regional development and people's happiness—in accordance with the goals of the United Nations Global Compact.

| Aiming to be the World's Leading Forestry Company

Today, Japan and the world are entering an era of dramatic change. As we confront a crisis that threatens the sense of reassurance in our lives, people's values are undergoing significant change.

Amid hopes for the creation of a new sustainable society based on the re-examination of previous ways, wood and forests—the core strengths of the Sumitomo Forestry Group—are likely to play an increasingly important role in protecting biodiversity and building a recycling-oriented society.

Although around 70% of the land area of Japan is forested, making it one of the world's leading forested nations, the decline of the forestry industry has led to many forests being abandoned in a degraded state, with timber resources not being utilized effectively. The United Nations has declared 2011 to be the International Year of Forests, so this is also a year in which the importance of forests and wood will be reaffirmed on a global basis. Since the Great East Japan Earthquake, the application of timber resources in renewable biomass energy has attracted the interest of society, and it will be vital to renew the declining forestry industry and revitalize forests if we are to continue using wood in a sustainable manner.

The Sumitomo Forestry Group is now moving forward with a major goal ahead of us - to be the world's leading forestry company in 30 years' time. We are not aiming to be the world's largest forestry company simply in terms of land area. Instead, we want to be a company that cultivates forests, enhances the value of trees, and increases the Earth's greenery from a long-term perspective with consideration for the global environment and regional society, in accordance with the Sumitomo Spirit. In the same way that greenery was restored to the Besshi mountains through the large-scale reforestation plan, we are aspiring to promote the revitalization of the forestry industry and the utilization of wood with the goal of becoming the world's leading forestry company.

Our Commitment

▶ Chairman and Representative Director

▼ President and Representative Director

We contribute to the sustainable development of society through our business, which centers on wood and housing-related services

We will take a lead in protecting the global environment and building a prosperous society by tackling the Four Material Issues in our core business and further enhancing the value of the renewable natural resource that is wood.



President and Representative Director,
Sumitomo Forestry Co., Ltd.

Reaffirming Our Mission and Our Focus on the Operational Front-line

First, I would like to express my heartfelt condolences to the victims of the Great East Japan Earthquake. When I visited the disaster area after the earthquake and witnessed first-hand the unimaginable scale of the damage, I was reminded again of the importance and nature of homes as the basis for people's lives.

There are more than 17,000 Sumitomo Forestry homes just in the areas that experienced tremors of seismic intensity 6 or greater on the Japanese *shindo* scale (0–7). Fortunately, no Sumitomo Forestry houses collapsed as a result of tremors even in the recent earthquake, thanks in part to our deployment of the latest seismic-resistant technologies after a process of repeated testing and validation. However, many of our customers in areas affected by the tsunami sustained significant damage, some of whom we have not yet been able to contact. Based on our Action Guideline of “Putting Customers First,” staff from the Housing Division hurried to the disaster area the day after the earthquake to verify the safety of our customers and undertake repairs to homes. Utilizing our nationwide network, we did everything possible to help, including establishing emergency relay centers and delivering supplies of materials and aid, despite distribution being disrupted by damaged roads.

It was arguably our front-line operational capabilities that enabled us to respond quickly to such extraordinary circumstances, something we learned from our experience of events including the 1995 Kobe Earthquake. I believe that an awareness of routinely “putting customers first” and making contributions to society through our business resulted in appropriate action being taken. Since the earthquake, we have built temporary housing at an urgent pace in response to government requests, in order to advance the recovery effort. In addition, we are supplying the disaster region with housing products to support the recovery, with enhanced seismic-resistance, and shorter construction lead times and at lower cost than

usual. We are also selling special products that actively utilize timber from the Tohoku region, while also recruiting new employees and establishing special recruitment quota for the disaster region at group companies. In this way, we are providing various forms of support through our business. We have also introduced a new volunteer leave program to support individual employees who are participating in activities to help the recovery effort.

We are only at the beginning of the road to recovery, which will be long. However, the Sumitomo Forestry Group will meet its responsibilities and continue to provide long-term support by carrying out the role expected of us by society.

Tackling the Four Material Issues to Meet the Expectations of Society

The Sumitomo Forestry Group, aspiring to the realization of a sustainable society, established four material issues in fiscal 2007, and in fiscal 2010 the Group continued to advance specific initiatives in each of the four areas.

To achieve our first aim of Providing Timber Products and Materials from Sustainable Forests, we have ensured that only legally compliant timber is used, and we have expanded our handling of timber from certified, plantation and domestic forests on the basis that this is environmentally sound. In fiscal 2010, the proportion of certified timber and plantation timber reached about 60% of the total volume of timber handled. At the same time, we developed our own standard, the FS (Forest Service) Grade, to promote the use of Japanese timber in houses, and we focused on expanding sales of domestic timber products with a level of quality appropriate to the type of use.

To achieve our second aim of Providing Environmentally Friendly Homes, it is very important to consider a single house as a single unit of energy. We develop homes while taking into consideration overall energy issues from construction through to demolition, as well as the impact on the environment. Underpinning the Sumitomo Forestry home is the *Ryouonbou* design concept, which creates a comfortable living space by utilizing natural forces including the wind, sun, and plants without undue reliance on equipment such as air-conditioners. We are also focusing on developing the Life Cycle Carbon Minus (LCCM) house, which realizes a negative CO₂ emission volume over the entire life cycle of the house by incorporating the latest equipment such as solar power generation systems and home-use storage batteries. With biodiversity in mind, we are also committed to making planting proposals using “Harmonic Plants™,” which are used to create landscapes in harmony with local nature.

To achieve our third aim of Promoting Global Warming Countermeasures through Our Business, we are leveraging our strengths as company engaged in wider-ranging timber operations from upstream to downstream areas. Wooden houses have the intrinsic advantage of low CO₂ emissions at the time of construction, in addition to which wood—the construction material—continues to sequester as carbon the CO₂ that it has absorbed. Sumitomo Forestry is also engaged in a carbon offset initiative by which the CO₂ emitted at the time of construction is absorbed through reforestation, effectively reducing the CO₂ emission volume to zero. Additionally, in fiscal 2010 operation got underway at Japan's largest wood biomass power generation plant, a joint venture between SUMITOMO JOINT ELECTRIC POWER CO., LTD. and FULUHASHI EPO CORPORATION, where the power generation facilities use only biomass. Amid rising hopes in society for renewable, clean energy, it is arguably a unique strength of the Sumitomo Forestry Group that we are able to provide a stable supply of raw materials for wood biomass power generation—which makes effective use of wood waste and offcuts—thanks to our broad-based operations ranging

from forestry management through to the housing-related business.

To achieve our fourth aim of Promoting Family-Centered Employee Lifestyles, it is important to create an environment for our employees—the leaders of the above three initiatives—in which they are both mentally and physically healthy and can work with enthusiasm and a sense of purpose to propose homes and lifestyles for our customers. To realize this, we have implemented various measures aimed at achieving a good work-life balance.

In order to further expand opportunities for women in particular, we are listening directly to the opinions of employees who are raising families, through discussion meetings in which views are exchanged, and we are also promoting schemes such as childcare leave for male employees and teleworking in order to provide greater convenience for our employees. In addition, in order to cultivate human assets to increase our vibrancy as a company and boost our international competitiveness, we have expanded career support by establishing Sumitomo Forestry Business Institute equipped systematically with a varied training menu to improve skills and enhance our employees' human touch.

| Leading the Creation of a Sustainable Society

At the heart of the Sumitomo Forestry Group's business is the Sumitomo Spirit, which is “We conduct business that is beneficial to society based on the principles of integrity and sound management.” All Sumitomo Forestry employees will unite based on this Sumitomo Spirit and take a lead in protecting the global environment and building a sustainable and prosperous society by fulfilling the roles that have been assigned to us. We will do this by nurturing forests, enhancing the utility and value of the renewable natural resource that is wood, and providing all types of housing-related services. At the same time, we will maintain our efforts to become the world's leading forestry company in 30 years' time.

CSR Management Approach

▼ Corporate Philosophy

▶ Sumitomo Forestry's Business and CSR

▶ CSR Management Based on Four Material Issues

Corporate Philosophy

The Sumitomo Forestry Group's corporate philosophy advocates utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services. In order to realize this philosophy and to develop corporate integrity deserving of the trust of society, it is imperative to achieve a balance among the three CSR aspects of economic, social contribution, and environmental activities. In this context, so that each and every employee can consider the significance of their own tasks, behavior, and interaction with society from a CSR perspective, as well as respond to the expectations of society, we have formulated a statement entitled "Our Work and CSR." As a point of reference for Group employees in considering what should be held most important in relation to their actions, we formulated the statement, "Our Values and Ideals."

Corporate Philosophy

The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services.

Action Guidelines

- Sumitomo Spirit
 We conduct business that is beneficial to society based on the principles of integrity and sound management.
- Respect for Humanity
 We work to create an open and inclusive corporate culture that values diversity.
- Environmental Responsibility
 We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.
- Putting Customers First
 We are thoroughly committed to customer satisfaction through the provision of high-quality products and services.

Our Work and CSR

By utilizing Sumitomo Forestry's unique timber and housing expertise, we intend to create "cycles of happiness," based on the keywords of "utilization," "development," and "bringing together," that will lead to the individual development of employees, customers, local communities and the earth's environment.

Joy in Utilizing Sustainable Resources

1. Utilize Timber

Make available an appropriate and stable supply of sustainable forest resources while placing importance on biodiversity in order to generate new value that will benefit society.

2. Utilize the Forests

As a business leader instigating growth in the forestry industry, establish a sound model for both preserving and utilizing our forests.

3. Utilize Traditions

Learn from Japanese culture and traditional wisdom and hand down methods for living in harmony with nature to future generations.

Joy in Development

1. Nurture Families

Encourage lifestyles that above all foster happiness for the families of customers, families of employees—all families.

2. Develop Homes

Pursue development of houses that offer comfortable living and high asset value and which will be enjoyed for generations to come. Contribute also to the happy lifestyles of people at various stages in their lives.

3. Foster Communities

Foster local communities, taking the lead in the development of towns of which residents will grow fond and proud.

Joy in Bringing People Together

1. Bring Employees Together

Pool together the ideas and ambitions of employees to build a dynamic corporate culture that thrives with diverse personalities, and foster human assets that will contribute to the betterment of society.

2. Bring Society Together

Carry out spirited communication with people in society and willingly assimilate their ideas to be able to offer society what it really needs.

3. Bring the World Together

Build up our own recycling-oriented business, which will bring joy to people and the earth, and take a leading role in the formation of a sustainable society.

▶ Link to Related Website: Our Work and CSR (<http://sfc.jp/english/corporate/policies/csr.html>)

Code of Conducts



Our Values and Ideals

1. Inspire Emotion

Great ideas are born when employees enjoy their work. Bringing together diverse individuals will generate a new power. Just as each individual tree makes an abundant forest, bringing together our individual strengths allows us to perform our work in a way that will inspire our customers.

1. Customer Satisfaction
2. Partnership
3. Independence and Support
4. Freedom and Vigor
5. Reflection and Learning

2. Blaze a Trail to the Future

We honor the traditions passed down by all who came before us. Work that leads to the happiness of our children, grandchildren and future generations is a wonderful thing. We will blaze a new trail to the future with this pride leading the way. We will do our utmost in the interest of a sustainable society and the global environment.

1. Sustainable Development
2. Respect for Families
3. Accumulation and Creation
4. Giving Back to the Community
5. Environmental Responsibility

3. Act with Dignity

We approach our work every day with pride and integrity. Our work gives us something to be proud of as citizens of the broader society. The trust that we have earned from society forms the basis of our work. We will behave with dignity, allowing Sumitomo's Business Spirit to guide all of our actions.

1. Passing on Sumitomo's Business Spirit
2. Legal Compliance
3. Information Handling
4. Respect for Human Rights and Diversity
5. Autonomous Actions

▶ Link to Related Website: Our Values and Ideals (<http://sfc.jp/english/corporate/policies/values.html>)

CSR Management Approach

▶ Corporate Philosophy

▼ Sumitomo Forestry's Business and CSR

▶ CSR Management Based on Four Material Issues

Sumitomo Forestry's Business and CSR

The history of Sumitomo Forestry dates back 320 years. In Japan's Meiji era, Sumitomo carried out a large-scale reforestation plan to restore the mountain forests of Besshi in the Shikoku region after pollution from smelting and mining operations damaged the area. Planting as many as one million trees a year over several years, Sumitomo succeeded in returning the mountains to their original lush condition. The spirit behind this 'preservation forestry' allowed resources to be continually utilized in a pattern of logging followed by planting, and eventually led to the concept of sustainable forestry. As a leading Company in sustainability, Sumitomo Forestry is harnessing this spirit in its current operations.

Society has significantly changed in recent years as a result of the global environmental problems and social issues that have emerged. As a corporate Group that conducts forest management and provides timber and homes to customers both within Japan and overseas, Sumitomo Forestry Group believes that it can play a significant role in resolving these problems.



Forestry Environment Business

Based on its sustainable forestry philosophy of 'plant trees, cultivate them, use them as a resource, and then plant them again,' Sumitomo Forestry systematically manages huge Company-owned forests. In conducting its various businesses, it not only supports the supply of timber but also contributes to the resolution of environmental problems.



Related Four Material Issues

- ▶ Providing Timber Products and Materials from Sustainable Forests
- ▶ Providing Environmentally Friendly Homes
- ▶ Promoting Global Warming Countermeasures through Our Business
- ▶ Promoting Family-Centric Employee Lifestyles

Timber and Building Materials Business

Sumitomo Forestry makes use of the global network it has developed across 24 countries to ensure a stable supply of high-quality timber. From procurement through to manufacturing and distribution, it is developing a range of businesses as the leading timber and building materials trading group in Japan.



Related Four Material Issues

- ▶ Providing Timber Products and Materials from Sustainable Forests
- ▶ Providing Environmentally Friendly Homes
- ▶ Promoting Global Warming Countermeasures through Our Business
- ▶ Promoting Family-Centric Employee Lifestyles

Overseas Operations

Throughout the world, environmental problems are worsening and demand for building materials and houses is increasing. To meet these challenges, Sumitomo Forestry is expanding its sustainable operations using timber across the globe into regions including Asia, North America, and Oceania.



Related Four Material Issues

- ▶ Providing Timber Products and Materials from Sustainable Forests
- ▶ Providing Environmentally Friendly Homes
- ▶ Promoting Global Warming Countermeasures through Our Business
- ▶ Promoting Family-Centric Employee Lifestyles

Housing Business

Sumitomo Forestry's leading brand in custom-built wooden housing, Sumitomo Forestry Home houses, provide each and every customer with their ideal home. The Company utilizes the attractive qualities only wooden homes possess to continuously provide comfortable, long-lasting homes that are also kind to the environment.



Related Four Material Issues

- ▶ Providing Timber Products and Materials from Sustainable Forests
- ▶ Providing Environmentally Friendly Homes
- ▶ Promoting Global Warming Countermeasures through Our Business
- ▶ Promoting Family-Centric Employee Lifestyles

Real Estate Business

The Company launched its real estate business based on the expertise it cultivated in its businesses utilizing the unique qualities of wood. It is developing a wide array of operations, from creating real estate with value through to increasing customers' real estate value and building towns in harmony with nature.



Related Four Material Issues

- ▶ Providing Timber Products and Materials from Sustainable Forests
- ▶ Providing Environmentally Friendly Homes
- ▶ Promoting Global Warming Countermeasures through Our Business
- ▶ Promoting Family-Centric Employee Lifestyles

Stakeholder Comments

- If we can steadfastly keep to our corporate philosophy and, with sincerity, continue to do what needs to be done as a Group while adapting our business as needs change, then we will continue to flourish for another 320 years. (Employee)
- I am impressed that Sumitomo Forestry has been practicing sustainability for as long as 320 years! I expect it to show even stronger leadership in restoring the environment to health. (Business partner)



CSR Management Approach

▶ Corporate Philosophy

▶ Sumitomo Forestry's
Business and CSR

▼ **CSR Management Based
on Four Material Issues**

CSR Management Based on Four Material Issues

Sumitomo Forestry has identified four priority issues that are particularly relevant to our businesses. In this selection, we solicited stakeholder feedback regarding areas where their expectations are high, and narrowed down responses to four issues in fiscal 2007. These have become priorities for our initiatives. Sumitomo Forestry will remain committed to creating a sustainable society, while always listening to and acting on stakeholders' views.



Four Material Issues

- ▶ Internal Link: "Providing Timber Products and Materials from Sustainable Forests" (P.19)
- ▶ Internal Link: "Providing Environmentally Friendly Homes" (P.22)
- ▶ Internal Link: "Promoting Global Warming Countermeasures through Our Business" (P.24)
- ▶ Internal Link: "Promoting Family-Centric Employee Lifestyles" (P.26)

Stakeholder Comments

- I feel proud to be an employee of the Company and to do work that contributes to society.
(Employee)

The Process for Determining the Material Issues

1. Selection of candidate material issues

Based on discussions with specialist third parties, responses to previous Environmental and Social Report, and opinions received through employee workshops, a total of 27 issues that Sumitomo Forestry should be working on were identified.

2. Understanding the issues that are important to our stakeholders

A total of 143 questionnaires on the 27 candidate issues were completed by customers, business partners, analysts, investors, members of the press, employees, and relevant experts, allowing us to rank the various expectations held by stakeholders towards Sumitomo Forestry.

3. Consideration of importance from the perspective of business strategy

Priority levels in the context of Sumitomo Forestry's business activities were clarified based on management level discussions.

4. Determination of material issues

Sumitomo Forestry executive management determined the four material issues by selecting the three issues which had scored most highly in the stakeholder survey, and then adding an item which employees felt strongly about.





Four Material Issues

▼ **1. Providing Timber Products and Materials from Sustainable Forests**

▶ 2. Providing Environmentally Friendly Homes

▶ 3. Promoting Global Warming Countermeasures through Our Business

▶ 4. Promoting Family-Centric Employee Lifestyles

Four Material Issues

1. Providing Timber Products and Materials from Sustainable Forests

There continues to be a decline in the world's forests through illegal logging and excessive slash-and-burn farming, with approximately 52 million hectares¹ lost over the past ten years (about 1.4 times the area of Japan).

In Indonesia, where Sumitomo Forestry is engaged in business activities, there has been a reduction in forests of around 5 million hectares over the past ten years. In order to continue using timber resources into the future, it is essential to use timber from forests in which sustainable forest management is carried out, and never to use timber derived from illegal logging.

Sumitomo Forestry procures timber from around the world, primarily Southeast Asia and Europe. In fiscal 2007, Sumitomo Forestry established its Timber Procurement Philosophy & Policy and Action Plan, and has promoted procurement of timber from forests that have been verified as legally compliant and appropriately managed. In fiscal 2009, verification of compliance by all overseas suppliers was completed. In addition to legal compliance, from fiscal 2010 the Company has promoted the use of environmentally friendly timber in accordance with its New Action Plan.

In addition, the economic development of regional society and enhancement of people's living standards are crucial elements in resolving issues such as illegal logging and slash-and-burn farming. In its overseas plantation forestry business, the Company has therefore promoted social forestry² together with local people. Going forward, Sumitomo Forestry will continue promoting the use of sustainable timber resources by expanding forest management in a way that contributes to environmental protection and the development of regional society.

■ Major Performance Data

	FY 2007	FY 2008	FY 2009	FY 2010
Percentage of certified timber and plantation timber ³	—	—	64%	60%
Overseas plantation land area ⁴	3,077ha	3,312ha	4,313ha	5,046ha
Company-owned forests in Japan, land area	40,567ha	41,532ha	42,642ha	42,636ha

1 FAO "Global Forest Resources Assessment 2010"

2 Social forestry supports the economic independence of local residents by distributing profits gained from forestry management involving the local people.

- 3 Results after enactment of New Action Plan for timber procurement
 4 Land area under plantation forestry management for each fiscal year

Policy & Plans

Sumitomo Forestry will continue to advance its efforts based on the New Action Plan for timber procurement, which sets targets for fiscal 2012.

■ New Action Plan for Timber Procurement

Segment	Division	Action Plan • FY2012 Target
Group-wide		With the objective of contributing to the global environment, expand use and handling of timber from forests certified as legally compliant and sustainable (FSC®, PEFC, SGEC); use and handle timber from sustainable plantation forests; use and handle timber from forests in Japan to promote revitalization of the domestic forestry industry.
		Do not use, handle or purchase illegally logged timber. Continue handling 100% certified legally compliant directly imported timber and timber products.
Action Plan by Division		
Domestic Forestry Domestic Distribution	Forestry Department of Forestry and Environment Division	Continue 100% certification of Company-owned forests (SGEC certification). Preserve and protect biodiversity in Company-owned forests.
	Sumitomo Forestry Timberland Management Co., Ltd.	Promote handling of Japanese timber / Increase to 75% of volume used from FY2009.
Timber Distribution	Forest Products Trading Department of the Timber & Building Materials Division	Promote use and handling of timber from certified forests (FSC®, PEFC, SGEC) and plantation forests. Increase to 70% of total volume handled.
Domestic Manufacturing	Sumitomo Forestry Crest Co., Ltd. 3 plants (Nagoya, Kyushu, No. 2 Kyushu)	Promote use of timber from certified forests (FSC®, PEFC, SGEC), plantation forests, and Japanese forests. Increase to 50% of total volume used.
Housing	Housing Division	Promote and expand use of timber produced in Japan. Continue 70% share of Japanese timber used in principal structural members.
		Expand use of timber from certified forests (FSC®, PEFC, SGEC) and double the volume used compared with FY2009.

Results

■ Handling of Legally Compliant Timber and Timber Products

- ▶ Green Procurement Guidelines and Timber Procurement Standards (P.67)

■ Increased handling of Timber from Certified, Plantation, and Japanese Forests

- ▶ Promoting Sustainable Forestry in Japan (P.158)
- ▶ Initiatives for Efficient and Labor-Saving Harvesting of Trees (P.159)
- ▶ Building a Forest Management Model Utilizing Airborne Laser Imaging Detection and Ranging (LIDAR) Technology (P.160)
- ▶ Streamlining Management of Company-Owned Forests through Joint Operations (P.160)
- ▶ Proactive Use of Domestic Timber (P.164)
- ▶ Using Japanese Timber in Homes (P.165)
- ▶ Using Japanese Timber in Products (P.166)
- ▶ Development of Efficient Timber Drying Technology (P.168)
- ▶ Promotion of the Plantation Forestry Business Overseas (P.169)
- ▶ Increased Handling of Timber from Certified Forests and Plantation Forests (P.171)
- ▶ Launch of Large-Scale Commercial Forest Plantation Business (P.172)
- ▶ Development of Technology to Use Plantation Timber (P.202)

Related Pages in Previous Reports

- ▶ (2010) KIKORIN-PLYWOOD: Giving birth to a sustainable cycle of timber resources (http://sfc.jp/english/information/kankyo/activity/pdf/2010_01.pdf)
- ▶ (2009) Taking Up the Challenge of Acquiring Forestry Certification with Local Farmers (http://sfc.jp/english/information/kankyo/activity/pdf/2009_01.pdf)
- ▶ (2008) Toward a Sustainable Business Model Using Plantation Timber (http://sfc.jp/english/information/kankyo/activity/pdf/2008_01.pdf)
- ▶ (2007) Preserving Japan's Abundant Forests for the Next Generation (http://sfc.jp/english/information/kankyo/activity/pdf/2007_01.pdf)
- ▶ (2007) Protecting the World's Forests from Illegal Logging (http://sfc.jp/english/information/kankyo/activity/pdf/2007_02.pdf)

Future Plans

The Company will continue to work towards its targets for the year 2012.

Stakeholder Comment

- I think that using sustainable forests and domestic timber is very important in achieving a balance between protection of the global environment and the economy, and I urge Sumitomo Forestry to keep up its initiatives. (Government administrative body)
- As the industry leader, I hope you can correct the misperception that selling timber equals destruction of the environment. (Business partner)

Four Material Issues

▶ 1. Providing Timber Products and Materials from Sustainable Forests

▼ 2. Providing Environmentally Friendly Homes

▶ 3. Promoting Global Warming Countermeasures through Our Business

▶ 4. Promoting Family-Centric Employee Lifestyles

Four Material Issues

2. Providing Environmentally Friendly Homes

Given that the household sector accounts for 14.1% of Japan's total CO₂ emissions, additional energy conservation is required in daily living in order to combat global warming. It should be possible to reduce the environmental impact of homes at the stages of construction, occupation and demolition.

As a supplier of around 9,000 detached homes each year, Sumitomo Forestry employs the *Ryouonbou* design method that utilize the power of nature, and solar power generation systems. At the same time, the Company is developing its plantation forestry business to offset CO₂ emissions during the process from tree logging for principal structural members through to construction, while also developing Life Cycle Carbon Minus (LCCM) homes to reduce CO₂ emissions in the overall life cycle.

Sumitomo Forestry believes that the proactive use of domestic timber not only in the principal structural members, but also in interior materials and furniture, helps to preserve Japanese forests and promotes revitalization of the forest industry.

Sumitomo Forestry is engaged in initiatives to preserve biodiversity, including the planting of native trees in domestic gardens as well as forests, and is also advancing a wide range of housing-related environmental initiatives to help realize a society in which houses are used long-term across generations, including extending the life of houses and renovation.

■ Major Performance Data

	FY 2007	FY 2008	FY 2009	FY 2010
Domestic timber as % of principal structural members	51%	70%	70%	70%
Number of native trees planted	—	—	17,753	18,075
Solar power installation rate	—	4%	22%	28%

Policy & Plans

Strengthen development of environmentally sound housing

Strengthen environmental landscaping operations

Expand renovation operations

Results

Strengthen Development of Environmentally Sound Housing

- ▶ Policy for Long-Lasting Homes (P.47)
- ▶ Developing Life Cycle Carbon Minus (LCCM) Homes (P.138)
- ▶ Reducing Energy Use through the Ryouonbou Design Concept (P.140)
- ▶ Growing Use of Solar Energy in Houses (P.142)
- ▶ Solar Hot Water System Developed (P.143)
- ▶ Employing Next-Generation Energy Conservation Standards (P.144)
- ▶ Providing Environmentally Sound Homes in Australia (P.145)
- ▶ Waste Reduction at New Housing Construction Sites (P.147)
- ▶ Using Japanese Timber in Homes (P.165)

Strengthen Environmental Landscaping Operations

- ▶ Landscaping Operations that Help to Preserve Biodiversity (P.180)

Expand Renovation Operations

- ▶ Developing Earthquake-Resistant Renovation Technologies (P.55)
- ▶ Promoting Environmentally Friendly, Energy-Saving Renovation (P.144)
- ▶ Development of Energy-Saving Renovation Techniques (P.204)

Related Pages in Previous Reports

- ▶ (2010) Sumitomo Forestry: Building Homes, Creating Forests (http://sfc.jp/english/information/kankyo/activity/pdf/2010_02.pdf)
- ▶ (2009) MyForest [GS] Environmentally Friendly Homes for Long-Term Reliability (http://sfc.jp/english/information/kankyo/activity/pdf/2009_02.pdf)
- ▶ (2008) Realizing Environmentally-Friendly “Local Production for Local Consumption” Type Housing (http://sfc.jp/english/information/kankyo/activity/pdf/2008_02.pdf)
- ▶ (2007) Learning from Our Forerunners—Living in Harmony with Nature through Ryouonbou Design (http://sfc.jp/english/information/kankyo/activity/pdf/2007_03.pdf)

Future Plans

- Strengthen development of environmentally sound housing
- Promote environmental landscaping operations
- Expand renovation operations

Stakeholder Comment

- I think the provision of environmentally sound homes is especially important for everything (living creatures and the earth). (Customer)
- I think a home that is cool in summer and warm in winter is a comfortable house and economical, too. I think it would be great if this could be applied to not only houses, but to retail stores, offices, and schools, too. (Customer)

Four Material Issues

▶ 1. Providing Timber Products and Materials from Sustainable Forests

▶ 2. Providing Environmentally Friendly Homes

▼ 3. Promoting Global Warming Countermeasures through Our Business

▶ 4. Promoting Family-Centric Employee Lifestyles

Four Material Issues

3. Promoting Global Warming Countermeasures through Our Business

Climate change resulting from global warming is a serious environmental problem facing the planet. The 2009 summit of industrialized countries established a target comprising a 50% reduction in greenhouse gas emissions by the year 2050 and the containment of warming to below two degrees Celsius. Japan also proposed to cut greenhouse gas emissions to 25% below 1990 levels by the year 2020.

Sumitomo Forestry is emitting CO₂ in its offices and plants both inside and outside Japan, as well as during activities including harvesting at mountain worksites and housing construction. We promote energy-saving initiatives in offices and plants, and the use of biomass to reduce CO₂ emissions in the Company's business activities. In addition, by the absorption and storage of CO₂ through our forest management, we will help to stem global warming.

■ Major Performance Data

CO ₂ emissions	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Emissions at Offices (t-CO ₂)	41,349	41,162 (-0.5%)	38,826 (-6.1%)	36,806 (-11.0%)	35,958 (-13.0%)

* Figures in brackets indicate the percentage change compared with FY2006

▶ Results for plants in Japan and plants outside Japan are reported under "Sumitomo Forestry Group CO₂ Emission Volume Reduction Targets" in this report. (P.131)

Policy & Plans

Sumitomo Forestry is advancing initiatives aimed at achieving its new CO₂ reduction targets set in the Medium-Term Environmental Management Plan formulated in December 2009.

■ New CO₂ Emission Volume Reduction Targets

Offices: By FY2010, achieve a 12% reduction in overall emissions compared with FY2006, and maintain this level to 2014

Plants in Japan: By FY2014, for each plant achieve an 8% reduction in base units¹ compared with FY2006

Plants outside Japan: Set targets for each plant in consideration of local laws and regulations, including overall emissions, emissions per unit sold, and/or other targets as appropriate to each facility.

¹ Base units are set appropriately for each product line at each facility.

Results

■ Activities at Factories, Distribution and Offices

- ▶ Life Cycle Assessments (P.124)
- ▶ Sumitomo Forestry Group CO₂ Emission Volume Reduction Targets (P.130)
- ▶ Reducing CO₂ Emissions from Plants: Wood Biomass Power Generation Facility Installed at RPI (P.132)
- ▶ Reducing CO₂ Emissions from Offices (P.133)
- ▶ Reducing CO₂ Emissions from Transportation (P.134)
- ▶ Participating in Japan's Trial Integrated Emissions Trading Market (P.137)
- ▶ CDM Business Using Wood Biomass Power Generation (P.209)
- ▶ Promoting Wood Biomass Power Generation (P.210)
- ▶ Energy Conservation in Offices (P.213)

■ Reducing CO₂ during Construction and Occupancy

- ▶ Plantation Forest Operations to Offset CO₂ Emitted by Principal Structural Members from Harvesting Timber to Construction of Housing (P.136)
- ▶ Developing Life Cycle Carbon Minus (LCCM) Homes (P.138)
- ▶ Reducing Energy Use through the Ryouonbou Design Concept (P.140)
- ▶ Growing Use of Solar Energy in Houses (P.142)
- ▶ Solar Hot Water System Developed (P.143)
- ▶ Employing Next-Generation Energy Conservation Standards (P.144)
- ▶ Promoting Environmentally Friendly, Energy-Saving Renovation (P.144)
- ▶ Providing Environmentally Sound Homes in Australia (P.145)
- ▶ Development of Energy-Saving Renovation Techniques (P.204)

Related Pages in Previous Reports

- ▶ (2010) Plantation Forest Operations to Offset CO₂ Emitted by Principal Structural Members from Harvesting Timber to Construction of Housing (http://sfc.jp/english/information/kankyo/activity/pdf/2010_03.pdf)

Future Plans

Plants in Japan are easily impacted by economic downturns, making it difficult to determine the actual status of CO₂ reduction activities. For this reason, new targets have been set using base units (per unit of production) for each individual plant, rather than base units per unit of sales. However, setting base units for each plant makes it difficult to identify reduction initiatives across all plants. From fiscal 2011, management of total emission volumes is being carried out by setting both base unit targets (unit of production) for each plant and new base unit target per unit of sales for each manufacturing company, partly in consideration of the sale of plywood plants from fiscal 2011, which are easily impacted by economic conditions.

Stakeholder Comment

- I think global warming is simply a reflection of the daily buildup of activities, so I would like Sumitomo Forestry to keep the figures in mind as it conducts its business. (Customer)

Four Material Issues

▶ 1. Providing Timber Products and Materials from Sustainable Forests

▶ 2. Providing Environmentally Friendly Homes

▶ 3. Promoting Global Warming Countermeasures through Our Business

▼ 4. Promoting Family-Centric Employee Lifestyles

Four Material Issues

4. Promoting Family-Centric Employee Lifestyles

In order to continue providing its customers with the highest possible value, it is essential for the Company's employees to be healthy and happy. Particularly since Sumitomo Forestry supplies homes that form the basis of people's lifestyles, we think it is important for our employees themselves to value their time with their families and achieve an appropriate work-life balance. In addition, a diversity of employees is the basis for creating new value.

Accordingly, Sumitomo Forestry strives to create a workplace that enables a diverse range of employees to tailor their work styles to their lifestyles, and aims to be an attractive company for its employees. To date, we have made improvements through establishing systems and enhancing communication with our employees. In fiscal 2010, we focused on enhancing the environment for disabled employees and encouraging male employees to take childcare leave.

■ Major Performance Data

	FY 2007	FY 2008	FY 2009	FY 2010
Utilization of refresh vacation program	52%	45%	61%	59%
Utilization of childcare leave (women who gave birth)	100%	100%	100%	100%
Ratio of disabled employees	1.67%	1.54%	1.82%	2.06%

Policy & Plans

- Next Generation Law: Setting the 4th Action Plan
- Establishment of a Workplace Environment Supportive of Employees Raising Children / Encouraging Male Employees to Take Childcare Leave
- Establishment of the Action Committee to Reduce Long Work Hours
- Promotion of Utilization of Paid Holidays
- Implementation of Training for Employees with Disabilities

Results

■ Creating a Workplace in which a Diverse Range of Employees can Work Together

- ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.76)
- ▶ Employee Hiring, Promotion, and Re-Employment Systems (P.77)
- ▶ Helping Employees Achieve a Better Work-Life Balance (P.79)
- ▶ Promoting Affirmative Action (P.82)
- ▶ Promoting the Employment of People with Disabilities (P.83)

■ Human Resources Development

- ▶ Human Resource Development (P.90)
- ▶ Career Consultation and Support (P.91)
- ▶ Multifaceted Training (P.91)
- ▶ Creating Intellectual Property (P.92)

Related Pages in Previous Reports

- ▶ (2010) Expanding Opportunities for People with Disabilities to Improve Corporate Value (http://sfc.jp/english/information/kankyo/activity/pdf/2010_04.pdf)
- ▶ (2009) Employee Round-Table Discussion: Creating a Workplace in which Employees Can Work Together with Enthusiasm (http://sfc.jp/english/information/kankyo/activity/pdf/2009_03.pdf)
- ▶ (2007) Employees Shape the Future—Sumitomo Forestry in 2020 (http://sfc.jp/english/information/kankyo/activity/pdf/2007_04.pdf)

Future Plans

- Company-Wide Initiatives to Reduce Overtime Work
- Promotion of Utilization of Paid Holidays
- Support for a Diversity of Work Styles to Achieve a Work-Life Balance
- Promotion of Diversity in the Workplace

Stakeholder Comment

- I think it's only natural for a company involved in the lifestyle-related industry to have respect and sensitivity for its employees' lifestyles. (Citizen)
- I think these initiatives are good, as quality work cannot be achieved without a good relationship with family. (Customer)

Relations with Stakeholders

Sumitomo Forestry Stakeholders

Sumitomo Forestry's business is founded on its relations with its customers, business partners, local communities, employees, and other stakeholders. The Company adopts a wide range of perspectives in its communications with stakeholders while striving to carry out business activities that meet the expectations of society.



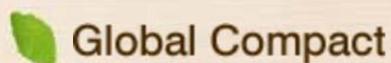
Sumitomo Forestry Stakeholders

■ Communication with principal stakeholders

Stakeholder	Communication method	Link to the relevant page in the report
Customers	<p>We stay in touch with customers for a considerable period after their homes are constructed. Following the Action Guidelines of “Putting Customers First”, we are committed to making efforts to respond to their expectations and trust.</p> <ul style="list-style-type: none"> Responding to customer inquiries 24 hours a day and 365 days a year, carrying out regular surveys after they move in, etc. 	<ul style="list-style-type: none"> Communication with Customers (P.57)
Business partners	<p>While communicating closely with building contractors and our timber and building materials business partners, we work to enhance product quality, reduce environmental impact, and improve workplace health and safety.</p> <ul style="list-style-type: none"> Training and discussions on problems to promote exchange of information and improve construction techniques, etc. 	<ul style="list-style-type: none"> Communication with Our Business Partners (P.71)
Shareholders and investors	<p>We strive to actively disclose information and communicate with shareholders and investors to build stronger bonds of trust with them.</p> <ul style="list-style-type: none"> Earnings briefings, individual meetings for institutional and private investors, etc. 	<ul style="list-style-type: none"> Communication with Our Shareholders and Investors (P.74)
Employees	<p>We provide opportunities for employees to have their voices heard, with the aim of creating a workplace in which a diverse range of employees can comfortably work together.</p> <ul style="list-style-type: none"> Conduct employee surveys, communication with labor union, etc. 	<ul style="list-style-type: none"> Communication with Our Employees (P.88)
Local communities	<p>We value events and other opportunities for the Company to communicate its corporate stance.</p> <ul style="list-style-type: none"> Talks using our unique mascot, <i>Kikorin</i>, to present our corporate stance, discussions with local people involved in plantation work, etc. 	<ul style="list-style-type: none"> Communication with Society (P.95)

■ Dialogues with stakeholders held up to the present time

Theme	Year held
▶ Expanding Opportunities for People with Disabilities to Improve Corporate Value (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2010_01.pdf)	2010
▶ Employee Round-Table Discussion: Creating a Workplace in which Employees Can Work Together with Enthusiasm (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2009_01.pdf)	2009
▶ Imparting Ideas for Sustainable Homes to Society (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2007_01.pdf)	2007
▶ Incorporating NGO Ideas into a Unique Timber Procurement Policy (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2007_02.pdf)	2007
▶ Sumitomo Forestry's Role in the Creation of a Sustainable Society (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2006_01.pdf)	2006



In December 2008, we formally signed the United Nations Global Compact to declare our support for its principles.

The Global Compact is a United Nations initiative started at the suggestion of former UN Secretary-General Kofi Annan in 1999. The participating companies from around the world support and pursue ten principles in the four areas of human rights, labor, the environment and anti-corruption to resolve a wide range of problems stemming from the globalization of the world's economy and to create a sustainable society.

The Ten Principles of the UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.



Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

■ Global Compact Content Index

Area	Principle		Location
Human Rights	Principle 1	The support and respect of the protection of international human rights	<ul style="list-style-type: none"> ▶ Our Values and Ideals (P.13) ▶ Communication with our Business Partners (P.71) ▶ A Safe and Healthy Working Environment (P.84) ▶ Communication in Communities with Plantation Forest Operations (P.95) ▶ Respect for Human Rights (P.98)
	Principle 2	The refusal to participate or condone human rights abuses.	<ul style="list-style-type: none"> ▶ Our Values and Ideals (P.13) ▶ Respect for Human Rights (P.98)

Area	Principle		Location
Labor	Principle 3	The support of freedom of association and the recognition of the right to collective bargaining	▶ Communication with Our Employees (P.88)
	Principle 4	The abolition of compulsory labor.	▶ Prevention of Child Labor and Forced Labor (P.98)
	Principle 5	The abolition of child labor;	▶ Prevention of Child Labor and Forced Labor (P.98)
	Principle 6	The elimination of discrimination in employment and occupation.	▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.76) ▶ Human Rights Training for Employees (P.87) ▶ Respect for Human Rights (P.98)
Environment	Principle 7	The implementation of a precautionary and effective program to environmental issues.	▶ Environmental Report (P.111)
	Principle 8	Initiatives that demonstrate environmental responsibility.	▶ Environmental Report (P.111)
	Principle 9	The promotion of the diffusion of environmentally friendly technologies	▶ Environmental Report (P.111)
Anti-Corruption	Principle 10	The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.	▶ Our Values and Ideals (P.13)



Evaluation by Non-Group Third Parties

Awards and Evaluation by Non-Group Third Parties

Name	Evaluation	Scope of Evaluation
<ul style="list-style-type: none"> ▶ Toyo Keizai and the Green Reporting Forum, The 14th Green Reporting Awards and Sustainability Report Awards (http://sfc.jp/english/pdf/20110201-2.pdf) 	<ul style="list-style-type: none"> ▪ First Prize 	Sumitomo Forestry Co., Ltd. Environmental and Social Report 2010
SAM "The Sustainability Yearbook 2011"	<ul style="list-style-type: none"> ▪ Selected in the Home Construction Sector, for its excellence in sustainability (for four consecutive years) ▪ Selected as a "Sector Leader," "Sector Mover" (for two consecutive years) 	Sumitomo Forestry Co., Ltd.
The Ministry of Land, Infrastructure, Transport, and Tourism (MLIT), The Outstanding Craftsman Award	<ul style="list-style-type: none"> ▪ Construction Master 	Sumitomo Forestry Co., Ltd.
Kids Design Association, the 4 th Annual Kids Design Award, Universal Safety category, Future Action category		Sumitomo Forestry Co., Ltd., Original Stairs, Survey on Children's Favorite Floor
Center for Housing Renovation and Dispute Settlement Support, The 27 th Housing Renovation Contest	<ul style="list-style-type: none"> ▪ Special Award, Housing Renovation Promoting Council Chairman's Prize 	Sumitomo Forestry Home Tech Co., Ltd., Renovation project
Japan Institute of Design Promotion, The Good Design Award 2010, Living / Single Dwelling Homes, Multiple Dwelling Units	<ul style="list-style-type: none"> ▪ The Good Design Award 	Sumitomo Forestry Home Tech Co., Ltd., Renovation project
Tokyo Metropolitan Housing Barrier-Free Promotion Council, The 5 th Annual Housing Barrier-Free Competition 2010	<ul style="list-style-type: none"> ▪ Prize for Excellence, The Tokyo Electric Power Company Prize 	Sumitomo Forestry Home Tech Co., Ltd., Renovation project
The 48 th National Skills Competition, Construction and Carpentry Section	<ul style="list-style-type: none"> ▪ Gold, silver, bronze, and fighting-spirit awards 	Sumitomo Forestry Home Engineering Co., Ltd.
Chiba Prefecture, The 2010 Chiba Prefecture Skilled Craftspeople		Sumitomo Forestry School of Professional Building Techniques

Name	Evaluation	Scope of Evaluation
<p>▶ Tokyo Metropolitan Government Green Award (http://www.sumitomocorp.co.jp/english/business_overview/life_industry/outline14b.html)</p>	<ul style="list-style-type: none"> ▪ Greening Renovation Prize 	<p>Prize-winning facility: Sumitomo Corporation Takebashi Building.</p> <p>Prize winner: Sumitomo Corporation, Nikken Sekkei Ltd., Sumitomo Forestry Landscaping Co., Ltd.</p>
<p>Organization for Landscape and Urban Green Infrastructure, The 9th Competition for Specialized Greening Technology for Rooftops, Wall Facings and New Green Spaces</p>	<ul style="list-style-type: none"> ▪ The Nikkei Inc Prize 	<p>Prize-winning facility: Sumitomo Corporation Takebashi Building.</p> <p>Prize winner: Sumitomo Corporation, Nikken Sekkei, Sumitomo Forestry Landscaping Co., Ltd.</p>
	<ul style="list-style-type: none"> ▪ Special Award of Judging Committee 	<p>Prize-winning facility: Senri Rehabilitation Hospital</p> <p>Prize winner: Medical Corporation Wafukai E-DESIGN Inc. Sumitomo Forestry Landscaping Co., Ltd.</p>
<p>2010 "CSR Management-level Contest," organized by the Governor of Central Java province</p>	<ul style="list-style-type: none"> ▪ Grand Prize 	<p>PT. Rimba Partikel Indonesia (RPI)</p>

Selection for Model Projects

Name	Business adopting project
<p>New detached home section, Model Project for Promoting CO₂ Reduction in Housing and Buildings promoted by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)</p>	<p>Sumitomo Forestry Co., Ltd., Sustainable Energy House (CO₂-saving type)</p>
<p>MLIT's Excellent Long-Term House Leading Model Project, in the 'new detached home' section in the field of 'establishment of a timber recycling-based society'</p>	<p>Sumitomo Forestry; "Home Built with Japanese Cedar," "Home Built Hokkaido Timber"</p>
<p>MLIT's Excellent Long-Term House Leading Model Project in the 'renovation of existing homes section'</p>	<p>Sumitomo Forestry Home Tech Co., Ltd., "Reforest + (Plus)"</p>

SRI Indices

(As of July 2011)

SRI Index	Period
Dow Jones Sustainability Indexes (DSJI World)	2005 to present
FTSE4Good Global Index	2004 to present
Morningstar Socially Responsible Investment Index (MS-SRI)	2008 to present

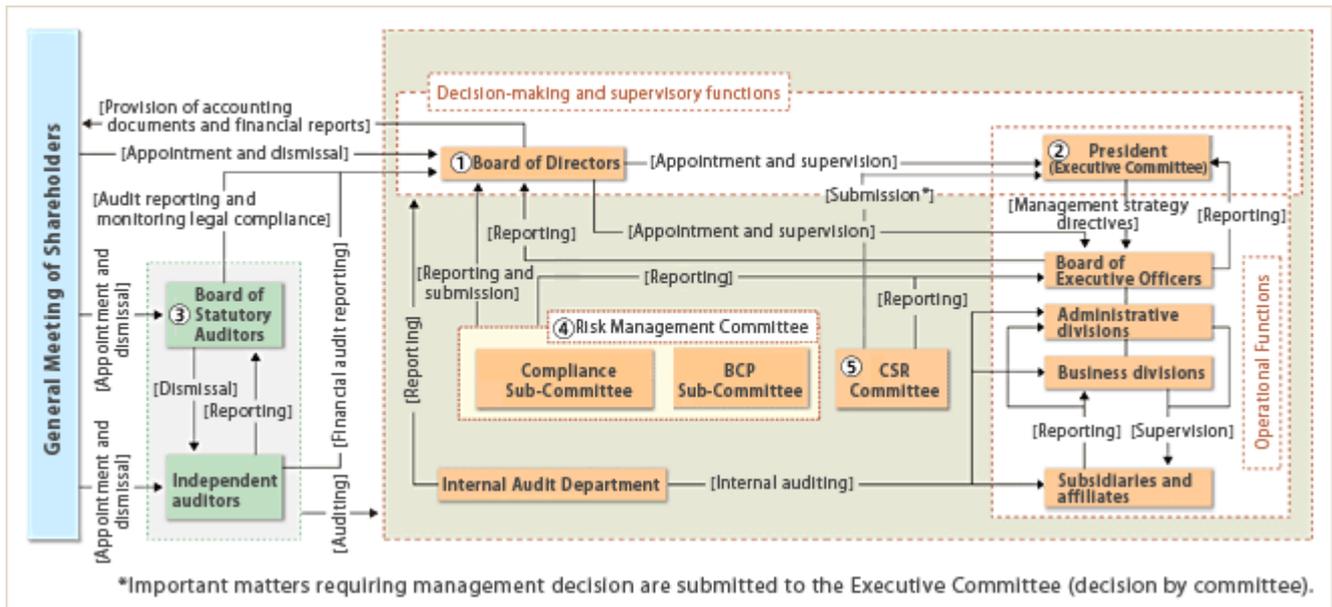
- ▶ Internal Link: "Inclusion in Socially Responsible Investment Indexes" (P.75)

Corporate Governance

Sumitomo Forestry is working to enhance and reinforce its corporate governance to improve the transparency of its corporate activities and ensure sound and reliable management.

Corporate Governance and Internal Controls

■ Corporate Governance Structure (as of April 30, 2011)



Sumitomo Forestry has a Board of Directors and a Board of Statutory Auditors. The Company has strengthened its statutory auditors' monitoring function. It has introduced an executive officer system to separate supervisory from executive functions and has clarified where the executive responsibility lies. As of April 1, 2011, there were seven directors, 12 executive officers, and five statutory auditors (of which, three are external auditors). The total amount of compensation for directors and internal and external auditors for each fiscal year is disclosed in business reports, in accordance with relevant laws.

■ Board of Directors (1) and Executive Committee (2)

In principle, the Board of Directors meets once a month, making decisions on important issues and carrying out its supervisory function. The Executive Committee meeting is held twice a month, before the Board of Directors meeting to ensure that there is sufficient prior discussion on important issues. It is attended by those directors who also serve as executive officers, as well as the full-time statutory auditors. In fiscal 2010, the Board of Directors met 16 times and the Executive Committee 22 times.

■ Board of Statutory Auditors (3)

The statutory auditors, including the external auditors, utilize the deep insights and diverse perspectives they have acquired from their various business backgrounds to provide oversight for the directors' execution of duties. The Board of Statutory Auditors met 14 times during fiscal 2010. The Board of Statutory Auditors' meeting for the Group is held once every two months.

■ Risk Management Committee (④)

Compliance risk and disaster risk are the risks that the Company considers must be addressed as a priority across the entire Group. Through the activities of the Compliance Sub-Committee and the BCP Sub-Committee, which are under the umbrella of the Risk Management Committee, problems are identified and specific measures are taken within a fixed timeframe. The Risk Management Committee regularly submits reports on progress in these areas to the Board of Directors and to the auditors.

■ CSR Committee (⑤)

In April 2009, the CSR Strategy Committee was reorganized as the CSR Committee to strengthen cooperation between divisions and enhance activities at job sites.

Stakeholder Comment

- I would like Sumitomo Forestry to work toward ensuring that its management is transparent and fair.(Management-related CSR Expert)

Compliance and Risk Management

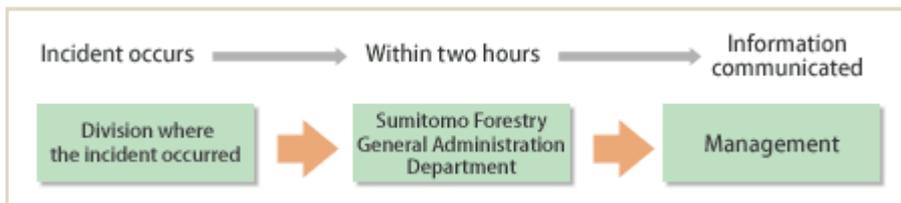
Sumitomo Forestry is committed to proactive compliance management based on the wording of the Sumitomo Spirit, "We conduct business that is beneficial to society based on the principles of integrity and sound management."

Rapidly Comprehending and Dealing with Risks

In recent years, the risks inherent in the Company's business environment have expanded in both nature and scope. Since 2002, the Sumitomo Forestry Group has adopted a two-hour rule system designed to rapidly and accurately communicate information to management in the event of an emergency situation that may have a serious impact on company management.

By communicating information at an early stage, the goal is to enable management to make a rapid and precise first response to the situation. Also, by gathering and analyzing data, the Company can disclose information to its stakeholders in a timely and appropriate manner. Moreover, it can take measures to prevent incidents from occurring throughout the Group by accumulating case studies.

■ Sequence of Events for the Two-Hour Rule



Compliance Risk

Results

■ Raising Awareness about Compliance throughout the Group

The Compliance Sub-Committee is the primary organization accountable for checking compliance with relevant laws and ordinances closely related to the Group's business, such as the Construction Industry Act and the Licensed Architect Act. In addition, it carries out initiatives to increase awareness about compliance throughout the Group to ensure compliance with relevant laws in those of its businesses that require official approval. In fiscal 2010, it created new guidelines in response to the revisions made to the Antimonopoly Act and worked to improve the Group's compliance level through identification of issues by using a shared tool to check compliance status and acting through the PDCA cycle.

■ Conducting thorough Management of Subcontractor Approval

The Company conducts thorough management of subcontractor approval, for businesses that require multi-level contracts with external specialists such as the construction industry.

■ Sponsoring Seminars for Compliance Managers

The Group sponsors seminars for the compliance managers of all Group companies led by external specialist instructors. In fiscal 2010, the Group sponsored seminars on such topics as safe driving, the Antimonopoly Act, and labor-management practises.

Disaster Risk

Policy & Plans

As the organization primarily accountable for disaster risk, the Business Continuity Plan (BCP) Sub-Committee has developed business continuity plans for risks that are beyond the control of the Company and could significantly impact the headquarters' functions, and acts based on these plans.

Results

■ Responding to the Great East Japan Earthquake

Based on the Risk Management Basic Regulations and the Crisis Management Rules¹, on March 11, 2011, the day the earthquake occurred, the Company established an Earthquake Response Team, headed by the President. The Earthquake Response Team worked to understand the conditions on the ground following the Company's initial response to the earthquake, such as confirming the safety of stakeholders and dispatching officers to the area, and communicated information both to employees and non-Group stakeholders. In addition, each day members of the Earthquake Response Team continued to confirm what the conditions actually were and held discussions on the measures to be taken.

¹ The Risk Management Basic Regulations and the Crisis Management Rules were formulated in March 2009.

■ Safety Verification System Introduced across the Group in Japan

In July 2010, the Company introduced an email-based safety verification system for all Group business sites and employees in Japan. In the system, emails are automatically sent to employees and they are required to reply to the emails confirming their status. To check whether the system was functioning properly, the Company conducted a training exercise involving approximately 12,100 Group employees. As a result, the Company has established an emergency contact network for each division and several means of verifying the safety of its employees. This framework enabled the Company to rapidly account for all its personnel, including part-time employees and casual staff, after the Great East Japan Earthquake.

■ Disaster Prevention Cards Distributed

In conjunction with the introduction of the safety verification system at all domestic Group sites, the Company distributed revised versions of its disaster prevention cards in January 2011. The cards are pocket sized and give advice on the steps employees should follow in the event of a disaster.

■ Use of Disaster Stockpiles

After the Great East Japan Earthquake, the Company used stockpiles of items for disasters such as emergency rations, masks and water to aid those in the disaster region. Helmets, water and maps also proved useful for employees and visitors to Group offices who had difficulty returning home.

■ BCP for Earthquake with Epicenter in the Capital Area (Formulated 2008)

In fiscal 2009, after putting in place the necessary frameworks, such as an alternate headquarters, selection of members for the disaster response team, and infrastructure, training was held for every level and layer of the Group based on a scenario of accounting for the 3,000 employees based in the capital area.

In fiscal 2010, the Company expanded the safety verification system to cover all Group business sites in Japan.

In January 2011, the Company conducted a training drill for employees at the head office in Chiyoda Ward, Tokyo to help them walk home in the event of a disaster. This followed a similar drill in 2009. The Company also used disaster prevention facilities at the Tokyo Fire Department to conduct a BCP training exercise. Employees from eight Group companies based in Tokyo took part in the exercise.

■ Communication between Management during Major Disasters

In fiscal 2010, the Company verified the operational capabilities of the satellite mobile phones and mobile PCs that it had distributed to Board members, to ensure communication is maintained among management during a major disaster, such as an earthquake with its epicenter in the capital area.

■ BCP for Novel Influenza (Formulated 2008)

In fiscal 2009, the Group prepared policies and manuals and put in place the necessary infrastructure and hygiene goods to prepare for a potential outbreak. The Group will continue to monitor the situation closely amid lingering concerns about the risk of an outbreak and spread of a highly infectious strain of novel influenza.

Compliance Counter

The Company has established a compliance counter (internal reporting system), which works to identify compliance issues. Twelve incidents were reported to the counter in fiscal 2010. Going forward, it plans to update the compliance manual and to establish a system to enable employees and other stakeholders to more easily report and discuss compliance issues.

Compliance Training

To improve the compliance of each and every employee, group training is carried out not only for new employees but also for employees at each staff level, such as for managers and general managers. A special site was created on the Company's Intranet, offering study content for all employees. Also, the Company continued campaigns carried out in previous years, to prevent drink-driving implemented prior to the end-of year vacation period, and insider trading, carried out at the end of the fiscal year.

Traffic Safety

Policy & Plans

As of March 31, 2011, Sumitomo Forestry uses 2,150 vehicles (Company-leased and those owned by employees) in the course of its business. The Company has been strengthening its initiatives to eliminate traffic accidents and violations of traffic laws, including maintaining its Safe Driving Management System and reinforcing employee training.

Results

■ Introducing a Safe Driving Management System

The Group has introduced a Safe Driving Management System that manages information related to drivers' license renewals, violations of traffic laws and ordinances, vehicle inspection and certification, and insurance. The system is helping to prevent employees losing their licenses through carelessly forgetting renewal, and forgetting to remember to renew their vehicle inspection certification and insurance. Further, all employees who drive vehicles during their work or for commuting work are required to obtain and submit their Certified Driving Record on an annual basis.

■ Strengthening Employee Education and the Management System

All employees who have accumulated points from violations receive cautions, education, and training in safe driving. Moreover, the Company has strengthened its management systems for reporting vehicle accidents and violations of traffic rules, and through an analysis of this data, it created a menu that since April 2011 has been incorporated into employee training, with the aim of reducing minor accidents involving younger employees.

- ▶ Internal Link: "Compliance Training" (P.39)

Future Plans

Going forward, the Safe Driving Management System will be standardized and deployed across all Group companies. Also, a safe driving administrators' manual will be prepared.

Protecting Personal Information

- ▶ Link to Related Website: "Personal Information Protection Policy" (http://sfc.jp/english/personal_info/)

Preventing Corruption

- ▶ Link to Related Website: "Our Values and Ideals" (http://sfc.jp/english/corporate/policies/values_04.html#cont02)

Fair Competition

Policy & Plans

- ▶ Link to Related Website: "Our Values and Ideals" (http://sfc.jp/english/corporate/policies/values_04.html#cont02)

Results

■ Publishing the Antimonopoly Act Guide Book

The Company used the opportunity provided by the January 2010 revision of the Antimonopoly Act to investigate actual conditions relating to its associations with its competitor companies. The results of this investigation enabled it to better grasp its various situations and judge how serious they are. Further, in order to ensure employees fully understand the risks from interactions with competitors, the Company issued a guide book that includes not only a summary of the relevant laws but also sections on matters of importance and the correct approach to take when associating with other companies.

Respect for Intellectual Property Rights

- ▶ Link to Related Website: "Our Values and Ideals" (http://sfc.jp/english/corporate/policies/values_03.html#cont03)

Rejection of Influence from Anti-Social Elements

Sumitomo Forestry set forth in 2007 the new Ethics and Behavior Code, "Our Values and Ideals," institutionalizing the long-held principle of "Influence from anti-social elements will be met with a resolute attitude and no compromises will be tolerated." This stance has been communicated widely both within and outside the Group. In fiscal 2009, this principle was incorporated into the construction contracts concluded with customers. Moreover, in fiscal 2010, it was added to the basic contract carried out with affiliates for construction work, further ensuring the soundness of our contractual relationships.



Economic Report

Sumitomo Forestry works to ensure the proactive disclosure of management information to build trust with its stakeholders.

▼ Promotion of the Project
SPEED, Long-Term
Management Plan

▶ Financial Performance

Promotion of the Project SPEED, Long-Term Management Plan

In fiscal 2007, the Sumitomo Forestry Group established Project SPEED, a long-term management plan designed to provide direction for pursuing and developing business activities. While leaving the fundamental direction of the Project unchanged, in May 2011 Sumitomo Forestry updated its numerical targets to ensure that they reflected the significant changes that had occurred in the Group's operating environment.

The name "SPEED" not only refers to the rapidity with which the Group will implement the plan, but also stands for "Strong Passion Enables us to become an Excellent company by implementing Detailed strategies."

The Sumitomo Forestry Group has passed down its sustainable business practices from generation to generation, as it plants and grows trees, uses the timber to produce building materials, builds houses, and finally once again plants an equivalent number of trees to those it has used. The aim of this long-term management plan is to expand the Company's business by promoting a new mindset among employees and transforming the revenue structure. With a strong commitment to sustainable business practices, the plan designates forests as having a central role in enriching people's lives and contributing to the community.

For the purpose of achieving a more balanced business portfolio, overseas operations and home renovation operations have been given focused attention as priority growth businesses, in addition to the timber and building materials business and housing business, which are currently at the core of the Company's revenue structure.

▶ Link to Related Website: "Long-Term Management Plan" (<http://sfc.jp/english/corporate/longtermplan.html>)



Economic Report

Sumitomo Forestry works to ensure the proactive disclosure of management information to build trust with its stakeholders.

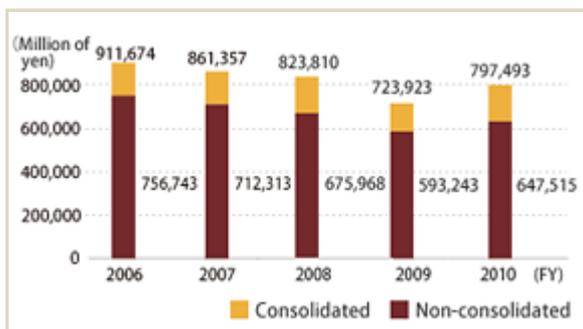
▶ Promotion of the Project SPEED, Long-Term Management Plan

▼ Financial Performance

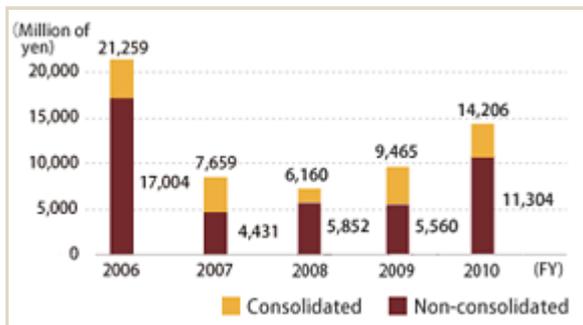
Financial Performance

Please refer to the following webpage for further details about the Group's financial performance

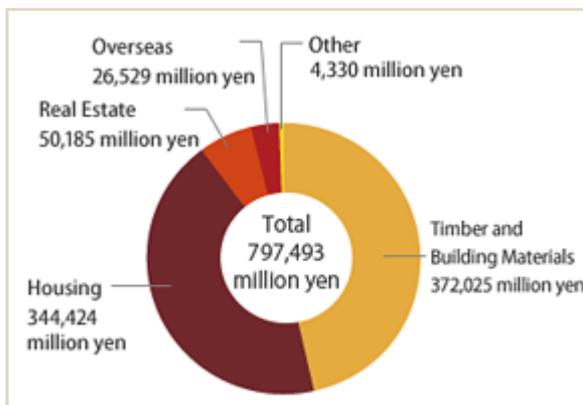
■ Net Sales



■ Recurring Income (Fiscal 2006 to 2010)



■ Consolidated Net Sales by Segment (Fiscal 2010)



▶ Link to Related Website: "Performance Highlights" (<http://sfc.jp/english/ir/highlights/performance.html>)



Major initiatives in Fiscal 2010

Together with Our Customers

Priority Areas	CSR Initiatives	FY2010 Results	FY2011 Plan	Division
Provision of high-quality houses with excellent overall balance	Build long-lasting homes	<ul style="list-style-type: none"> Achieved 83.5% certification rate under the Excellent Long-term Housing Promotion Act (P.47) Selected for the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)'s Excellent Long-Term House Leading Model Project in the 'new detached home section' in the field of 'establishment of a timber recycling-based society' (P.47) 	<ul style="list-style-type: none"> Promote excellent long term housing 	Housing Division
	Promote energy-saving homes	<ul style="list-style-type: none"> Launched the new <i>Solabo</i> house, which generates energy in the home (P.142) Achieved 28% of solar power installation rate (P.142) 	<ul style="list-style-type: none"> Continue popularization 	Housing Division
	Promote renovation projects	<ul style="list-style-type: none"> Selected for MLIT's Excellent Long-Term House Leading Model Project in the 'renovation of existing homes section' (P.48) Compiled the guidebook on energy-saving renovation (P.144) 	<ul style="list-style-type: none"> Provide long-term, high-quality houses by expanding the renovation business Promote renovation technologies that improve the performance of existing housing 	Housing Division and Sumitomo Forestry Home Tech Co., Ltd.
Communication with customers	Provide information	<ul style="list-style-type: none"> Opened an on-line store in Club Forest, the special website for owners of <i>Sumitomo Forestry Home</i> houses (P.59) Enhanced 24-hour, 365-day support service (P.57) 	<ul style="list-style-type: none"> Expand services through an online store Continue activity 	Housing Division

Together with Our Business Partners

Priority Areas	CSR Initiatives	FY2010 Results	FY2011 Plan	Division
Procurement of sustainable raw materials	Ensure traceability of timber	<ul style="list-style-type: none"> Investigated each new supplier when an order was made and reviewed existing suppliers sequentially on a periodic basis to ensure compliance for all timber imported directly from overseas (P.68) 	<ul style="list-style-type: none"> Study matching the frequency of investigations to country conditions 	Timber & Building Materials Division
	Enhance communication with the timber and building materials business partners	<ul style="list-style-type: none"> Published the <i>Building Materials Monthly</i> informational magazine and carried out reader questionnaires (P.72) 	<ul style="list-style-type: none"> Provide environment-related information regarding certified timber and biomass 	Timber & Building Materials Division
	Communication with Building Contractors	<ul style="list-style-type: none"> Conducted the Survey on Production Systems and CSR (P.73) 	<ul style="list-style-type: none"> Reflect survey results in collaborative relationships in FY2011 and beyond 	Housing Division

Together with Our Shareholders and Investors

Priority Areas	CSR Initiatives	FY2010 Results	FY2011 Plan	Division
Communication with shareholders and investors	Improve information disclosure	<ul style="list-style-type: none"> ▪ Held 155 individual meetings for institutional investors (P.74) ▪ Hosted IR meetings for individual investors, attended by about 160 people (P.74) 	<ul style="list-style-type: none"> ▪ Continue holding individual meetings for institutional investors and briefings for individual investors 	Corporate Communications Department

Together with Our Employees

Priority Areas	CSR Initiatives	FY2010 Results	FY2011 Plan	Division
Creation of a workplace in which a diverse range of employees can work together	Help employees achieve a better work-life balance	<ul style="list-style-type: none"> ▪ Distributed work-life balance pamphlets (P.79) ▪ Enhanced childcare- and family care-related programs (P.79) 	<ul style="list-style-type: none"> ▪ Promote the use of childcare- and family care-related programs 	Personnel Department
	Promote programs in line with the Law for Measures to Support the Development of the Next Generation	<ul style="list-style-type: none"> ▪ Achieved 20 male employees taking childcare leave (P.80) 	<ul style="list-style-type: none"> ▪ Hold social event to welcome back employees returning to work after taking childcare leave 	
	Promote affirmative action	<ul style="list-style-type: none"> ▪ Achieved a 24.6% share for women among newly hired graduates (P.82) ▪ Held the Housing Sales Women Job Forum (P.82) 	<ul style="list-style-type: none"> ▪ Continue to hold forums for women 	
A safe and healthy workplace	Reduce overtime work	<ul style="list-style-type: none"> ▪ Created a working-group collaboration between management and labor (P.84) 	<ul style="list-style-type: none"> ▪ Implement the reforms decided on by the working group 	
	Implement an anti-smoking program	<ul style="list-style-type: none"> ▪ Launched a 'no smoking anywhere during working hours' anti-smoking program (P.84) 	-	
Human resource development	Provide employee career consultation and support	<ul style="list-style-type: none"> ▪ Formulated a five-year human resource development plan (FY2011 to FY2015) (P.90) 	<ul style="list-style-type: none"> ▪ Promote the use of the Career Support Desk ▪ Implement the first year plan of the five-year human resource development plan 	

Together with Society

Priority Areas	CSR Initiatives	FY2010 Results	FY2011 Plan	Division
Social contribution activities for environmental conservation	Mt. Fuji <i>Manabi no Mori</i> Project	<ul style="list-style-type: none"> A total of 575 children and student participated in environmental education programs (P.103) 	<ul style="list-style-type: none"> Continue implementation 	Corporate Communications Department
	Reforestation project in Indonesia's Bromo Tengger Semeru National Park	<ul style="list-style-type: none"> Completed reforestation of 240 ha in protected forests and neighboring degraded areas (P.104) 	<ul style="list-style-type: none"> Expand the reforestation area while nurturing the trees already planted 	Environmental Business Department
Social contribution activities outside core businesses	KTI Educational Foundation	<ul style="list-style-type: none"> Provided scholarships for 50 recipients (P.100) 	<ul style="list-style-type: none"> Continue implementation 	Overseas Business Division
	Contribute to public policy	<ul style="list-style-type: none"> Offered suggestions to committees within the Ministry of Agriculture, Forestry and Fisheries and MLIT (P.106) 	<ul style="list-style-type: none"> Continue offering suggestions 	Division responsible
	Social contribution activities for disaster support	-	<ul style="list-style-type: none"> Introduce a volunteer leave program (formulated May 2011) Carry out volunteer support activities for the Great East Japan Earthquake 	Personnel Department
Investment to create a sustainable society	Target socially responsible investment (SRI) through the corporate pension fund	<ul style="list-style-type: none"> Invested corporate pension fund assets in SRI funds (P.108) 	<ul style="list-style-type: none"> Continue investment in SRI funds 	Corporate Pension Funds

Together with Our Customers

Through housing and lifestyles, we develop products and services that satisfy our customers.

▼ Building Long-Lasting Homes

▶ Communication with Customers

▶ Property Development Programs

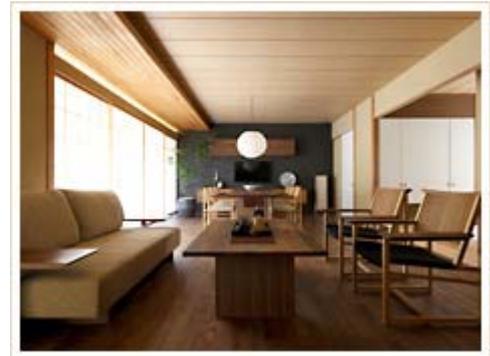
▶ Promoting Housing Distribution

Policy for Long-Lasting Homes

Policy & Plans

Sumitomo Forestry believes that popularizing excellent long-term houses that become social assets is vital for creating a prosperous society. As such, the Company is promoting the following policies to extend the life of houses:

- Make houses more reliable by improving their basic functions
- Create comfortable living environments
- Increase future options for layout to accommodate changes in lifestyles
- Enhance maintenance programs to support long-term upkeep



Living space in Japanese-style model home

Excellent Long-Term Housing Initiatives

Results

■ Initiatives to Obtain Certification under the Excellent Long-Term Housing Promotion Act

Concerning housing for which measures have been enacted to achieve their excellent long-term use, construction and maintenance/preservation plans are assessed by the competent authorities on a house-by-house basis to ensure compliance with certification standards. The achievement of certification brings preferential terms, including in areas such as taxation and interest rates on loans. In fiscal 2010, 83.5% of all houses constructed were granted excellent long-term housing certification.

■ Selected for the Excellent Long-Term House Leading Model Project

The establishment of a timber recycling-based society through new detached home construction is promoted under the Excellent Long-Term House Leading Model Project by the Ministry of Land, Infrastructure, Transport, and Tourism. The Company's two initiatives were commended and selected as leading proposals of the project:

"A home built from Japanese cedar", which focuses on the proactive use of Japanese cedar, and "A home built from Hokkaido timber", which aims to promote the spread of regionally certified timber.

■ Selection in the Renovation of Existing Homes Section of the Excellent Long-Term House Leading Model Project

Sumitomo Forestry Home Tech Co., Ltd. was commended and selected in the Renovation of Existing Homes section of the Excellent Long-Term House Leading Model Project for its method of enhancing the basic functionality of existing homes, including their durability, seismic resistance, energy conservation, barrier-free qualities and maintenance, and also for its proposal "Sumitomo Forestry Home Tech 'Reforest+' as part of the 'Reforest' program of fixed-price renovation of detached homes, which further enhances the feasibility of renovation through clear indication of the construction cost.

| Future Plans

We will step up initiatives to improve the rate of certification based on the Excellent Long-term Housing Promotion Act.

Stakeholder Comment

- I think a home you can live in for a long time is the ultimate in eco-friendliness. (Customer)
- A home that gives you a sense of Japanese tradition and culture: I would like Sumitomo Forestry to develop houses that exude a calm ambience, not just for the people who live in them, but also for passers-by. (Teacher)
- I would like to see Sumitomo Forestry contribute to reforms in housing assessment practices, including the implementation of a tax system similar to that in the United States, so that prime housing stock becomes a social asset in Japan as well. (NGO)

| Adherence to Housing Performance Indication System

| Policy & Plans

Sumitomo Forestry actively promotes the Japanese Housing Performance Indication System¹ because it ensures safe and reliable houses, and also raises their asset value.

| Results

- Design Performance Evaluation: 97.3% implementation²
- Construction Performance Evaluation, which is recommended to customers to acquire along with Design Performance Evaluation: 86.0% implementation²

1 The Japanese Housing Performance Indication System provides a highly reliable and objective evaluation by a third-party expert so that the customer can assess the quality and performance of a house. The system comprises 10 evaluation items, including structural stability, fire safety, durability, and energy efficiency.

2 This rate pertains to all houses constructed, including additions and remodeling, whereas the Housing Performance Indication System only applies to new construction.

Improving Durability

Policy & Plans

Sumitomo Forestry has set a minimum expected service life of 75 years for principal structural members to ensure that the houses it builds are highly durable and can be passed down over three generations. Standard specifications for the structural framework are set at Level 3—the highest level—for evaluations based on the Japanese Housing Performance Indication System with respect to Alleviated Deterioration.

* The number of years a material or component is expected to function as originally intended, assuming a certain level of maintenance (including regular inspections) as envisaged by Sumitomo Forestry.

Highly Versatile Homes Using the Big-Frame Construction Method

Policy & Plans

Sumitomo Forestry provides skeleton infill homes—a design concept that separates the structure from the interior and equipment—based on the Company's original Big-Frame construction method utilizing the wooden beam Rahmen structure. The structure's strength and high versatility makes it possible to alter the layout according to future life stages.

Results

■ Strengthening Sales of the Big-Frame Construction Method

In fiscal 2010, the Company took orders for 1,555 homes—around a five-fold year-on-year increase—as the features of its products were appreciated by its customers.



Home Using the Big-Frame Construction Method

Disaster Preparedness

Policy & Plans

Sumitomo Forestry has established a system of three housing construction methods—Multi-Balance Construction Method, Big-Frame construction method, and Two-by-Four construction method—which excel in seismic, wind and fire resistance and meet various requirements. All structures that employ these three construction methods are certified as Government Regulated Semi-Fireproof Construction Houses by the Japan Housing Finance Agency.

Results

■ Launch of New Four-Story Fire-Resistant Wooden House: Realizing Construction Even in Fire Prevention Districts

In December 2010, Sumitomo Forestry launched the *EARLYbird-For*, a four-story fire-resistant wooden house that can be built even in areas designated by the City Planning Act as fire prevention districts. The principal structural members in this product are fire-resistant, making it suitable not just as a home, but also as a rental property or store due to its excellent siting convenience.



EARLYbird-For

■ Success in Developing Semi-Fireproof Wooden *Shinkabe* Structure: Realizing Construction Even in Fire Prevention Districts

In April 2011, Sumitomo Forestry developed a technology that allows a traditional *Shinkabe*¹ interior to be constructed in wooden houses in fire prevention districts and three-story wooden houses in quasi-fire prevention districts, without altering the standard depth of the pillars or walls in *Sumitomo Forestry Home* houses. A patent application is pending for this unique technology.

¹ A wall structure in which the walls are set between the pillars, and the pillars remain exposed when the wall is finished. This is commonly seen in traditional Japanese rooms. This is in contrast to the *Okabe* method, in which only the walls are visible while the pillars are hidden. This is often seen in Western-style rooms.

Stakeholder Comment

- The recent earthquake made me realize how precious homes are. Homes certainly need to be built solidly. (Student)

Houses Designed to Prevent Crime

Policy & Plans

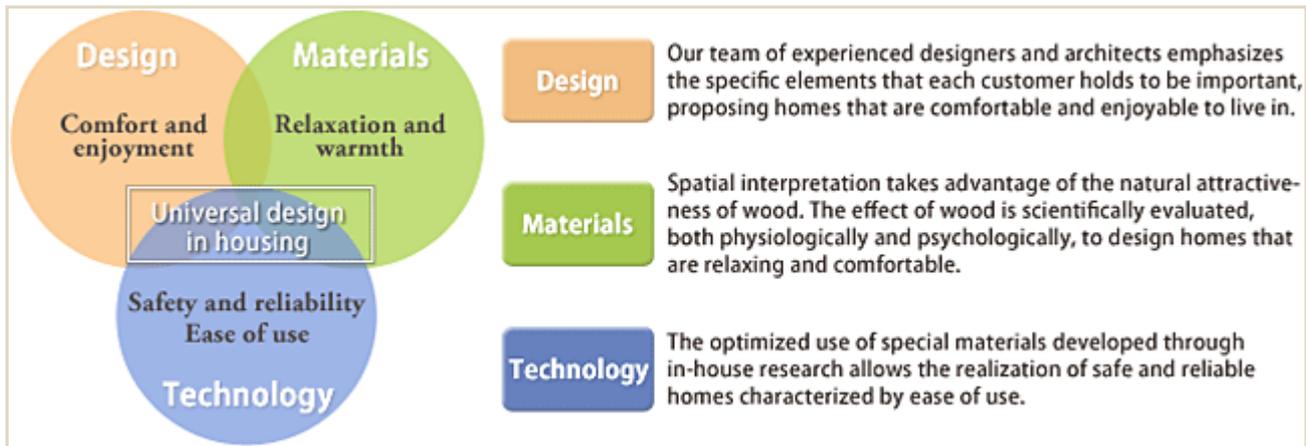
In its scrupulous attention to the details of its custom-built houses, Sumitomo Forestry proposes crime prevention measures from the site survey and design stage.

Pursuing Universal Design

Policy & Plans

Sumitomo Forestry offers houses that integrate universal design as the foundation, which are comfortable for all members of the family and will be easy to live in for many years to come.

■ Sumitomo Forestry's Universal Design



Results

■ Research at the Tsukuba Research Institute Based on Human Lifestyle Engineering

The Tsukuba Research Institute is conducting research based on human lifestyle engineering using 3D motion and view-tracking analysis equipment. In-home improvements are being made based on the results of this research, including spatial configuration and traffic-flow planning tailored to the family's lifestyle, dimensional planning designed to enable smooth and strain-free movement and positions, as well as handrails and other materials to prevent accidents.

■ Employees Stay at the Universal Design House

At the Tsukuba Research Institute, the Company raises awareness of the universal design concept among employees by having them stay at the Universal Design House and encouraging them to apply what they learn from this experience in their daily work. This could include simulating the experiences of an elderly person.

■ Winning of Award at Housing Barrier-Free Competition

Two renovations carried out by Sumitomo Forestry Home Tech Co., Ltd. won an Award for Excellence and TEPCO Prize in the Fifth Annual Housing Barrier-Free Competition, sponsored by the Tokyo Metropolitan Housing Barrier-Free Promotion Council. Both renovations earned praise for their designs that enabled wheelchair users to live comfortably and independently.



Awarded renovations

Timber Used for Housing

Policy & Plans

Sumitomo Forestry adheres to its Timber Procurement Philosophy and Policy with the conviction that it should procure the timber it uses to build houses from forests that are managed according to sustainable methods.

Results

■ Sumitomo Forestry's Certified Timber Management System and its Application

Sumitomo Forestry classifies and manages timber as certified and non-certified in all stages from distribution and processing through house construction, in recognition of which it has obtained Chain of Custody (CoC)² certification for its handling of SGEN¹ certified timber products.



SGEN-Certified Timber
Used in Housing

This enables the Company to display the SGEN logo on its applicable products and promote environmentally sound materials. All of the Company's engineered standard studs used in Sumitomo Forestry houses in Hokkaido are labeled to indicate that they are made of Japanese larch grown in Hokkaido.

■ Japanese Timber Used in About 70% of Principal Structural Members in Housing

Sumitomo Forestry promotes the use of Japanese timber in housing, and in fiscal 2008 increased the proportion of Japanese timber to 70% of the principal structural members. Since that time, this target has been continuously achieved and is helping to revitalize Japan's forests (applicable structures are those in which the main Multi-Balance Construction Method is employed). Sumitomo Forestry also builds houses that use Japanese timber for 100% of the principal structural members, limited to certain product models and regions.

- ▶ Internal Link: "Using Japanese Timber in Homes" (P.165)

Future Plans

Initiatives are being implemented under the New Action Plan stipulated by the Timber Procurement Philosophy and Policy.

- ▶ Internal Link: "New Action Plan for Timber Procurement" (P.20)

1 The Sustainable Green Ecosystem Council is Japan's own forestry certification system, in which third parties verify sustainable forest management. Certification is based on seven standards that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.

2 A system for certifying appropriate separation and labeling by operators during storage, processing and distribution of timber from certified forests.

Stakeholder Comment

- I would like Sumitomo Forestry to leverage its role as an industry leader to promote the use of Japanese timber in the interest of curbing global warming and cultivating water resources. (NGO)

Multi-Unit Residential Building Initiatives

Policy & Plans

Sumitomo Forestry supplies multi-unit residences built with the two-by-four construction method, Big-Frame construction method (the Company's original structure), and RC construction method. By proposing structures with excellent seismic resistance and durability, while taking the surrounding environment into consideration and addressing various requirements, Sumitomo Forestry provides homes in which people can live for a long time with peace of mind.

Results

■ Launch of *BF-Maison* Environmentally Sound Rental Housing

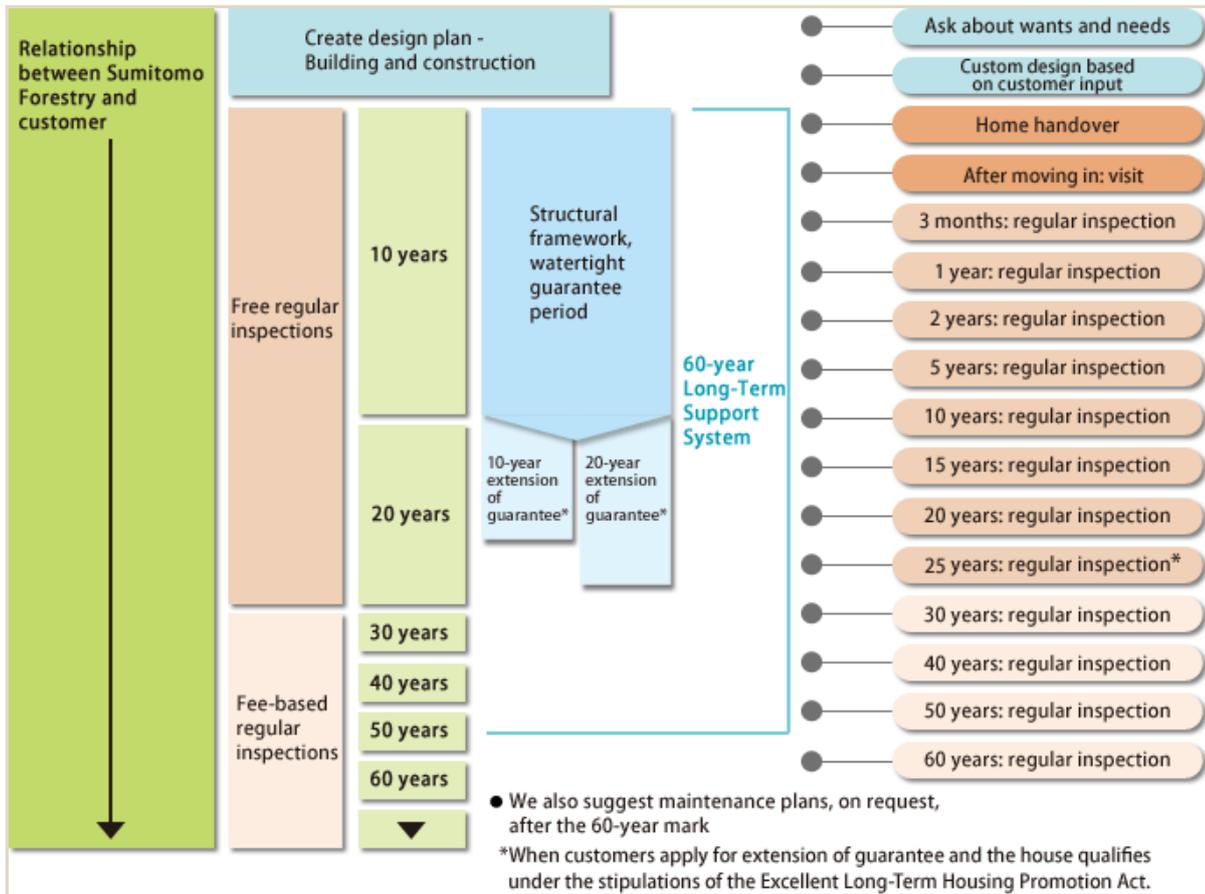
In January 2010, Sumitomo Forestry launched the *BF-Maison* line of environmentally sound rental housing using the Big-Frame construction method. These apartment buildings are the first constructed using the Big-Frame construction method. They offer high seismic resistance, durability, insulation, and air-tightness, and since the structural elements, interiors, and fittings are designed separately based on the skeleton infill concept, they can be renovated flexibly to suit future changes in the neighboring environment, as well as a diverse range of needs.

■ Construction of *The House Kohoku Tsunashima* Completed (Yokohama City, Kanagawa Prefecture)

The House Kohoku Tsunashima, multi-unit residence, which was built in August 2010, was designed on the theme of connections between people, cities, and nature, using the RC construction method. As well as being equipped with urban crime- and disaster-prevention systems, it incorporates an Urban & Farming Exchange Program to facilitate continuous interaction between the occupants and the people, nature and culture of the southern Boso peninsula in Chiba Prefecture.

Long-Term Support System

■ Long Term Support System



Policy & Plans

Sumitomo Forestry has established a Long-Term Support System in order to help its customers live comfortably in their houses for as long as possible. This system provides maintenance support for 60 years after a house is handed over to its owner.

Long-Term Support System

- The expected service life of principal structural members is at least 75 years
- The service life for each material is determined and houses are designed to facilitate inspection, repair and replacement
- Regular inspections are carried out over 60 years
- Maintenance programs including renovations are proposed and maintenance records kept
- Proposals from the design stage are offered to allow for future changes in the life stages of the occupants
- Branch Customer Support Centers are set up for customer consultations after construction
- Toll-free Call Center for dedicated maintenance support: Available 24 hours/day, 365 days/year

The Long-Term Support System offers a standard 10-Year Warranty, which can be extended up to 20 or 30 years on the structural frame and waterproofing, as long as fee-based maintenance work judged necessary by the Company, such as anti-pest treatment in the 10th year, is performed.

Results

■ Launch of Dedicated Renovation Loan and Repair Savings Schemes

In February 2011, Sumitomo Forestry launched renovation loan and repair savings schemes to support the maintenance work required to maintain the functionality of *Sumitomo Forestry Home* houses. The objective is to maintain the functionality of *Sumitomo Forestry Home* houses to ensure that they remain safe, secure and comfortable, by encouraging regular maintenance work.

- ▶ Link to News Release: "New Loan and Savings Services for Renovation and Repair of *Sumitomo Forestry Home* Houses" (<http://sfc.jp/english/pdf/20110120.pdf>)

Developing Earthquake-Resistant Renovation Technologies

Policy & Plans

About 40% of existing detached wooden houses are considered to be insufficiently earthquake resistant, and therefore require seismic upgrading to ensure security for their occupants. Based on its expertise in wooden housing, the Sumitomo Forestry Group is developing earthquake-resistant renovation technologies that alleviate the burden for customers while making the most of existing houses.

Results

■ Patents Obtained for Earthquake-Resistant Renovation Technology

Sumitomo Forestry Home Tech Co., Ltd. has developed a number of technologies that propose renovation by utilizing technology and design capabilities to enhance the structural safety of wooden houses, and five patents have now been obtained together with Tsukuba Research Institute.

- Patent No. 04417743 for Portal Frame Shear Walls
- Patent No. 4616776 for Glass Block Shear Walls
- Patent No. 04033354 and others for the Sumirin ARC Construction Method
- Patent No. 04401808 for Composite Adhesive Beams
- Patent No. 04202829 for Steel-Framed Composite Beams

■ Development of Traditional Japanese House Rehabilitation and Seismic Retrofitting System

Sumitomo Forestry Home Tech Co., Ltd. has developed a system for the renovation of traditional houses built based on pre-1950 construction standards. This uses a flow chart to propose optimal seismic retrofitting and reinforcement work, and a patent application is currently pending. A book has also been published to introduce case studies employing this system, entitled *Renovations Bringing Wisdom from the Past to Tomorrow: Rehabilitation of Traditional Japanese Houses to Meet the Needs of the People Who Live in Them*.

■ Awards Received for Traditional House Renovation

In September 2010, Sumitomo Forestry Home Tech won the special award "Housing Renovation Promoting Council Chairman's Prize" at the 27th House Renovation Contest for its renovation case study "Traditional Japanese House Rehabilitation." The company also won an award in the Single Dwelling Homes and Multiple Dwelling Units category of the Good Design Award 2010 program, winning praise for its efforts to restore 100-year-old houses for future generations.

- ▶ Internal Link: "Promoting Environmentally Friendly, Energy-Saving Renovation" (P.144)
- ▶ Internal Link: "Development of Energy-Saving Renovation Techniques" (P.204)

| Future Plans

Tsukuba Research Institute and Sumitomo Forestry Home Tech will continue to research and validate renovation technologies in order to realize comfortable homes, including the seismic retrofitting of traditional structures, establishment of simple seismic reinforcement, weathering of traditional homes, energy-saving renovation, and sound renovation.

Stakeholder Comment

- I'd like to see an era in which 100-year-old homes are the norm. I hope renovation technologies will develop so that this can be achieved. (Customer)

Together with Our Customers

Through housing and lifestyles, we develop products and services that satisfy our customers.

▶ Building Long-Lasting Homes

▼ Communication with Customers

▶ Property Development Programs

▶ Promoting Housing Distribution

Putting Customers First

Sumitomo Forestry' action guideline is "putting customers first." The core of the Company's business is providing high-quality housing and services. Its objective is to meet all of our customers' expectations over their house's lifetime, from design to maintenance, and to ensure that all our customers are always completely satisfied.

Responding to Comments and Requests for Consultation

Policy & Plans

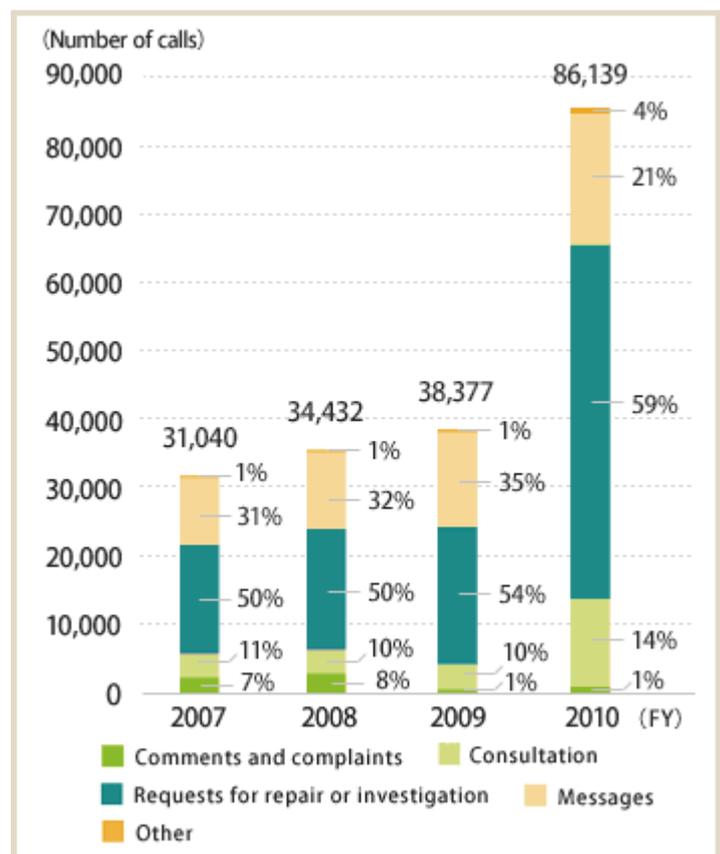
Sumitomo Forestry places strong emphasis on its after-sales support after a house has been handed over to its new owners in order to ensure that its customers are secure and comfortable in their homes.

Results

■ Enhancing our 24-Hour, 365-Day Support Service

Customer support technicians specializing in after-sales support accept requests for consultation after moving-in and repairs and maintenance. The customer support system is comprised of Customer Centers, for customer support within branches nationwide, and the 24-Hour 365-Day Free Call Center, dedicated to accepting requests for repairs and maintenance from customers throughout the country. The Company has clarified their separate roles and communicated them as widely as possible to customers. The Free Call Center for repair and maintenance enquiries has been accepting requests for consultations since July 2010. The number of consultations it has provided has dramatically increased as a result of the Company's proactive efforts to publicize this service through a range of media, including distributing direct mail and cards and using a dedicated website for *Sumitomo Forestry* homeowners and its home and

■ Number of Call Center Consultations



lifestyle magazine. Customer Centers in different areas are even responding to enquiries from customers in disaster-hit regions following the Great East Japan Earthquake.

■ Regular Survey Implementation

To accurately assess its customers' views, Sumitomo Forestry administers a survey at the time owners move in, and in their second and tenth years of occupancy. The survey includes comprehensive questions on home design, building materials, equipment and fixtures, Sumitomo Forestry staff attitudes and responses, and other issues. The Company statistically processes and analyses these results to make improvements in the future. Moreover, the customer is given a postcard questionnaire at the end of each after-sales maintenance visit or inspection requesting feedback on subjects such as the maintenance contractors' attitude and behavior, response speed, and repair techniques.

■ Responding to a Wide Range of Home and Home Lifestyle Requests through the Owners Support Group

Sumitomo Forestry has established the Owners Support Group in locations around Japan to provide *Sumitomo Forestry Home* owners with after-sales support and consultations on house renovating, rebuilding and replacement. With this addition, it is able to respond to a wide range of requests on homes and home lifestyles.

Initiatives to Increase Customer Satisfaction

Policy & Plans

To further promote its customer-first policy, Sumitomo Forestry has established a framework to achieve even higher levels of customer satisfaction.

Results

■ Creating an Intranet for All Employees

Sumitomo Forestry has established an intranet, Customer Satisfaction Pavilion, through which all its employees can share opinions from customers and also their own views. The intranet is regularly updated and is also used to provide support for employees aiming to improve their skills.

■ Satisfaction No.1 Working Group Activities

The Satisfaction No.1 Working Group works to achieve its objectives of reducing the number of dissatisfied customers and improving the Company's ability to satisfy customers. Comprised of members of the Customer Service Department and the Housing Division, since its establishment, it has met once a month and also formed smaller working groups as needed, formulating various themes and working to make improvements. In fiscal 2010, it enacted various measures to achieve its main objective of improving customer satisfaction by reducing human error. For example, it compiled a manual for Group's procedures for creating documents, which improved the precision of defect trend analysis.



The Customer Satisfaction Pavilion
Intranet

Keeping Customers Informed

Policy & Plans

Sumitomo Forestry continuously provides customers with useful information from the moment they start considering a new home to the time it is handed over to them and after. This is part of the Company's commitment to maintaining close communication with its customers and supporting their lifestyles.

Results

■ Responding to Customers Immediately following the Great East Japan Earthquake

The Company worked to confirm the safety of each and every one of its customers. Moreover, it provided guidance on its website for its customers in the earthquake-hit region, including a helpline number and information on how to use equipment during a power cut or other emergency conditions. Further, it established and dispatched a support task force of carpenters and other professionals to the disaster area in order to meet customer requests for assistance.

■ Opening an On-Line Store in Club Forest, a Special Website for Owners of *Sumitomo Forestry Home* Houses

In October 2010, the Company opened an online store within Club Forest, the special website for owners of *Sumitomo Forestry Home* houses. Customers can order home maintenance goods or Sumitomo Forestry services from anywhere and at any time. In order to increase customers' attachment to their homes or to maintain and increase their asset value, the Company provides gardening and interior-related information to them and also accept repairs and maintenance requests. The website has about 36,000 registered members to date.



Club Forest
(<https://clubforest.com/>)

■ *Suteki-na Kazoku* home and lifestyle magazine

Suteki-na Kazoku (Nice Family), which is sent out to homeowners twice per year, features a variety of lifestyle-related information as well as details about Group company activities, such as remodeling and utilization of land. The print runs for each issue were about 235,000 in fiscal 2010.

■ Launching the Home Building Master membership website for people considering a new house purchase

In January 2011, the Company launched the first role-playing game website in the housing industry. While enjoying the game, website members will also learn about the various key points to consider when building a home, such as how to create a layout of rooms or the merits of installing solar-power equipment.



Home Building Master

- ▶ Link to News Release: "A First in the Housing Industry! Website launch of 'Home Building Master'" (<http://sfc.jp/english/pdf/20110121.pdf>)

■ **Sumai Haku Housing Fair 2011, an Event Enabling Hands-On Experience of Home Building**

Sumitomo Forestry hosted the *Sumai Haku* Housing Fair 2011 in the three metropolitan regions of Tokyo, Osaka, and Nagoya. Held from the end of January through the middle of February, fair visitors got a close look at the numerous facets of home building under the theme "Experience it all! People- and earth- friendly home-building." Moreover, for the first time in the history of *Sumai Haku*, Sumitomo Forestry offset the CO₂ emitted at each fair venue by acquiring carbon offset credits (J-VER¹) through its company-owned forests.

- ▶ Link to News Release: "Sumitomo Forestry to Host *Sumai Haku* Housing Fair 2011 in Tokyo, Osaka, and Nagoya, CO₂ Emissions Offset with Company's Own J-VER Project" (<http://sfc.jp/english/pdf/20101222.pdf>)
- ▶ Internal Link: "Sale of First Private-Sector Domestic Forest Absorption-type Offset Credit (J-VER)" (P.211)

| **Future Plans**

The Company plans to enhance the functions of its online store in Club Forest, the special website for owners of *Sumitomo Forestry Home* houses, so visitors can post information and views more easily and so enhance the websites role as a venue for home-owners to exchange information.

¹ The J-VER system, as a measure to combat global warming, authorizes carbon offset credits to projects in Japan that reduce emissions of or absorb greenhouse gases, in an amount equivalent to the amount of emissions reduced or gases absorbed.

Stakeholder Comment

- I would like Sumitomo Forestry to maintain regular communication with consumers and customers. (Management-related CSR expert)

| **Standards for Advertising**

Sumitomo Forestry strives not to convey uncertain or misleading information. It thoroughly checks its advertising before it is published to ensure strict compliance with relevant legislation, including the Japanese Building Lots and Buildings Transaction Business Law, Act against Unjustifiable Premiums and Misleading Representations, and Copyright Act. As in past years, there were no material violations in advertising in fiscal 2010.

Stakeholder Comment

- Companies must provide consumers with accurate information and appropriately communicate their goals. (NGO)

Together with Our Customers

Through housing and lifestyles, we develop products and services that satisfy our customers.

▶ Building Long-Lasting Homes

▶ Communication with Customers

▼ Property Development Programs

▶ Promoting Housing Distribution

Property Development in Harmony with Regional Areas and the Environment

Policy & Plans

Sumitomo Forestry is committed to property development that provides attractive communities where families can raise healthy children. The Company also devises building site plans that encourage communication between residents so that people of all ages can live together in enjoyment and comfort. When Sumitomo Forestry plans a new property development, it surveys the scenery and history of each area and creates properties in tune with the surroundings. Moreover, it incorporates with properties elements to deepen the affection residents feel for the place in which they live, such as by actively using locally produced timber.

Results

Actively Using Locally Produced Timber in *Forest Garden Keio Horinouchi* (Hachioji City, Tokyo)

For *Forest Garden Keio Horinouchi*, which was launched for sale in August 2010, the Company utilized for the houses' foundations and posts Japanese cypress grown in nearby Tama. It also made full use of other natural features, such as the natural stone and bricks used for the house exteriors on each site, which will become more textured as they age. Landmark trees were planted to help create a feeling of harmony and calm throughout the area, while benches were placed at various important locations within the sub-divided land so that residents can communicate with each other. Moreover, to support residents who enjoy gardening and landscaping and preserve the beauty of the neighborhood, the Company holds consultations for exterior landscaping and gardening.



Forest Garden Keio Horinouchi

▶ Internal Link: "Using Japanese Timber in Homes" (P.165)

■ Property Development Initiatives

<p><i>Forest Garden Kamishidami</i> in Aichi Prefecture</p>	<p>Colors were selected for external walls that would fit in well with the adjacent land and buildings environment and integrate with the street.</p>
<p><i>Forest Garden Toyosatodai</i> in Tochigi Prefecture</p>	<p>The <i>Ryouonbou</i> design concept was used, incorporating the natural forces of the sun, wind and greenery into the design; for example, the landmark trees and garden zone situated to provide relief from the summer heat.</p>

Future Plans

The Company is currently constructing *Forest Garden Minamiosawa* (Hachioji City, Tokyo) and *Forest Garden Wakabadai* (Inagi City, Tokyo). In order to create residential areas that blend into their surroundings, the Company is developing these properties with underground electricity cables and without utility poles.

The concept behind creating a development without utility poles is to increase the asset value of the sub-divided land as a whole and to create attractive and safe neighborhoods that offer excellent views of the surrounding area.

Stakeholder Comment

- I would like Sumitomo Forestry to build houses that enhance the landscapes of their surrounding areas. (NGO)
- Sumitomo Forestry should utilize green-scaping technology widely, for example in its community development. (Business partner)

Property Development Compatible with an Aging Society

Policy & Plans

Japan is at the dawn of an aging society and Sumitomo Forestry is advancing into this care field to provide elders with facilities where they can enjoy life every day.

Results

Opening Two New Private-Pay Elderly Care Facilities

Fil Care Co., Ltd., a Group company, works under its motto of Care with a Human Touch. It has established two new facilities and now operates a total of ten private-pay elderly care facilities nationwide (three facilities in Tokyo, five in Kanagawa Prefecture, one in Shizuoka Prefecture, and one in Hyogo Prefecture).

- Opened *Grand Forest Kobe Rokkodo* (Nada-ku, Kobe City) in April 2010
- Opened *Grand Forest Shiinamachi* (Toshima-ku, Tokyo) in May 2010



Grand Forest Kobe Rokkodo

Order for Wood Construction Private-Pay Elderly Care Facilities

The Company received an order to build a three-story, wood-built private-pay elderly care facility in Ota Ward, Tokyo, which was the first of its kind in Tokyo's 23 wards. It was selected for the Ministry of Land, Infrastructure, Transport and Tourism's 2010 Promotion of Wooden Towns Initiative, and the Company has provided it with a proposal for the use of wood not only for the frame of the building, but also for its interior and exterior walling.

Participation in PFI Operations

The Sumitomo Forestry Group was at the forefront of PFI¹ operations in the construction, maintenance, and management of the Nagoya Port Authority administration building and the Nagoya Harbor Hall building in Aichi Prefecture, with construction completed in September 2010.

Going forward, Sumitomo Forestry will play a central role in the buildings' maintenance and management and will contribute to the rejuvenation of the area, such as by utilizing the site of the former Nagoya Port Authority building and improving the harbor's administrative services.

¹ Private Finance Initiative: a method of cutting costs of public works by using the private-sector for the construction and management of and fund raising for public facilities, including roads, bridge, public-office buildings, and prisons.



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▼ Promoting Housing Distribution

Participation in the JTI Project

Policy & Plans

To create rich and varied living environments, Sumitomo Forestry recognizes the importance of raising the value of housing assets and improving the overall quality of society's housing stock to facilitating the purchase of secondhand housing.

Results

Since 2006, Sumitomo Forestry has been a supporting corporate participant in the Japan Trans-housing Institute (JTI)¹. By participating in this program, Sumitomo Forestry is enhancing its after-sales support and advisory capabilities for homes and lifestyle, developing derivative businesses such as home renovation, and collecting information on diversifying lifestyles and homes.

¹ A non-profit, general incorporated association supported by state funding. It administers the public-sector support system for the rental housing market introduced in fiscal 2006. This program provides guaranteed agreements to rent and transplant homes belonging to people whose children have grown up, guaranteeing rent even when a home is empty, and subletting those homes to families with young children.

Providing Homes to International Students Studying in Japan

Policy & Plans

According to the International Students in Japan 2010 report published by the Japan Student Services Organization (JASSO), the number of international students in Japan has increased to about 140,000. Of these, approximately 60% are Chinese students and their numbers are increasing every year. Sumitomo Forestry Residential Co., Ltd. manages a hall of residence for international students that enables them to enjoy safe and comfortable lifestyles in Japan. It is providing students with different languages and cultures with the support they need for studying at a school and living in Japan.

Results

Immediately following the Great East Japan Earthquake of March 11, 2011, a manager at the international student hall of residence who is fluent in both Chinese and Japanese immediately set about confirming the safety of the overseas students living in the hall. By communicating information via the Student Center in China, it was able to rapidly respond to the enquiries of parents worried about the safety of their children.



Together with Our Business Partners

Sumitomo Forestry works with its business partners to reduce environmental impact and improve their occupational health and safety management.

▼ Quality Control for Timber and Building Materials

▶ Procuring Sustainable
Raw Materials through
the Supply Chain

▶ Our Business Partners'
Workplace Health and
Safety Management

▶ Communication with our
Business Partners

Quality Control for Timber and Building Materials

Policy & Plans

Sumitomo Forestry Group companies manufacturing wood building materials both within and outside of Japan carry out programs to ensure that their timber and building materials are of the highest quality.

Results

■ All Sumitomo Forestry Crest Plants have Acquired ISO9001 Certification and Reflect Customer Opinions

All six plants in Japan operated by Sumitomo Forestry Crest Co., Ltd. are integrated with ISO9001, have established programs to improve quality in accordance with their quality policies, and have strict quality control systems enabling them to produce high-quality products. Also, they use a quality information management system and work to quickly reflect customer opinions and complaints back to each plant.

■ Acquiring Public Certification at the Plants of Group Companies Outside of Japan

Sumitomo Forestry promotes the acquisition of certification that guarantees timber quality, such as JIS, JAS, and ISO, and Group companies outside of Japan are constructing systems to provide high-quality products that customers can use with confidence.

■ Acquisition of Quality-Related Certification

Group Company	Country	Type of Certification	Date Acquired
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001	March 1999 ¹
Nelson Pine Industries Ltd. (NPIL)	New Zealand	JIS certification for fiberboard	March 2003
		New JIS certification	May 2008
		CARB certification ²	October 2008
PT. Rimba Partikel Indonesia (RPI)	Indonesia	JIS certification	March 2007
		CARB certification	February 2009
Alpine MDF Industries Pty Ltd.(ALPINE MDF)	Australia	New JIS certification	September 2008
		CARB certification	January 2009
PT. Kutai Timber Indonesia (KTI)	Indonesia	CARB certification	November 2009

- 1 Acquired first by the Kyushu plant in March 1999 and all other plants subsequently. All plants had acquired integrated certification by 2010.
- 2 Air pollution regulations in North America.

Future Plans

In fiscal 2011, Sumitomo Forestry Crest carried out quality-improvement initiatives in each of its production divisions to reduce by 20% the number of complaints compared to the previous year. In addition, all plants are developing their ISO9001 certification into a company-wide quality management system.



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▶ Quality Control for
Timber and Building
Materials

▼ **Procuring Sustainable
Raw Materials through
the Supply Chain**

▶ Our Business Partners'
Workplace Health and
Safety Management

▶ Communication with our
Business Partners

Sumitomo Forestry considers that preventing environmental pollution, reducing environmental impact, and developing a recycling-orientated economic society in its housing business and timber and building materials business is crucial to sustaining its company management.

Based on cooperation with its business partners, it is procuring sustainable raw materials through its supply chain.

Green Procurement Guidelines and Timber Procurement Standards

Sumitomo Forestry strives to prevent environmental pollution, reduce environmental impact, and develop a recycling oriented society, with a commitment to its environmental philosophy of "contributing to society through the vigorous pursuit of business operations in harmony with conservation principles." In line with these principles, the Company gives preference in its purchases of goods and services to business partners that have established their own green procurement guidelines and timber procurement standards, and that work to reduce their environmental impact. In June 2007, the Company finalized and announced its Timber Procurement Philosophy and Policy, formulated to help the Company verify the legal compliance of the timber it handles and improve traceability.

In accordance with these principles, Sumitomo Forestry plans to reinforce its system for collaboration on environmental issues in two ways: evaluating business partners' environmental conservation efforts, and assessing products based on the evaluation standards.



Green Procurement Guidelines

1. Reduction of the use of substances or emissions that affect the environment or human health
2. Reduced consumption of energy resources
3. Use of materials from forests managed in a legal and sustainable manner
4. Usability over the long term
5. Suitability for recycling
6. Use of recyclable materials and reusable components
7. Ease of proper treatment or disposal at end of life cycle

Results

■ Ensuring Traceability of Timber

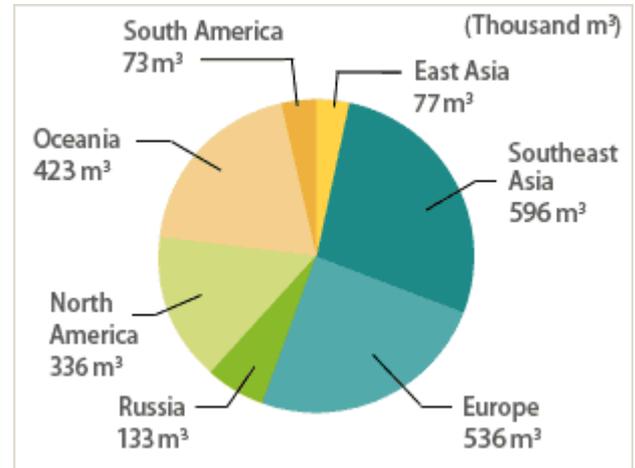
Sumitomo Forestry procures timber and timber products from around the world. During the three years from 2007 to 2009, the Company conducted investigations of all of its overseas suppliers of directly imported timber based on its Timber Procurement Standards. The results confirmed that all of these suppliers of timber and timber products were in compliance.

In fiscal 2010, in line with the New Action Plan based on Timber Procurement Philosophy and Policy, the Company launched a study into methods of confirming legal compliance (such as matching the frequency of investigations to country conditions) to ensure that

100% of the directly imported timber and timber products handled by the Group is legally compliant. Each new supplier will be investigated and existing suppliers will be reviewed sequentially on a periodic basis.

▶ Internal Link: "New Action Plan for Timber Procurement" (P.20)

■ Sources of Imported Timber and Wood Products (Based on figures provided to the Japan Lumber Importers' Association)



Stakeholder Comment

- The realities of deforestation overseas are not well recognized and I have seen several reports documenting a worsening situation. It is a relief to know that a major company in Japan is taking such an environmental approach. (Customer)



Together with Our Business Partners

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▶ Quality Control for
Timber and Building
Materials

▶ Procuring Sustainable
Raw Materials through
the Supply Chain

▼ **Our Business Partners'
Workplace Health and
Safety Management**

▶ Communication with our
Business Partners

Improving Quality and Workplace Safety at New Housing Construction Sites

Policy & Plans

Based on Sumitomo Forestry's own Health and Safety Management Guidelines and with the cooperation of building contractors, the Company is working to eliminate work-related accidents, including construction site accidents caused by falls and slipping, heavy machinery, or power tools.

Results

■ Developing Targets and Action Plans for Three Priority Areas

The Company set forth the basic principle of prevention of industrial accidents through comprehensive implementation of risk assessment and three priority areas were selected, with consideration given to the previous years' industrial accidents, status of industry safety and health promotion initiatives, and compliance with related laws and ordinances. Targets and action plans for each division and department have been developed. The three priority areas are:

- (1) Strict legal compliance
- (2) From prevention to the eradication of industrial accidents
- (3) Comprehensive self-management

■ Strengthening Direction and Education in Workplaces

The Environment & Safety Division of the Housing Division participated in the monthly safety patrols and workplace health and safety meetings held at each branch, continuously strengthening its role in providing direction and education for all aspects of health and safety management.

■ Implementing Random Surveys at Construction Sites

In order to ensure smooth implementation of initiatives to comply with the revised Ordinance on Industrial Safety and Hygiene for construction sites using scaffolding, the Company conducted random surveys at construction sites alongside the project manager from the scaffolding construction contractor.

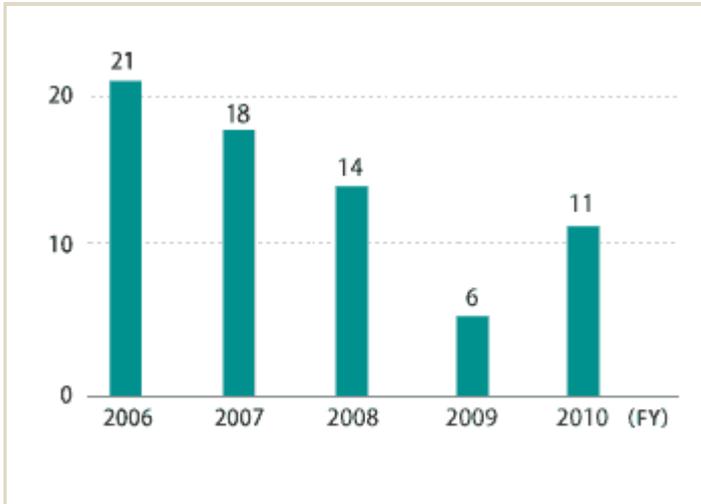
■ Holding Monthly Training Sessions to Improve Safety and Quality

Training sessions are held each month to promote greater safety and higher quality at every local chapter of the Association of Sumitomo Forestry Safe Building Contractors.

Future Plans

The Company will provide direction and ensure consistent standards, which will contribute to a reduction in industrial accidents. Also, it will work to improve safety and health and quality by continuously holding training sessions at each branch.

■ Work-Related Accidents at Building Contractor Locations



* Past data was revised in accordance with the Industrial Safety and Health Act standards

Workplace Safety and Health Risk Management at Subdivision Developments

To prevent accidents at construction sites during the development and construction of subdivision properties, the Company has been identifying the risk associated with specific incidents, such as a falling crane, a worker falling, or an accident involving power tools. Work is carried out in line with a risk procedures manual created following this assessment.

Safety and Health in Forestry

At all of Sumitomo Forestry Group's forestry offices, both subcontractors and Sumitomo Forestry Group employees attend a twice-yearly safety conference, where they receive safety and health related guidance and training. The training mainly focuses on workplace safety and health, environmental education, and emergency first aid.



Together with Our Business Partners

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Timber and Building
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▶ Our Business Partners'
Workplace Health and
Safety Management

▼ Communication with our
Business Partners

Communication with our Timber and Building Materials Business Partners

Policy & Plans

Sumitomo Forestry's operations are focused in the regions and so it works to communicate with timber suppliers and purchasers in these areas.

Results

■ The Sumirin-kai: A Forum for Communication with Timber and Building Materials Suppliers

Sumitomo Forestry sponsors the Sumirin-kai, an organization that serves as a forum for communication with regional suppliers of timber and building materials. Training sessions and information exchange meetings are held, allowing members to deepen mutual friendships, promote product R&D, enhance production and distribution, and support improvements in the industry as a whole.

- As of January 2011, the Sumirin-Kai had 868 registered members from all areas of Japan.
- Training sessions are held in each region two or three times a year and an email newsletter is sent to registered members.

■ Precut Forum 21: A Study Forum for Precut Factories

Founded as an industry organization in 1997, Precut Forum 21 comprises a nationwide network that aims to improve the quality and productivity of Precut¹ plants that process timber in advance of construction, as well as to develop the businesses of its members. As the managing company, Sumitomo Forestry is actively involved in administering this forum and has held various training sessions. These include ISO seminars for companies interested in acquiring ISO 9001 series certification, study tours of manufacturers in other industries, study sessions on the proper handling of industrial waste, training sessions in applying for excellent long-term housing status, and seminars on business opportunities utilizing Japanese timber.

■ Partnership with INOS Group Construction Companies and their Agents

In order to provide reliable and safe housing for its customers, Sumitomo Forestry established the INOS Group (<http://www.inos-ie.com/business/information/>) to share its extensive expertise developed over many years, including in computerized structural calculations and estimates, and to implement its warrantee system.



The 'wabi' house by the INOS Group

- As of March 2011, the number of members stood at 295.
- In fiscal 2010, members of the INOS Group built 653 houses.
- A general meeting is held once a year to further communication between members and share objectives.

■ Publication of *Building Materials Monthly* for Suppliers and Purchasers of Timber and Building Materials

Sumitomo Forestry publishes *Building Materials Monthly*, a distinctive informational magazine with a history spanning more than 45 years since its establishment in 1964.

It aims to "inspire everyone involved in the timber and building materials industry" through the timely publishing of related news and topics.



Building Materials Monthly

- The magazine had a monthly circulation of about 5,000 in fiscal 2010, with topics including "The Housing Eco-Point System," "The Potential of Domestically Grown Timber" and "Eco-Business."
- Sumitomo Forestry sent out reader questionnaires and received such feedback as "The magazine has been useful in meetings with customers," "The information about management expertise was very interesting," and "It serves as a roadmap to the future."

| Future Plans

Topics planned for fiscal 2011 include timber from certified forests; smart homes; environment-related, such as biomass; and housing stock-related, including renovations and the distribution of existing housing.

¹ "Precut" is a production system for construction whereby advanced CAD/CAM technology is used for high-precision processing of timber, which is subsequently taken to construction sites and assembled.

This method is in contrast to the traditional carpentry method involving on-site cutting and planing the wood by hand.

| Consideration in Communities Outside of Japan and Communication

| Policy & Plans

In consideration of local employment, Group companies outside Japan procure locally from suppliers in the communities where they develop their businesses.

Communication with Building Contractors

Policy & Plans

Sumitomo Forestry runs the member organization, the Association of Sumitomo Forestry Safe Building Contractors, to maintain and develop sound relationships of trust and cooperation with building contractors. It provides information to improve building contractors' technical skill levels and management of construction, considers operational problems, and presents awards for excellence to outstanding site managers and carpenters.

Results

■ Using Survey Results to Progress Supply Chain CSR

To gain an accurate understanding of the issues and problems faced by building contractors, each year Sumitomo Forestry conducts the Survey on Production Systems and CSR. In fiscal 2010, 93% of building contractors responded. This questionnaire was designed to identify weaknesses and flaws in Sumitomo Forestry's standards and plans, as well as facilitate improvements in operations, safety and technical capabilities. It was also useful in familiarizing employees of Sumitomo Forestry's business partners with the concepts underlying CSR, which encompass strict legal compliance, environmental conservation, respect for human rights, and contributions to local communities. In October 2010, the results of the survey and the trends it revealed were presented to the Matsu Association of Building Contractors, an annual social gathering of superior building contractor partners.



A talk at the District Conference Appreciation Night, hosted by the Association of Sumitomo Forestry Safe Building Contractors

■ Solving Problems Faced by Builder Contractors; the Shortage of Skilled Labor and Aging Craftsmen

The training of the next generation of craftspeople is vital to pass on skills and to ensure production capacity in the future. The Sumitomo Forestry School of Professional Building Techniques offers a one-year carpentry course for people wanting to work for Sumitomo Forestry, as well as five- to ten-day elementary and intermediate level training courses offered on behalf of building contractors. It ran three such courses in fiscal 2010.

▶ Internal Link: "Passing on Wooden-Home Construction Skills" (P.93)

Stakeholder Comment

- I expect Sumitomo Forestry to increase its communications with building contractors, and disseminate information on its initiatives that deal with environmental problems. (Research and education organization)

Together with Our Shareholders and Investors

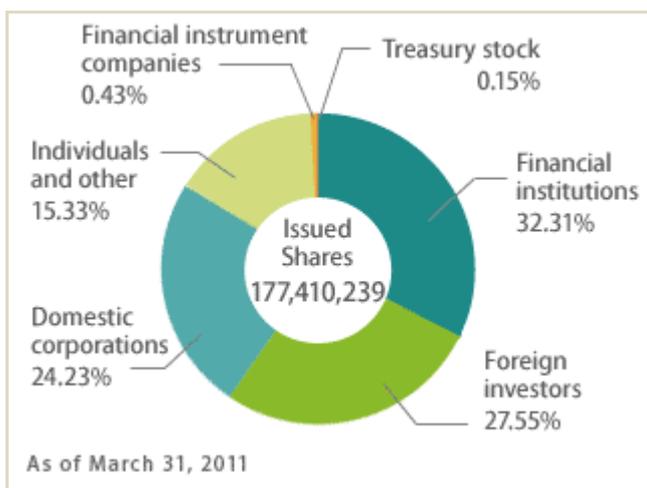
Sumitomo Forestry works to increase its opportunities to proactively disclose information so it can build trust with its stakeholders.

Information Disclosure

Policy & Plans

In the interest of greater management transparency, Sumitomo Forestry takes a proactive approach to information disclosure. At the General Meeting of Shareholders held every June, the Company presents reports and information as clearly as possible and publishes printed and online versions of its Annual Report in both English and Japanese, as well as Japanese reports for shareholders on business activities. In these and other ways, Sumitomo Forestry is creating opportunities to communicate with its stakeholders.

■ Share Distribution by Shareholder Type



Results

■ Explaining Business Performance through Earnings Briefings and Conference Calls

In its efforts to continue gaining greater trust from shareholders and investors, Sumitomo Forestry holds earnings briefings and individual meetings to explain its business performance following the announcement of interim and year-end results, as well as conference calls following release of Q1 and Q3 results.

■ Holding Individual Meetings Each Quarter

Sumitomo Forestry holds individual meetings for institutional investors following the announcement of its quarterly results. In fiscal 2010, the Company held 155 of these individual meetings.

■ Hosting IR Meetings for Individual Investors

The Company does not only hold individual meetings for institutional investors. In July 2010, it hosted its first meetings specifically for individual investors in Tokyo and Osaka, which were attended by about 160

such investors. The Company presented both the Group's financial results and its efforts to preserve and protect the environment.

■ Participating in the IR Forum 2010 in Tokyo

In order to further communicate with individual investors, in August 2010 Sumitomo Forestry participated in the IR Forum 2010 in Tokyo, which was held with the theme of 'the environment, safety, and a fulfilling lifestyle.'

In addition to an IR meeting, in which the Group's business activities were explained to about 100 individual investors, Sumitomo Forestry opened its own display booth, which provided it with an opportunity to talk directly with many individual investors and to listen to their valuable opinions.

| Future Plans

Sumitomo Forestry undertakes IR activities in an effort to better convey details of the Group's operations, its corporate stance as well as the kind of group it is striving to become. The Company strives to communicate with all investors, whether shareholders or institutional and individual investors in Japan and overseas, in a fair and appropriate manner. Through its IR activities, Sumitomo Forestry also works diligently to secure a valid and appropriate valuation within stock markets.

| Inclusion in Socially Responsible Investment Indexes

| Policy & Plans

Sumitomo Forestry engages in business activities that enhance its selection as a socially responsible investment (SRI) covering not only its financial performance but also its environmental responsiveness, social activities, and ethical stance.

| Results

Sumitomo Forestry has been a component stock of

- **The Dow Jones Sustainability World Index (DJSI World) for six consecutive years**
- **The FTSE4 Good Global Index for seven consecutive years**
- **The Morningstar SRI Index for three consecutive years**



Together with Our Employees

Based on its recognition that employees are human assets, the Company is working to enhance its employee systems and communication channels.

▼ Creating a Workplace in which a Diverse Range of Employees can Work Together

▶ A Safe and Healthy Working Environment

▶ Human Rights Training for Employees

▶ Communication with Our Employees

▶ Human Resource Development

Creating a Workplace in which a Diverse Range of Employees can Work Together

Basic Personnel Policy

As we aim to be a truly "excellent company" in housing and wood products businesses, we shall make efforts to put in place effective personnel systems, carry out appropriate and efficient placement of human assets, implement human resources development and training, and build a group of "strong and independent" individuals who are always willing to take up a challenge, all in accordance with Sumitomo Forestry's Corporate Philosophy, which states, "Respect for humanity—We work to create an open corporate culture that instills a strong sense of pride and motivation in employees."

Progress Made in Top Priority Initiatives in Fiscal 2010

In fiscal 2010, the Company's four top priority initiatives were a Group-wide effort to reduce overtime work, support for a diversity of work styles to achieve a work-life balance, establishment of various personnel-related regulations, and personnel training.

■ Employment Breakdown

(non-consolidated: as of March 31, 2011)

	Sumitomo Forestry Co., Ltd.
Management level	1,936
Non-management level	2,417
Contract employees (interior coordinators)	34
Contract employees (non-interior coordinators)	68
Hosted from other companies	15
Average years of service	12 years 8 months
Average annual salary	7,647,817 Yen
Ratio of disabled employees	2.06 %

■ Number of Employees

	As of March 31, 2009	As of March 31, 2010	As of March 31, 2011
Non-consolidated	4,547	4,539	4,470
Consolidated	12,629	13,601	13,778

Employee Hiring, Promotion, and Re-Employment Systems

Policy & Plans

Outstanding personnel are essential to Sumitomo Forestry's ability to contribute to society through its businesses. In hiring employees, we seek people who have the mental toughness and people-skills to push ahead with corporate innovation in Japan and abroad, have a sense of the fairness and integrity that characterize Sumitomo Forestry's corporate culture, and have an abiding respect for humanity. Also, staff responsible for recruitment are appointed to be Fair Employment/Selection and Human Rights Education Promoters and to completely eradicate any form of recruitment discrimination.

Results

■ Seminars for Students Beginning Their Career Search

The Personnel Department's hiring team holds self-discovery seminars and hands-on workshops on world-class business models for students who have begun their search for career opportunities after graduation. These activities aim to help young people make choices about their lives, addressing subjects such as how to select candidate companies in the job-hunting process, methods of self-analysis, and Sumitomo Forestry's own business operations.

In fiscal 2010, the Company launched an internship for different job categories in order to deepen the interns' understanding of housing sales, housing engineering, and general management positions.

■ Recruiting Results

	FY2009			FY2010			FY2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Housing sales	98	19	117	71	16	87	56	15	71
Housing engineering	22	14	36	22	7	29	16	4	20
General management	27	7	34	21	9	30	20	5	25
Total	147	40	187	114	32	146	92	24	116

■ Re-Employment of Retired Employees

Employees who are interested in re-employment and meet certain requirements, including continuous employment for at least ten years and possession of specific skills and experience, can work as contract employees (non-interior coordinator) until age 65. Sumitomo Forestry actively promotes the re-employment of workers, re-employing 22 people in fiscal 2009 and 28 in fiscal 2010.

■ New Return to Work Application System

Sumitomo Forestry introduced a system in fiscal 2008 that offers employees the opportunity to apply to return to work. Employees who had worked for three or more consecutive years are eligible for this program, and the Company determines whether to re-hire employees based on needs and the applicant's skills. Applicants hired within three years of retiring are able to return to their former position. As of April 30, 2011, 31 people are registered in the system.

■ The Company's Approach to the Employment of Non-Permanent Employees

In recent years, regulations for dispatched employees have been strengthened to correct disparities arising out of different forms of employment. Taking a compliance perspective, in fiscal 2010, the Company decided on a policy to change the status of its dispatched employees to directly employed, fixed-term employees ("Partner Employees"). The program was launched in April 2011.

■ Hiring Locally at Group Companies outside Japan

The Company tries to create employment when developing its businesses in Group companies outside of Japan by hiring locally.

■ Rate of Local Employment in Group Companies Outside of Japan (%) ¹

(As of December 31, 2010)

Country	Australia	Papua New Guinea	Indonesia	New Zealand	China	The United States	10 Group companies
Local employment rate	100.0%	99.7%	99.4%	99.0%	97.5%	91.4%	99.3%

¹ The principal 10 companies from within the 18 Group companies outside of Japan

Future Plans

Sumitomo Forestry seeks people with mental toughness and people-skills. Further, it plans to recruit 10 new graduates in 2012 to provide support for the area devastated by the Great East Japan Earthquake.

Stakeholder Comment

- I think that the Career Support Desk is worthwhile if enough people use it, but I'm concerned that it will be of little use if it only provides a small number of consultations. (Customer)

Helping Employees Achieve a Better Work-Life Balance

Policy & Plans

As a company involved in housing and lifestyles, Sumitomo Forestry recognizes the diversity of its employees' work-styles and strives to provide them with work they find worthwhile. At the same time, it aims to create a workplace where employees can treasure their families and create a rich family life. Toward this, it established the Work & Life Group within the Personnel Department.

Results

■ Distributing a Work-Life Balance Pamphlet to All Employees

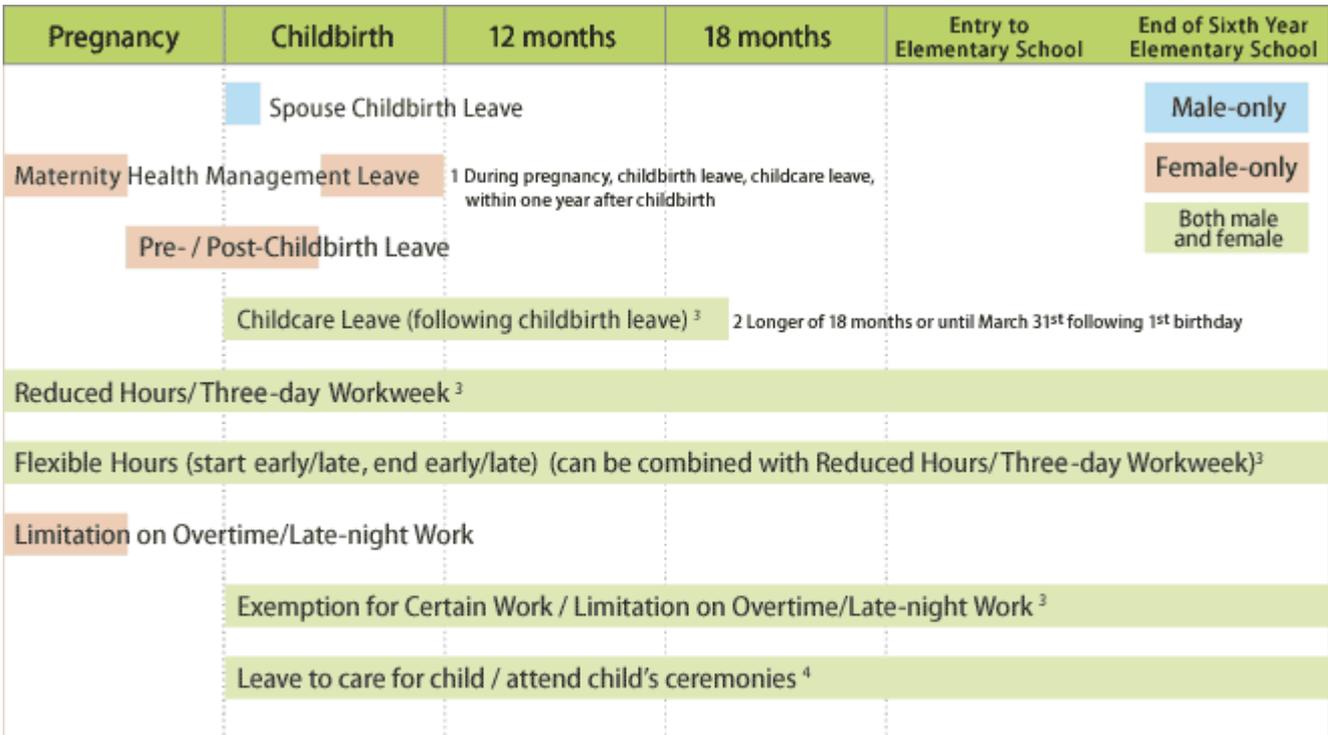
In April 2010, Sumitomo Forestry distributed to all employees its work-life balance pamphlet, *Working with Enthusiasm while Treasuring Families*. At the same time as deepening employee understanding of the work-life balance, it highlights practical points at the workplace and introduces the Company's various programs.

■ The Various Programs that Support a Better Work-Life Balance and Their Results

Program	Objective and Description	FY2010 Results
Refresh Vacation	<ul style="list-style-type: none"> • This system allows employees to combine their weekends with paid vacation days for five consecutive days of vacation every year between January 1 and December 31, as distinct from the New Year and summer vacation periods. Regular employees and contract employees (non-interior coordinators and interior coordinators) who have been continuously employed by the company for at least one year are eligible. 	59%
Childcare (revised April 1, 2010)	<ul style="list-style-type: none"> • Childcare leave: Childcare leave may be taken by employees for the longer of the first 18 months of the child's life or until March 31st immediately following the child's first birthday. • Shorter working hours: Until the child completes the sixth grade of elementary school, employees may begin or end work earlier or later, work shorter hours, or work a four-day week, and be exempted from overtime work. • Leave to care for child and attend special events: Employees may take the equivalent of ten days a year in one-hour increments (with full pay) to care for a sick or injured child until their children have completed the sixth grade of elementary school. Of these ten days, up to five days may be used for attending special events with their children. Employees with two or more children are granted an additional five days. 	<ul style="list-style-type: none"> • 100% of female employees who gave birth took childcare leave. • 20 male employees took childcare leave.

Program	Objective and Description	FY2010 Results
Family care (revised April 1, 2010)	<ul style="list-style-type: none"> Family care leave: This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees and contract employees. Shorter working hours: Participants may also begin and end work earlier or later, work shorter hours, or work a four-day week. Family illness and injury: Regular and contract employees may take the equivalent of ten days a year (measured by the hour) to care for their family. Five of the days annually may be used to care for family members who are ill or injured. Employees with two or more family members requiring care are granted an additional five days. 	<ul style="list-style-type: none"> 1 employee took Family Care leave.

■ Childcare-Related Programs

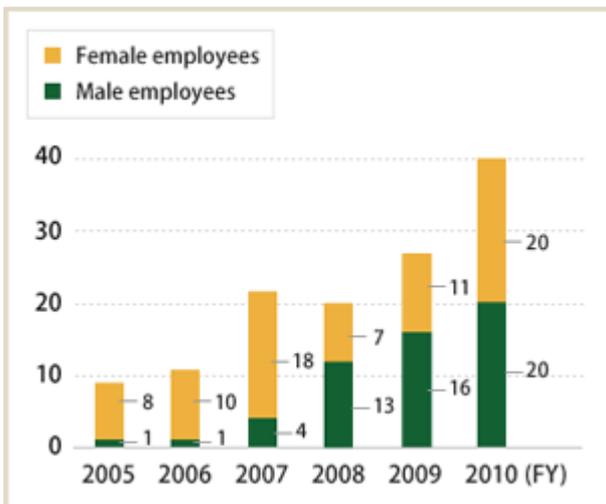


³ Employees who have worked continuously for 1 year or more
⁴ Employees who have worked for 6 months or more

■ Encouraging Male Employees to Take Childcare Leave

To support male employees whose spouses have given birth to a child, surveys are taken and childcare leave guides distributed to male employees. The Company intranet is also used to publicize the status of employees taking childcare leave, as well as stories from employees who have taken childcare leave. As a result of these efforts, the number of male employees taking childcare leave has been steadily increasing each year.

■ Employees Taking Childcare Leave



■ Launching the Telework Program

Sumitomo Forestry formally launched the telework program in fiscal 2009, in which employees may work at home or other location remotely. The time saved by not commuting to an office is being used for both work and family life, and working in a quiet home environment has proven to increase productivity, providing proof of the concept for the telework program. In fiscal 2010, ten employees are participating in the program, employees who have needs for childcare or family care, as well as those whose commute times were especially long.

■ Transfers to Accommodate Spouse Transfer

In fiscal 2008, Sumitomo Forestry established a program that facilitates the transfer of employees to the same destination as their spouse. This enables employees to continue working with Sumitomo Forestry. To date, seven employees have participated in this program.

■ Compliance with Law for Measures to Support the Development of the Next Generation (Next Generation Law)

In compliance with the Next Generation Law, Sumitomo Forestry formulates and implements action plans to support employees raising families. The Company's 1st, 2nd, and 3rd action plans each satisfied designated requirements, earning certification from the Tokyo Labour Bureau.

| Future Plans

■ The 4th Next Generation Law Action Plan (for Fiscal 2011 to 2012)

The 4th Action Plan has two goals. The first is to create a work environment in which employees can comfortably raise their children, spend time with their family, and work effectively and positively. The second goal is to create a climate that accepts both men and women balancing work with raising children. Sumitomo Forestry intends to earn certification attesting to the compliance of the 4th Action Plan with the Next Generation Law.

- (1) Aim to achieve a work-life balance and continue to review ways of working
- (2) Encourage employees to take childcare leave
- (3) Progress administrative reforms toward the smooth use of childcare support programs



The Kurumin Mark of Certification

Stakeholder Comment

- The Company established its "Refresh Vacations" with the objective of 100% utilization by employees and it has achieved about 60%. Has it developed strategies to encourage utilization by the remaining 40%? (Customer)
- It still seems like not many men are taking childcare leave. Even if the Company is actually encouraging it, I hope you make some specific improvements in this area as the role played by employees' supervisors and their surrounding environment is very significant. (Student)

Promoting Affirmative Action

Policy & Plans

Sumitomo Forestry is committed to creating a workplace in which people can fulfill their ambitions and exercise their skills irrespective of gender. In particular, to encourage the success of female employees, the Company is working to expand the presence of women in all job positions and to support working while raising children. It holds forums, each time with different participants and themes, aimed at solving work-related problems in job categories where there are few women, and enhancing motivation.

Results

■ Female Employment Ratios (As of April 1 of Each Fiscal Year)

As % of Company Workforce	FY07	FY08	FY09	FY10	FY11
Female employees including contract employees (interior coordinators and non-interior coordinators)	15.8	16.4	16.4	16.9	16.8
Female employees in management positions	0.9	0.9	1.3	1.3	1.4
Newly hired female university graduates	25.0	21.0	21.0	22.4	24.6

(%)

■ Sponsoring the 6th Housing Sales Women Job Forum

In October 2010, the Company sponsored the 6th Housing Sales Women Job Forum, and 16 female employees working in housing sales and four supervisors engaged in a lively exchange of information. Group discussions were held on two topics; mutual understanding between supervisors and staff and new styles of sales.

Future Plans

The opinions given in the fiscal 2010 forum will be reflected in future measures. Sumitomo Forestry plans to hold these forums on an ongoing basis to provide opportunities for enhancing motivation and problem-solving.

Stakeholder Comment

- Expectations for diversity are increasing in society. The greater the extent a company's workforce is made up of unique individuals, the stronger the company will be. (Financial and environmental expert)

Promoting the Employment of People with Disabilities

Policy & Plans

What challenges do people with disabilities encounter working in companies? What ways of working lead to increased corporate value? Sumitomo Forestry is promoting the employment of people with disabilities while attempting to answer these kinds of questions.

Results

■ Ratio of Disabled Employees

(%)

FY08	FY09	FY10
1.54	1.82	2.06

Stakeholder Comment

- People with many different types of disabilities are working, so in the future, Sumitomo Forestry should try to make better use of their unique experiences and ways of thinking. (Customer)
- The question is not how many people with disabilities the Company is employing, but whether the people with disabilities it employs are happy in their jobs. I would like to support this kind of employment. (Public official)

Together with Our Employees

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▶ Creating a Workplace in which a Diverse Range of Employees can Work Together

▼ A Safe and Healthy Working Environment

▶ Human Rights Training for Employees

▶ Communication with Our Employees

▶ Human Resource Development

A Safe and Healthy Working Environment

Policy & Plans

Sumitomo Forestry aims to foster a workplace in which employees can perform their jobs in a safe and healthy manner. It provides regular health checkups to all employees, whether permanent or non-permanent. This, along with its other activities to improve workplace health and safety, demonstrate the Company's commitment to its Rules for Safety and Health Management.

Results

■ Appropriate Control over Working Hours and Reduction of Overtime

In fiscal 2010, the Company responded to the fact that its improvement proposals created in fiscal 2008 to reduce long working hours (restricting times for internal meetings, setting "do not disturb" time windows so staff can concentrate, and automatically shutting down PCs in the late evening on week nights) were not being fully implemented, and created a working-group collaboration between management and labor to resolve this issue. The group works with a representative from each division and has been investigating which work tasks can be reduced or abolished, and collecting case studies from various work sites. Moreover, it has been providing site managers with guidance on the appropriate controls over working hours and notifications on disciplinary rules. As a result of these and other measures, the situation has been steadily improving.

■ Anti-Smoking Program

With the growing interest in quitting smoking, the Company has been implementing and strengthening anti-smoking programs since fiscal 2008. In fiscal 2010, it launched a more strict No Smoking Anywhere during Working Hours anti-smoking program. In the first half of the year, mornings were set as a no-smoking time and then from the second half of the year, smoking was not permitted at any time during working hours, except during breaks. As a result, the number of employees who have successfully quit smoking has increased.

■ Mental Health Initiatives

Sumitomo Forestry has been running a Mental Health Support Program since fiscal 2006. A toll-free telephone service called Medical Consultation and Treatment for Mind and Body is also available to take calls regarding workplace concerns, relationships with other people, general frustrations and worries, and requests for information on medical facilities. The Company displays posters and distributes cards to regular and contract employees to ensure familiarity with the service and encourage its use. Currently, eight Group companies provide this service to their employees.

■ Regular Health Checkups and Comprehensive Examinations for 100% of Employees

For the third consecutive year, 100%¹ of Sumitomo Forestry's employees in fiscal 2010 received both a regular health checkup and a comprehensive examination, thanks to monthly progress checks by each business establishment. In addition, in fiscal 2009 a follow-up system was set up for all patients requiring further examination, including consultations with the industrial doctor in each office and the delivery and collection of forms verifying second examinations.

¹ This does not include employees on long-term leave for maternity leave and illness.

■ Specific Health Checkups and an Online Reservation System for Comprehensive Examinations

In addition to the regular health checkups given to all employees each year, more comprehensive examinations are available to employees aged 35 years or more and dependents of employees upon request. Metabolic syndrome diagnostic criteria have been included in regular health checkups and more extensive checkups for employees aged 40 years or more who are the subject of specific health checkups. Sumitomo Forestry is committed to raising the attendance rate of employee dependants as well as employees, and so has introduced an online reservation system for comprehensive examinations and sends emails with information on the consultation, thus increasing attendance rates.

■ Prevention of Sexual Harassment and Workplace Bullying

In accordance with "Our Values and Ideals" and its Employment Regulations, Sumitomo Forestry prohibits Sexual Harassment and Workplace Bullying through clearly stated rules and disciplinary standards. The Company has set up the Sexual Harassment and Workplace Bullying Consultation Hotline and the Compliance Hotline to appropriately handle inquiries and complaints. To raise awareness of the issues among employees, the Company provides information and case studies through the intranet, pamphlets, and training on human rights and ethics.

When handling a case of harassment, the Sexual Harassment and Workplace Bullying Consultation Hotline promptly and appropriately verifies the facts and gathers information with the accused, the complainant, and third parties, and then takes the necessary procedures with those concerned. The privacy of all those involved is protected and every effort is made to ensure that neither the complainant nor those cooperating are treated detrimentally.

■ Workplace Safety and Health at Plants of Group Companies in Japan

Sumitomo Forestry Crest Co., Ltd.'s basic policy is to move "from zero accidents to zero danger." At each plant every month, it determines a safety and health theme and then based on this theme carries out safety training and safety patrols within its manufacturing sites. It also conducts risk-perception activities, such as assessing the risk relating to each piece of machinery, equipment, and type of work.

| Future Plans

■ Responding to Mental Health Concerns in a Disaster Area

Following the Great East Japan Earthquake, the Company is concerned about the mental stress its employees in the region would have suffered from the initial quake and series of aftershocks, and also from the resulting increase in their workload and additional stress. Responding to these concerns, the Personnel Department will hold a Medical Consultation and Treatment for Mind and Body counselling seminar in a lecture format and also provide one-to-one counselling for employees in branches in the disaster region.

■ Strengthening Disaster Response

In addition to its usual workplace safety activities, for each plant Sumitomo Forestry Crest Co., Ltd. has created a manual, Response and Evacuation during an Earthquake, to act as its earthquake and tsunami emergency-response plan. At the training, without fail, the plants measure the time its employees actually needed for evacuation and aim to ensure they can respond rapidly if such an event does occur.

Together with Our Employees

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▶ A Safe and Healthy Working Environment

▼ **Human Rights Training for Employees**

▶ Communication with Our Employees

▶ Human Resource Development

Human Rights Training for Employees

Policy & Plans

Sumitomo Forestry's action statement, "Our Values and Ideals," lays out the Group's shared ethical code, based on a respect for diversity, regardless of disability, gender or age, a recognition of equality, and a total rejection of discrimination. It ensures that all employees are familiar with these concepts through training and other educational programs.

- ▶ Link to Related Website: "Our Values and Ideals" (http://sfc.jp/english/corporate/policies/values_03.html#cont04)

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Communication with Our Employees

Policy & Plans

Sumitomo Forestry has conducted regular employee satisfaction surveys since 2002. It pursues a mutually beneficial relationship with its labor union to achieve healthy business development together.

Results

■ Setting Three Priority Issues based on the Employee Satisfaction Survey

Based on the results of fourth survey conducted in July 2008, Sumitomo Forestry has set three priority issues for its future measures:

- (1) Providing support for career development
- (2) Reducing overtime work and eradicating self-imposed overtime due to peer pressure
- (3) Accommodating diverse work-styles

The next survey will be conducted in fiscal 2011.

■ Relations with the Labor Union

As of April 30, 2011, every Sumitomo Forestry employee eligible to join the labor union had done so. The Company has been reforming its various employee programs, including those to reduce overtime work and encourage employees to take paid vacation, and has been working to resolve issues related to work-life balance.

New Business Proposal System

Policy & Plans

Sumitomo Forestry is implementing the Power for the Future Project to solicit new proposals for harnessing the ambitions and skills of employees in creating new businesses. This system is for everyone who works in the Sumitomo Forestry Group to make new business proposals based on their own ideas. The first Power

for the Future Project was carried out in fiscal 2006 and has now been held three times.

Results

Among the winning proposals in the previous Power for the Future Projects, four have been commercialized.

Commercialized Projects

Proposal	Business
Housing business for workers stationed overseas	Launched in 2008, this one-stop service can respond to customer's housing needs in Japan while they are overseas, including for custom-built detached housing, spec homes, renovation, land brokerage, rental brokerage, and monthly apartments. As of March 31, 2011, there had been about 800 enquiries from over 40 countries, and approximately 50 service contracts were signed.
'Promotion of Wood' declaration —MOCCA— Group operations that encourage greater use of timber resources through the use of wood in home structures and features, which communicate the appeal of wood	The Special Wood Construction Development Team was formed within the Real Estate Business Division and began operations in 2009. In September 2010, the wooden elderly care facility in Ota Ward to be built by the Company was selected for the Promotion of Wooden Towns Initiatives sponsored by the Ministry of Land, Infrastructure, Transport and Tourism. Moreover, in April 2011, the MOCCA (Wood-Use Integration Department) was formed under the direct control of the President, preparing for the Group-wide MOCCA (wood-promotion) business. ¹ It will encourage greater use of timber, communicate its appeal, and contribute to the revitalization of the forestry business.
Distribution business utilizing the Housing Division's relay centers	In April 2010, Home Eco Logistics Co., Ltd. was established to promote the Company's unique expertise in efficient distribution systems and their effectiveness in reducing CO ₂ emissions ▶ Internal Link: "Reducing CO ₂ Emissions from Transportation(P.134)
Online sales business for past customers	In October 2010, the Company launched an online store in Club Forest, the special website for Sumitomo Forestry homeowners. Customers can order home maintenance products and services 24 hours a day. ▶ Internal Link: "Keeping Customers Informed" (P.59)

¹ The generic name for each business in the Group that encourages greater use of timber resources through the use of wood in home structures and features.

Future Plans

The Power for the Future Project is held once every two years. In those years that it is not held, the Company establishes within Strategic Business Research Department a reception desk (via email) for new proposals from its employees.

Together with Our Employees

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▶ Communication with Our Employees

▼ Human Resource Development

Human Resource Development

Policy & Plans

To achieve its corporate philosophy and to create an open and inclusive corporate culture that values diversity advocated in the Action Guidelines, Sumitomo Forestry works to develop employees with a strong sense of pride and motivation as a basic policy for human resources development, based on the keywords 'autonomous' and 'support.' The Company will develop its human resources in Group companies both within and outside of Japan, through standardized training across Group companies as well as accepting employees from Group companies into the Company.

Results

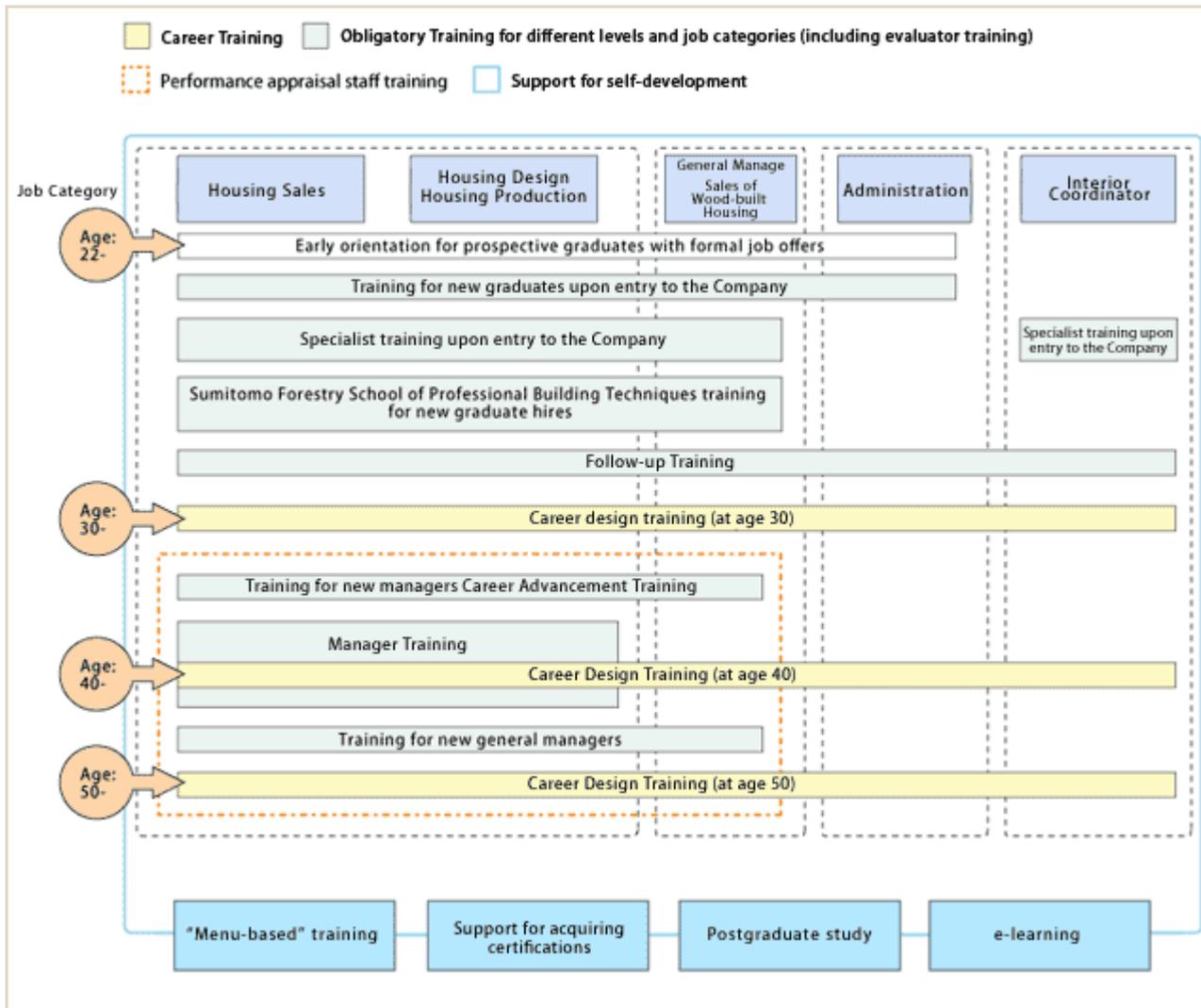
■ Formulating a Five Year Plan, from Fiscal 2011 to Fiscal 2015

In fiscal 2010, the Company formulated a five year human resource development plan for the period fiscal 2011 to fiscal 2015.

The five year plan policies and initiatives (fiscal 2011 to fiscal 2015)

- (1) Taking the perspective that Group-wide human resource development is needed, standardize training across Group companies within and outside of Japan and accept employees from Group companies into the Company.
- (2) Develop the Group's human resources by improving the support for language learning, the overseas trainee system, and training prior to being sent to an overseas post.
- (3) Create a Sumitomo Forestry learning portal (an e-learning system accessible by all Group employees both within and outside of Japan), to ensure all employees fully understand Sumitomo Forestry's corporate philosophy and its stance on human rights and compliance with legislation, as well as to enhance their skills.
- (4) Continue with training and programs that provide employees with career support. Use performance-based evaluation while enhancing on-the-job training to ensure their autonomous commitment to their work and to encourage their motivation

■ Initiatives for Further Enhancing Human Resources Development Programs



■ Career Consultation and Support

The Career Support Desk opened to provide employees with assistance specific to their needs in managing their careers. Specialized career advisers provide expert career advice for individual employees.

■ Multifaceted Training

In accordance with its human resource development basic policy, Sumitomo Forestry offers its employees a variety of training opportunities to encourage them to independently pursue their career ambitions and to provide opportunities to learn business skills that match their life plans. In addition to training tailored to specific job categories and levels, to support employees' own efforts to improve their skills and create their career path, it offers a full range of programs. This includes training for differing needs and e-learning, "Menu-based" selective training at external institutions and support for acquiring certifications, management strategy, MBA at overseas business schools, and other programs for future business leaders. In fiscal 2010, the Company spent 88,000 yen per employee on training.

■ Multifaceted Training

Training Programs	Description	FY10 results (Number of people)
Periodic training for different levels and job categories	Provided training for new managers and general managers, in addition to a series of training for new graduates upon entry to the Company, follow-up training, and training at the Sumitomo Forestry School of Professional Building Techniques.	1,228
Training for differing needs	Provided training for those who have changed job categories, staff development management, career training for all employees aged 30 and 40, training to promote the achievements of people with disabilities and females in the workplace, evaluator training to increase their understanding of the personnel system, and language training by invited lecturers. Also, e-learning training to improve skills in housing sales, design, and production.	4,692
Selective training	Provided training for management strategy, female manager training, and MBA programs to acquire highly specialized knowledge concerning management and problem solving methodology	25
"Menu-based" training	Subsidy available for training programs at external institutions to acquire certifications and enhance business skills.	133

Initiatives at Group companies Outside of Japan

Communicating with employees and improving their skills are vital for business development. Dalian Sumirin Information Technology Service Co., Ltd. (Dalian ITS) in China has been enhancing its career support system, including Japanese and English language training and manager training. It has established a commendation system for outstanding employees and sends some to training courses in Japan, providing them with an opportunity to directly experience the history of Sumitomo Forestry and its business activities in Japan. In addition, at the weekly morning briefing, the President gives his message to employees in both Japanese and Chinese. This is not only a way of improving their language skills, but also a communication tool to raise their awareness of Company policies and their sense of being part of the Group. These initiatives are helping to increase employee motivation and contributing to improved human resource development and longer periods of service.



Training at Dalian ITS

Creating Intellectual Property

Policy & Plans

Sumitomo Forestry strives to foster a climate conducive to the active creation of intellectual property. The Company is addressing environmental problems by creating new technologies and pursuing patents in the fields of quality timbers, plantation, the effective use of waste, and long-lasting houses.

Results

■ Promoting Shared Internal Utilization of Intellectual Property Rights

The Company is using various measures to promote the utilization of its environmentally related intellectual property in the Group's environmental management. These include establishing the Environmentally Related Intellectual Property Map and introducing its patents open to the public in its Intellectual Property News publication and on its intranet, with each patent being categorized and presented according to its different environmental benefit.

■ Case study: a Patent to Solve a Water-Pollution Problem

Sumitomo Forestry Landscaping Co., Ltd. acquired a patent in 2008 for method of purifying cement rinse water and a bag used for purification. This technology can reduce environmental impact by quickly detoxifying waste water generated on work sites and it is also being used on the construction sites of new homes as one solution to water resources issues (patent no. 4166510; registration date, August 8, 2008).

■ Enhancing Education and Evaluation Systems

Sumitomo Forestry holds study meetings on an ad-hoc basis to encourage the active creation of intellectual property rights and to help prevent the infringement of other companies' intellectual property. Furthermore, education on intellectual property has been incorporated in training programs for new graduates, mid-career employees and general employees. It has also initiated patent proposal and award programs with monetary incentives awarded to employees who submit ideas for outstanding inventions. In fiscal 2010, 219 proposals were submitted from employees outside of the Company's R&D Department alone. Group companies are also active in this area, with approximately 700 proposals being submitted by employees from Group companies within Japan.

Passing on Wooden-Home Construction Skills

Policy & Plans

Sumitomo Forestry recognizes that to continue building houses that utilize the advantages of the traditional wooden post-and-beam construction method, it is important to pass on skills and techniques to the next generation of workers. To achieve its objective of nurturing the skills and knowledge of craftspeople (carpenters), Sumitomo Forestry founded the Sumitomo Forestry School of Professional Building Techniques in 1988 as a boarding school for intra-corporate vocational training.

Results

In March 2011, 28 people graduated from the School, for a total of 885 graduates since its establishment. In fiscal 2011, 27 students were admitted and are currently engaged in training.

■ Winning Awards for the 6th Consecutive Year at the National Skills Competition

In October 2010, five graduates of the School and current employees of Sumitomo Forestry Home Engineering participated in the 48th Annual National Skills Competition in Yokohama City, Kanagawa

Prefecture. Each employee brought home a medal, winning one gold, one silver, one bronze, and two "fighting spirit" awards. This marks the sixth consecutive year since the 43rd competition that the School's students have been awarded such honors.

■ A Training Venue for the Sumitomo Forestry Group

The School also accepts craftspeople from Group companies and business partners onto its training courses.

- ▶ Internal Link: "Communication with Building Contractors" (P.73)

Together with Society

Sumitomo Forestry makes use of the expertise it has built up through its business activities to contribute to the global environment and local communities.

▼ Communications with Society

▶ Respect for Human Rights

▶ Contributing to the Development of Communities Outside of Japan

▶ Social Contribution Activities

▶ Investment to Realize a Sustainable Society

Policy

Sumitomo Forestry believes that ongoing communication with society is essential to a company's sustainable development. It uses its unique mascot called "*Kikorin*" to present its corporate stance in newspapers, magazines, television, the Internet, and other media. The Company participates directly in special events to give the public a more accurate and deeper understanding of Sumitomo Forestry.

Stakeholder Comment

- Sumitomo Forestry's commercial really draws the interest and concern of children and students—the future generation—so I look forward to seeing it. (Educational and research organization)
- I expect educational activity about the role forests play in preserving the environment. (Student)

Communication in Communities with Plantation Forest Operations

- ▶ Internal Link: "Contribution of Social Forestry to Local Communities"(P.170)

Disseminating Information at Symposia and Other Events

Policy & Plans

Sumitomo Forestry actively sponsors lectures to offer the knowledge and experience it has gained through its business activities for the benefit of society.

Results

■ Exhibiting at the COP10 Interactive Fair for Biodiversity

In October 2010, the Tenth Meeting of the Conference of Parties (COP10) to the Convention on Biological Diversity was held in Nagoya, Aichi Prefecture. Sumitomo Forestry exhibited at the Interactive Fair for Biodiversity with the largest booth among all private-sector companies, using panels and dioramas to

introduce its efforts to preserve biodiversity and its business activities. Also, the Company donated J-VER credits¹ from its own forests to offset the CO₂ emissions associated with power used in the Interactive Fair for Biodiversity Forum.

■ Holding Events to Communicate the Appeal of Wood and Forests

On January 15th and 16th 2011, Sumitomo Forestry held the "Sustainable Forestry Gallery—*Kikori's Forest*" in the plaza in front of Yurakucho ITOCiA (Chiyoda Ward, Tokyo), with approximately 5,000 people attending. The event has been held every year since fiscal 2007.

The United Nations has set 2011 as the International Year of Forests and the opening ceremony, jointly held by the Forestry Agency and the National Land Afforestation Promotion Organization, was attended by dignitaries including the Minister of Agriculture, Forestry and Fisheries and members of the International Year of Forests Committee within Japan. The venue featured entertaining displays on environmental issues and the roles forests play, with 3D images and iPads used to explain the appeal and value of trees and forests.

- ▶ Internal Link: "Sale of First Private-Sector Domestic Forest Absorption-type Offset Credit (J-VER)" (P.211)

¹ J-VER: this system, promoted by the Ministry of the Environment as a measure to combat global warming, authorizes carbon offset credits to domestic projects that reduce emissions of or absorb greenhouse gases.

Additionally, in fiscal 2010 the Company participated in various other symposia and seminars with executive officers and employees disseminating information and providing proposals.

■ FY2010 Results

The Japan Wood Research Society, Foundation Anniversary Symposium, May 15	Gave a lecture entitled, 'The use of timber in industry and expectations for the Japan Wood Research Society' under the theme of 'the role that wood science should play and the problems it faces toward the realization of a next generation society.'
Biodiversity Seminar Caravan, sponsored by Ehime Prefecture, July 30	Introduced its initiatives in its Company-owned forests, including its acquisition of ISO140001 certification, acquisition of SGEC ² forestry certification, and its initiatives to protect biodiversity under the theme of 'Sumitomo Forestry's Company-owned forests and biodiversity.'
IUFRO ³ WORLD CONGRESS, August 26	Introduced Japan's forestry industry and the Company's own business activities at the international congress on the world's forest and timber resources held in Seoul, South Korea.
'Housing and Finance' Symposium sponsored by Housing and Finance Forum December 15	Introduced the Company's philosophy behind its <i>Ryounbou</i> natural heating and cooling system and its LCCM ⁴ homes as well as utilizing domestically-produced timber, in its 'Making homes last longer and utilizing domestically-produced timber' lecture under the theme of 'the environment, energy conservation, future ways of living - from a housing and finance perspective.'
The Sainoki Symposium, sponsored by the NPO Sainoki, January 19, 2011	Gave a lecture entitled, 'Timber procurement as seen by the housing industry,' under the theme of 'Problems and strategies to attain a timber self-sufficiency rate of 50% - toward the realization of a forest and forestry regeneration plan.'
The 3 rd IndonesiaForestry Expo April 14 th to 17 th 2011	Five Sumitomo Forestry Group companies exhibited and introduced their "logging, using, then planting, approach." Exhibits covered sustainable forest management, their CDM ⁵ business, and afforestation that is considerate to and contributes to the environment and society.

- 2 Sustainable Green Ecosystem Council (SGEC): Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven standards that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.
- 3 International Union of Forest Research Organization: research organization established to form a network of centers researching the world's forests and timber resources.
- 4 The LCCM concept aims to achieve a negative CO₂ balance across the whole life cycle of a house by using renewable energy such as solar power, solar heat and biomass. This is premised on the deployment of technologies to reduce the CO₂ produced throughout the life cycle of a house, from construction and operation through to dismantling and disposal, and the establishment of an energy-saving lifestyle utilizing these technologies.
- 5 Clean Development Mechanism (CDM): A system under which developing countries receive technologies and funding from advanced countries in order to encourage businesses to reduce emissions of greenhouse gases or increase their offset of greenhouse gases. In exchange, the advanced countries receive CERs, which can be used to help achieve emissions targets at home.

Future Plans

Sumitomo Forestry exhibited at the China-Japan Green Expo 2011⁶, which was held for the first time in Beijing in June 2011, to showcase its environmental initiatives and businesses and the potential for its business in China.

- ▶ Link to News Release: "Sumitomo Forestry Group to Exhibit in China-Japan Green Expo 2011" (<http://sfc.jp/english/pdf/20110523.pdf>)

6 Sponsored by the NPO Japan-China Green Expo Management (established by Keidanren) and the China Council for the Promotion of International Trade (CCPIT)

Stakeholder Comment

- I have seen *Kikorin* before and reading this report was a good opportunity to learn more about the Company's specific initiatives and policies I was unaware of. I think Sumitomo Forestry should use it a little more to publicize its efforts. (Company Employee)



Together with Society

Sumitomo Forestry makes use of the expertise it has built up through its business activities to contribute to the global environment and local communities.

▶ Communications with Society

▼ **Respect for Human Rights**

▶ Contributing to the Development of Communities Outside of Japan

▶ Social Contribution Activities

▶ Investment to Realize a Sustainable Society

Human Rights Policies

- ▶ Link to Related Website: "Corporate Philosophy and Action Guidelines" (<http://sfc.jp/english/corporate/policies/philosophy.html>)
- ▶ Link to Related Website: "Our Values and Ideals" (http://sfc.jp/english/corporate/policies/values_03.html#cont04)
- ▶ Internal Link: "Global Compact" (P.30)

Human Rights Programs

- ▶ Internal Link: "Human Rights Training for Employees" (P.87)

Considering Human Rights in Our Investments and Business Development

- ▶ Internal Link: "Global Compact" (P.30)
- ▶ Link to Related Website: "Our Values and Ideals" (http://sfc.jp/english/corporate/policies/values_03.html#cont04)

Human Rights in the Supply Chain

- ▶ Internal Link: "Communication with Building Contractors" (P.73)
- ▶ Link to Related Website: "Our Values and Ideals" (http://sfc.jp/english/corporate/policies/values_03.html#cont04)

Prevention of Child Labor and Forced Labor

The Sumitomo Forestry Group's offices in and outside Japan hire employees in compliance with local laws and ordinances, and do not engage in illegal labor practices such as child labor and forced labor.

- ▶ Internal Link: "Global Compact" (P.30)

Together with Society

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▶ Investment to Realize a Sustainable Society

Benefits of Business Development for Local Communities

Policy & Plans

Sumitomo Forestry aims to contribute to sustainable local development through its operations. When starting new businesses or expanding its overseas business sites, the Company's policy is to consider the environment, revitalize local economies and promote employment and thereby operate in harmony with local communities.

Results

■ Implementing Social Forestry Together with Local Residents (KTI)

- ▶ Internal Link: "Contribution of Social Forestry to Local Communities" (P.170)

Contributing to Communities by Employment and Procurement

- ▶ Internal Link: "Contribution of Social Forestry to Local Communities" (P.170)
- ▶ Internal Link: "Consideration in Communities Outside of Japan and Communication" (P.72)
- ▶ Internal Link: "Hiring Locally at Group Companies outside Japan" (P.78)

Results in Improving Social Infrastructure

Open Bay Timber Ltd. (OBT), which is engaged in plantation forestry in Papua New Guinea, started plantation forestry operations in 1984 and has made significant contributions to the economic development of the local community. OBT became a member of the Sumitomo Forestry Group in April 2007 and continues to develop plantation timber resources in a responsible manner and to use those resources effectively. In the Open Bay region where OBT is located, government-provided social infrastructure is inadequate so OBT operates a hospital, kindergarten and supermarket for employees and children. It also provides means of transportation for the local residents, including emergency transportation of critically ill patients to hospitals and shuttling of residents to and from marketplaces. In fiscal 2008, it built six wooden bridges over rivers in preparation for the rainy season floods, which continued to be used today by local residents. In

accordance with the wishes of the local people, in fiscal 2011 it plans to construct two reinforced concrete subsidence bridges.

KTI Educational Foundation

To commemorate the 30th anniversary of its founding, Sumitomo Forestry Group company PT. Kutai Timber Indonesia (KTI) established the KTI Educational Foundation in 2000 to provide scholarships to elementary and middle school students living in the vicinity of the KTI plant and plantation forests. The Foundation also provides relief donations for natural disasters such as earthquakes and floods. In fiscal 2010, the Foundation provided 49,944,500 rupiah (approximately 544,400 yen) to 43 elementary school students, five middle school students, and two high school students.

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▼ Social Contribution Activities

▶ Investment to Realize a Sustainable Society

Policy on Social Contribution Activities

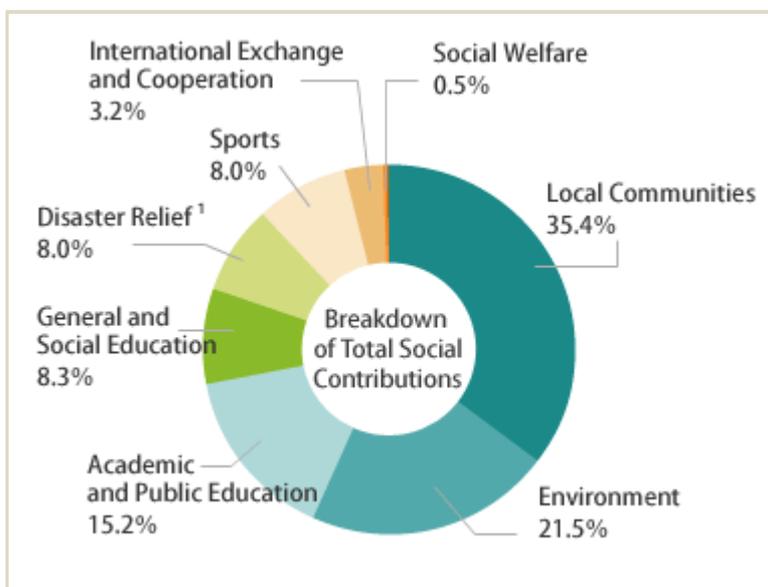
Sumitomo Forestry believes that it is important to contribute to the sustainable utilization of timber resources and local community development, as well as protect our abundant forests into the future. With these aims, the Company is engaged in a wide variety of social contribution activities. Raising awareness about forests to a larger segment of society is particularly important to their preservation. This motivates Sumitomo Forestry to dedicate resources to environmental education such as lectures for elementary and middle school students, as well as on-site training at forests. The Company is also actively involved in restoring forests damaged by disaster. Sumitomo Forestry also supports volunteer activities undertaken by individual employees in local communities to create a workplace environment that encourages people to contribute to their local communities.

Stakeholder Comment

- I would like Sumitomo Forestry to take the lead in social activities closely oriented to the local community. (Employee)

Funds Allocated to Social Contribution Activities

■ Funds Allocated to Social Contribution Activities (FY2010: Sumitomo Forestry, non-consolidated)



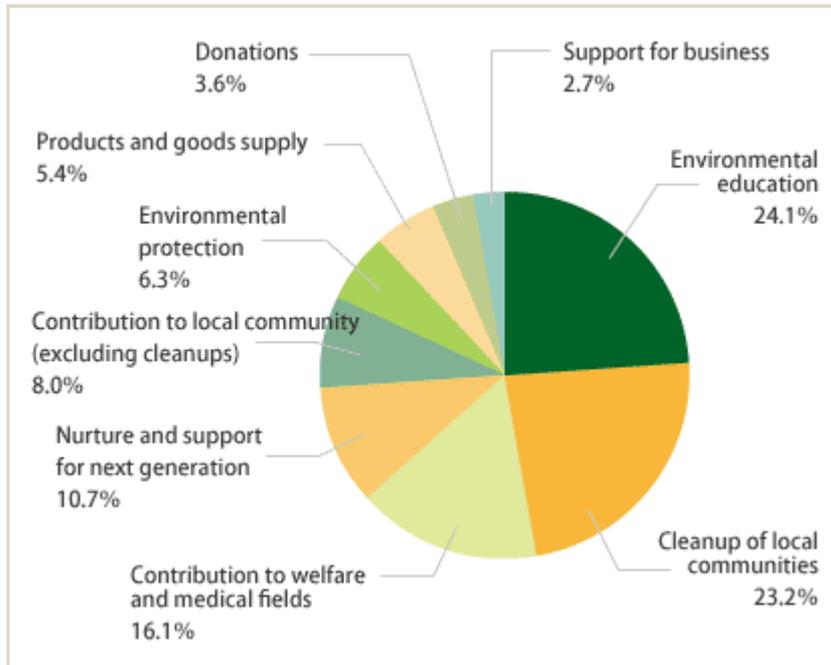
1 Excluding financial donations for earthquake relief.

The Group as a whole donated 100 million yen in the humanitarian response to the Great East Japan Earthquake, while Company and Group employees also donated approximately 20 million yen.

Breakdown of Social Contribution Activities

■ Breakdown of Social Contribution Activities

(FY2010: Sumitomo Forestry non-consolidated and Sumitomo Forestry Group companies within Japan)



Social Contribution Activities for Disaster Support

Policy & Plans

Sumitomo Forestry is carrying out support activities to help restore the region devastated by the Great East Japan Earthquake of March 2011.

■ Constructing and Providing Temporary Housing

The Company has been constructing temporary housing for the people in the disaster-hit regions of Miyagi Prefecture and Fukushima Prefecture. It gathered a team of over 230 construction supervisors, carpenters, and workers from all the country to carry out the construction. The Company has also been utilizing its materials distribution infrastructure and setting up relay centers for construction materials to be used in its temporary housing.

■ Introducing a Volunteer Leave Program

To support its employees' volunteering activities, in May 2011 the Company formulated a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities. Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake, setting a time period within which it would pay the travel expenses and volunteer insurance premiums of employees who wanted to help.

■ Delivering Donations and Goods

In addition to the 100 million yen donated by the Sumitomo Forestry Group, the Group's employees donated an additional 20 million yen. Moreover, it shipped and delivered a range of items needed in the region, including food, daily commodities, motorbikes, and bicycles.

■ Supporting the Supply of Electricity

In response to the electricity shortage in the area supplied by TEPCO, the Kawasaki Biomass Electric Power Co., Ltd. facility has remained fully operational around the clock, including during the night and holidays.

Social Contribution Activities for Environmental Conservation

Mt. Fuji *Manabi no Mori* Project

To contribute to local communities, Sumitomo Forestry launched the Mt. Fuji *Manabi no Mori* natural forest restoration project in public forests south of Mt. Fuji in 1998. Major tree-planting activities have been completed and the trees have now reached the cultivation stage, so the Company is continuing with cultivation activities such as clearing away underbrush and pruning.

The Mt. Fuji *Manabi no Mori* project offers support in training local human resources to promote environmental education. Also, the Company has been participating in research projects, including vegetation monitoring programs and wildlife habitat surveys by specialists, activities which it has been supporting for more than 10 years.

Under the project, the Environmental Education Program for local elementary and middle school students was launched in fiscal 2006, and continued in collaboration with the NPO Whole Earth Nature School. A total of 575 students participated in the program in fiscal 2010. The Company also began a nature experience program in fiscal 2007 for children at child care centers, with 33 children participating in fiscal 2010.



Environmental education support project

Stakeholder Comment

- I would like Sumitomo Forestry to open up a forest it manages and cultivates for use for children's activities that will help them learn about the environment and sustainable businesses, as they will be responsible for the planet in the future. (Student)

Conservation of Tokyo Headwater Forests

As part of its efforts to support employees' volunteer activities, since April 2005 Sumitomo Forestry has provided assistance for employees participating in the Tamagawa Suigen Shinrintai (Tama Riverhead Forest Region), sponsored by the Tokyo Metropolitan Bureau of Waterworks.

Reforestation Project in Indonesia's Bromo National Park

Policy & Plans

In 2008, Sumitomo Forestry began working with the Republic of Indonesia's Ministry of Forestry to carry out a reforestation project in Bromo Tengger Semeru National Park in East Java, parts of which had been devastated by repeated forest fires and sulphur dioxide gas emitted by Mt. Bromo. The aims of the plantation forest operations are to recover the forest's natural functions and to return the precious and vital forests in the national park and for the local peoples.

Results

■ Completed planting of 240 hectares

Tree planting has continued since the project started in January 2009, and to date approximately 240 hectares of land have been planted with trees. The project proactively employs local people and encourages local school children to get involved with the plantation activity.

■ Confirmed Sightings of Two Endangered Species and One Previously Undiscovered Insect Species

The project uses experts to comprehensively study the effects of plantation activity on biodiversity. In fiscal 2010, there was a confirmed sighting in the plantation forest of a Javan Lutung, a species of colobus monkey found only on the island of Java, and a Javan leopard in the natural forest surrounding the plantation forest. Both are on the International Union for Conservation of Nature and Natural Resources' (IUCN) Red List¹ of Threatened Species. Also, what is believed to be a new species of long-horned beetle was discovered in the natural forest next to the plantation forest.

Future Plans

Going forward, the project will continue to expand the land area under reforestation as well as nurturing the trees already planted. As the surveys carried out up to now have confirmed the inhabitation of rare species, in the future the connection between their inhabitation situation and plantation operations will be further investigated and the results utilized in planning.

¹ A list prepared by the IUCN of living creatures on the verge of extinction. There are currently 7,850 species of animals and 8,456 species of plants on the list.

Social Contribution Activities in Local Communities

Forester House

Policy & Plans

Forester House, located in the Company-owned forest in the Besshiyama area of Niihama City, Ehime Prefecture, helps introduce to the general public the initiatives in sustainable forestry that Sumitomo Forestry has been conducting for over 100 years. It also gives information on forests and forestry. Forester House was opened to the public in 1993. It was founded to commemorate the centenary of the

large-scale reforestation plan initiated in 1894 by Teigo Iba, the manager of the Sumitomo Besshi Copper Mine and later the second Director General of Sumitomo.

Results

■ Attracting 3,696 visitors, including school children

The facility is used as a base for walks in the forest, nature observation and environmental education as well as for the Company's employee training programs. It attracted 3,696 visitors in fiscal 2010, and the number of visitors has been increasing every year. In August 2010, Niihama Forestry Office of Sumitomo Forestry Wood Products Co., Ltd. collaborated with Niihama City to host their environmental education course for students from the city's elementary and middle schools, with two employees and 40 school children taking part.

■ Providing a venue for a Niihama City lifelong education course

Niihama Forestry Office of Sumitomo Forestry Wood Products Co., Ltd. provides Forester House as a venue for a lifelong learning course run by Niihama City.

Support for Regional Environmental Conservation Efforts

Beginning in fiscal 2006, the Sumitomo Forestry School of Professional Building Techniques participated in a local citywide cleanup program to remove illegally dumped rubbish, organized by the Yotsukaido Cleanup Association. Participation, which was part of orientation for new students, was intended to give school students the opportunity to consider waste related issues, encourage volunteer activities and foster positive attitudes among these builders of the future, as well as give back to the local community. In April 2011, 35 participants carried out cleanup activities.

Contributing to Education and the Development of the Next Generation

Collaborating with Educational Institutions

Policy & Plans

The Company provides elementary and middle school students with environmental education and work experience programs, gives lectures at universities, and works to ensure the development of the next generation.

Results

■ Cooperating in Work Experience Programs for Local School Children

The Sumitomo Forestry School of Professional Building Techniques provides local school children with a one-day carpentry skills experience, with 11 elementary school students participating in July and September 2010 and four middle school students in January 2011. In October 2010, The School cooperated in other education activities, such as holding a practical carpentry experience day for 61 school children from Ibaraki Prefecture. In other areas the School organized work experience programs, environmental

education events and lectures at educational institutions.

Cooperation in the Promotion of Learning and Research

The Japan International Cooperation Agency's (JICA) courses on 'Criteria & Indicators (C&I) and Forest Certification for Pan Pacific Countries' were held at Monbetsu Forestry Office (Hokkaido) of Sumitomo Forestry Wood Products Co., Ltd.. JICA selected the company to host its training as all Company-owned forests have acquired SGEN forestry certification. The JICA trainees receive lectures by Sumitomo Forestry Wood Products Co., Ltd. employees on the history of Sumitomo Forestry, its forestry business, and its initiatives to acquire forestry certification.

Contributions to Public Policy

Policy & Plans

The Sumitomo Forestry Group collaborates and cooperates with the national government, local governments, and industry and offers suggestions on public policy to improve and solve worsening environmental problems and social issues.

Results

In fiscal 2010, the Group offered suggestions on public policy primarily to the following organizations.

(As of April 30, 2011)

Name of organization	Position
Plan to Revitalize Forests and Forestry, Promotion Head Office Forests and Forestry Basic Policy Study Committee (Ministry of Agriculture, Forestry and Fisheries)	Committee member
Pre-owned Homes and Total Renovation Plan Study Committee (Ministry of Land, Infrastructure, Transport and Tourism)	Committee member
JAPIC	Committee member
Consortium for Building Research & Development	Director
Long-use Housing Materials Standardization Promotion Council	Vice-chairperson, Standardization Evaluation Committee member
Health Maintenance & Improvement Home Research Consortium	Secretary General
Japanese Business Federation	Executive Director, Director
Japan Federation of Housing Organizations	Vice-chairperson
Wooden Home Builders Association of Japan	Chairperson
The Machinami Foundation	Director
Institute for Building Environment and Energy Conservation	Director
Forest Management Association of Japan	Director

Future Plans

The Group will continue to be active in this area, particularly through initiatives in its housing business to help restore the earthquake-hit region.

Stakeholder Comment

- I expect the Company to carry on the ambitions that motivated its founding, protect and cultivate Japan's beautiful forests, and pressure the government to raise the proportion of wooden constructions. (Employee)



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▶ Social Contribution Activities

▼ Investment to Realize a Sustainable Society

SRI through Corporate Pension Funds

Reflecting the Company's commitment to CSR and in recognition of the social significance of this investment approach, the corporate pension fund that manages Sumitomo Forestry's pension plan has invested 530 million yen in SRI¹ funds from the plan's assets, which totaled 40.74 billion yen as of March 31, 2011.

¹ Socially Responsible Investment

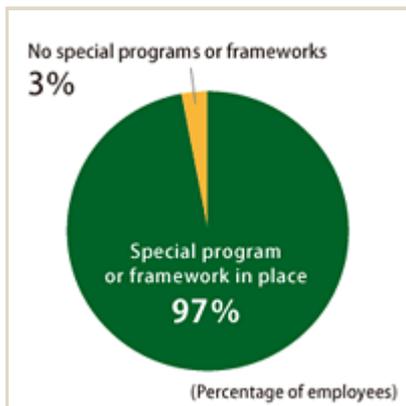
Initiatives at Group Companies

Sumitomo Forestry conducted a questionnaire survey for Group companies in Japan on their CSR activities. They were asked whether or not they had special programs or frameworks in place for each of the survey items, and the details if they had any.

Survey respondents: the 21 Group companies in Japan

Number of employees: 5,296 people

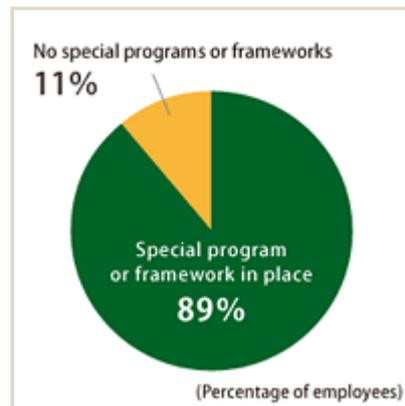
Work-Life Balance



Main programs

- Encouraging employees to take refresh vacation
- Encouraging employees to take childcare leave
- Encouraging employees to take family care leave
- Providing incentives to take paid vacation on individual anniversaries

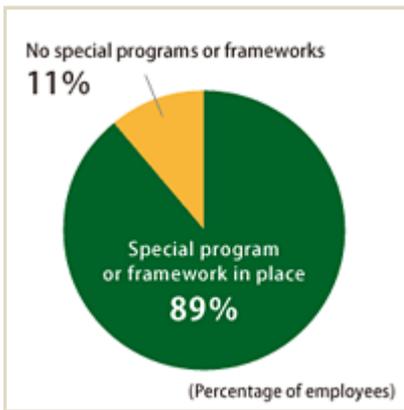
Sexual Harassment / Workplace Bullying



Main programs

- Establishing consultation hotlines
- Enacting regulations to prevent sexual harassment
- Implementing educational and awareness campaigns for all employees

Overtime Work



Main Programs

- Establishing "no overtime" days and ensuring rigorous compliance once a month
- Providing consultations with industrial doctors to check on accumulated fatigue, mental health, etc.
- Introducing a system to automatically shut down computers late in the evening

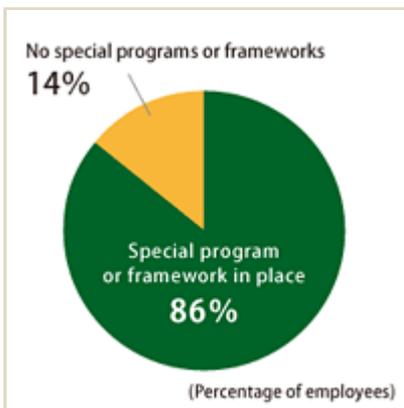
Regular Health Checks and Full Health Examinations



Main Programs

- Encouraging non-attendees to attend consultations
- Introducing special health checks for employees working long hours

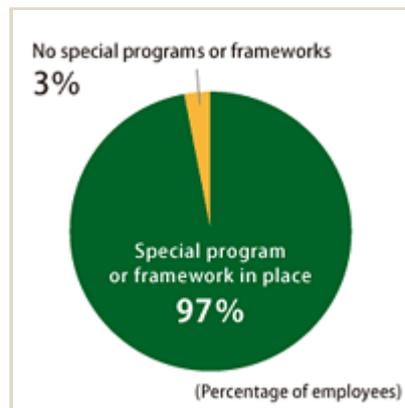
Communication with the Employee



Main programs

- Direct report regarding workload and working environment, bypassing managers
- Creation of coordinated employee associations to foster mutual friendship and promote welfare initiatives
- Employee aspiration and satisfaction surveys, interviews
- Employee trips

Training



Main programs

- Training when employee joins Group company, ethical and compliance training
- Health/safety and traffic safety training at each plant and base
- Professional certification support, skills training, management training, study sessions, etc., by job category
- Participation in external training



Fiscal 2010 Activity Plans and Results

Reducing CO₂ Emissions

☆☆:Target Achieved ☆:Target Almost Achieved ×:Target Not Achieved

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Reduction of CO ₂ emissions	<ul style="list-style-type: none"> Offices: By FY2010, achieve a 12% reduction in overall emissions compared with FY2006, and maintain this level to 2014. Plants in Japan: By FY2014, achieve an 8% reduction in base units¹ compared with FY2006. Plants outside Japan: Set targets for each plant in consideration of local laws and regulations, including overall emissions, emissions per unit sold, and/or other targets as appropriate to each facility. <p>* Base units are set appropriately for each product line at each facility.</p>	<ul style="list-style-type: none"> In offices, achieved target with 13% reduction compared with FY2006, mainly due to the sale of the transportation business, which generated substantial emissions. Also due to switching to fuel-efficient vehicles, installation of energy-saving tires, and saving energy in daily business activities. Achieved reductions at all plants in Japan due to lower electricity usage after upgrading facilities, improved boiler combustion efficiency and optimization of operating times, etc. Made improvements at plants outside Japan on a voluntarily-set base unit basis, including KTI, ASTI, and Alpine 	☆☆☆	<ul style="list-style-type: none"> From FY2011, start management of overall emission results at domestic plants, with base unit targets for each plant and new sales unit targets by company. 	Sumitomo Forestry Group
	<ul style="list-style-type: none"> Reduce total emissions by 8.6% compared with FY2006 	<ul style="list-style-type: none"> Switched to energy-saving lighting in showrooms and model homes and use of fuel-efficient Company-owned vehicles. As a result, achieved a large decrease in CO₂ emissions of 9.2% compared with FY2006. 	☆☆☆	<ul style="list-style-type: none"> Continue efforts to reduce consumption of electricity and gasoline 	Housing Division
Introduction of LCA	<ul style="list-style-type: none"> Survey CO₂ emissions volume through LCA and revise carbon footprint data for our products 	<ul style="list-style-type: none"> Conducted LCA surveys and revised carbon footprint data displayed on PB¹ manufactured by us 	☆☆☆	<ul style="list-style-type: none"> Continue implementing LCA surveys and revising carbon footprint data 	RPI

1 Particle board

Zero Emissions

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Attainment of zero emissions	<ul style="list-style-type: none"> Continue efforts to achieve zero emissions at domestic manufacturing plants and new housing construction sites based on the scope and definition of zero emissions as reevaluated in FY2010. 	<ul style="list-style-type: none"> Advanced zero emission initiatives and achieved 92.1% recycling. 	☆☆☆	<ul style="list-style-type: none"> Continue efforts to achieve zero emissions at domestic manufacturing plants and new housing construction sites, aiming for zero emissions in the Tokyo metropolitan area by December 2012. 	Sumitomo Forestry Group
	<ul style="list-style-type: none"> Aim for 90% recycling in order to achieve zero emissions. 	<ul style="list-style-type: none"> Despite efforts at each branch, target was not achieved Obtained industrial waste certification based on an inter-region recovery and recycling certification system 	☆☆	<ul style="list-style-type: none"> Continue efforts to achieve zero emissions through recycling at recycling centers utilizing the inter-region recovery and recycling certification system 	Housing Division
	<ul style="list-style-type: none"> Engage in zero emissions efforts with a target of 98% recycling at all plants. 	<ul style="list-style-type: none"> Target achieved through visualization of separation of management, and implementation of environmental education, which raised consciousness of industry waste management. 	☆☆☆	<ul style="list-style-type: none"> Continue efforts to achieve zero emissions at all plants 	Sumitomo Forestry Crest Co., Ltd.
Re-use of waste materials	<ul style="list-style-type: none"> Create wood pellets from unusable dust generated in PB preparation processes. 	<ul style="list-style-type: none"> Completed installation of pellet mill and commenced full-scale operation. Did not achieve target volume. 	☆☆	<ul style="list-style-type: none"> Continue with machine improvements to increase pellet production. 	RPI
Promotion of recycling	<ul style="list-style-type: none"> Reduce pallet purchases to zero through effective use of offcuts from PB and MDF² 	<ul style="list-style-type: none"> Achieved target of zero pallets purchased. 	☆☆☆	<ul style="list-style-type: none"> Continue effective use of offcuts in pallets, etc. 	ASTI

2 Medium Density Fiberboard

Sustainability of Timber Resources

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Promotion of green procurement	<ul style="list-style-type: none"> Confirm legal compliance of all suppliers outside Japan, continuing on from FY2009. 	<ul style="list-style-type: none"> Conducted legal compliance survey. In order to maintain 100% handling of legally compliant directly-imported timber and wood products, begin considering future compliance verification methods (frequency of assessments based on country policy, etc.). 	☆☆☆	<ul style="list-style-type: none"> Continue confirming legal compliance of suppliers and create systems for verifying legal compliance in the future 	Timber & Building Materials Division

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
	<ul style="list-style-type: none"> Ensure 100% of new approved materials comply with our green procurement guideline. 	<ul style="list-style-type: none"> Conducted investigations and confirmed compliance with our green procurement guideline when setting all new approved materials. 	☆☆	<ul style="list-style-type: none"> Maintain 100% compliance by conducting investigations each time new approved materials are set. 	Real Estate Business Division
Sustainable timber and certified timber initiatives	<ul style="list-style-type: none"> Increase share of imported certified timber products to 94% of total imported wood products handled. 	<ul style="list-style-type: none"> Although the volume handled has increased, there was a slight shortfall in the ratio 	☆	<ul style="list-style-type: none"> Continue working towards 93% ratio for certified timber materials handled. 	Timber & Building Materials Division
	<ul style="list-style-type: none"> Increase share of certified and plantation timber used in all products to 96% of log transactions. 	<ul style="list-style-type: none"> At 98%, target achieved 	☆☆	<ul style="list-style-type: none"> Maintain share of certified and plantation timber used in all products at 96% or more of total log transactions. 	Kowa Lumber Co., Ltd.

Preserving Biodiversity

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Preserving biodiversity	<ul style="list-style-type: none"> Set plans for monitoring of biodiversity and conduct surveys. 	<ul style="list-style-type: none"> Conducted and completed monitoring surveys at Company-owned forests in Monbetsu. 	☆☆	<ul style="list-style-type: none"> Conduct monitoring surveys at Company-owned forests in Wakayama. 	Forestry Department

Management of Hazardous Materials

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Comprehensive soil contamination countermeasures	<ul style="list-style-type: none"> Strict enforcement of soil contamination countermeasure rules when land is acquired. 	<ul style="list-style-type: none"> Confirmed no soil contamination in all applicable projects. However, unable to conduct a soil survey in a timely manner in one case. 	☆	<ul style="list-style-type: none"> Strict enforcement of soil contamination surveys and compliance with survey procedures in accordance with our guidebook on soil contamination risk countermeasures created in FY2010. 	Real Estate Business Division
Appropriate management of toxic chemicals	<ul style="list-style-type: none"> Zero contamination of shipped products with toxic chemicals 	<ul style="list-style-type: none"> Achieved target 	☆☆	<ul style="list-style-type: none"> Continue implementing thorough checks on receipt of raw materials and maintain zero contamination. 	AST

Effective Use of Water Resources

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Reduction of industrial water used	<ul style="list-style-type: none"> Achieve a 5% reduction in the amount of industrial water used compared with FY2009. 	<ul style="list-style-type: none"> Reduced total industrial water usage by 7% compared with FY2009, due to the reduction of industrial water related to the cleaning of facilities. 	☆☆☆	<ul style="list-style-type: none"> Advance the plan even further and achieve a 3% reduction compared with FY2010. 	Sumitomo Forestry Crest Co., Ltd. (No. 2 Kyushu plant)

Environmental Management

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Enhancement and promotion of environmental education	<ul style="list-style-type: none"> Implement environmental education for employees of the Housing Division through e-learning. 	<ul style="list-style-type: none"> Implemented e-learning on the subject of the environment a total of six times. 	☆☆☆	<ul style="list-style-type: none"> Aim to strengthen knowledge through e-learning and training 	Housing Division

Research and Development

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Promotion of environmental R&D	<ul style="list-style-type: none"> Make effective use of natural energy and implement R&D related to the development of energy-saving/renovation technologies. 	<ul style="list-style-type: none"> Progress was made in several areas, but overall progress was about 77% of target. 	☆	<ul style="list-style-type: none"> Continue R&D activities in each area. 	Tsukuba Research Institute
Reduction of environmental impact of housing	<ul style="list-style-type: none"> Propose energy-independent housing. 	<ul style="list-style-type: none"> Exhibited concept model home at APEC Leaders Week. Recruited monitors for houses equipped with home-use storage batteries. 	☆☆☆	<ul style="list-style-type: none"> Propose specifications for the realization of Life Cycle Carbon Minus (LCCM) homes using CASBEE (Comprehensive Assessment System for Built. Environmental Efficiency). 	Housing Division

Promotion of Environmental Businesses

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Effective utilization of used activated carbon from water purification plants	<ul style="list-style-type: none"> Achieve 2% increase in the amount of used activated carbon utilized, compared to previous year. 	<ul style="list-style-type: none"> 16% increase achieved compared with the previous year, comfortably achieving the target. 	☆☆☆	<ul style="list-style-type: none"> Commercialize products that utilize used activated carbon, such as landscaping soil and soil improvement materials, expand routes to market, and aim for 2% increase of the amount used compared to the previous year. 	Sumirin Agro-Products Co., Ltd.
		<ul style="list-style-type: none"> Started sale of new soil improvement material products utilizing used activated carbon. 			
Effective use of wood leftover from logging	<ul style="list-style-type: none"> Sale of furniture made from timber from forest thinnings in Monbetsu, Hokkaido. 	<ul style="list-style-type: none"> Achieved 78% of target sales volume. 	☆☆	<ul style="list-style-type: none"> Expand sales proactively to major interior design fairs held across the nation. 	Housing Division

Environmental Activities in Offices

Key Initiatives	FY2010 Plan	FY2010 Results	Self-Assessment	FY2011 Plan	Unit
Reduction of environmental impact of offices (green purchasing, etc.)	<ul style="list-style-type: none"> Each unit to set and achieve percentage targets for green purchasing. 	<ul style="list-style-type: none"> 69.8% green purchasing ratio (Sumitomo Forestry) 	—	<ul style="list-style-type: none"> Each unit to set targets and continue efforts to increase green purchasing. 	Sumitomo Forestry Group



Environmental Vision

Sumitomo Forestry is tackling global environmental issues head-on and promoting solutions based on its Policies & Plans.

▼ Environmental Philosophy and Environmental Policies

▶ Medium-Term Environmental Management Plan

Environmental Philosophy and Environmental Policies



Environmental Philosophy

With many years of practical experience in silviculture, the Sumitomo Forestry Group has an appreciation of the wonderful renewable resource that forests represent and the benefits that nature provides. Environmental protection is imperative in the 21st century. As a corporate group with a close affinity with nature, we are aware of the potential impact of our activities on the environment, and we contribute to society through the vigorous pursuit of business operations in harmony with conservation principles.



Environmental Policies

As a positive contribution to the creation of a sustainable society that achieves a balance between the environment and economy and gives due consideration to such issues as biodiversity and the prevention of global warming, the Sumitomo Forestry Group shall ensure conformance of its business operations to the following policies.

1. Develop a business domain centered on trees and wood

Cultivate forests as a way to preserve and enhance natural environments and forest functionality while seeking to actively utilize those timber resources.

2. Develop and sell environmentally friendly products

Pursue the development, design and sale of products and technologies that are environmentally superior in terms of the entire product lifecycle.

3. Minimize environmental impact

Make efforts to prevent environmental pollution through accurate assessment of direct and indirect influences on the environment.

Promote green procurement of timber and other building materials and green purchasing of office products and other goods.

Achieve and maintain zero emissions through proper waste treatment and 3R (reduce, reuse, recycle) initiatives.

4. Make ongoing improvements to environmental activity and the environmental management system

Establish environmental budgets to ensure implementation of the Environmental Policies. Make ongoing improvements to environmental budgets and the environmental management system through reviews conducted at least once a year.

5. Ensure strict legal compliance

Adhere to all environmental laws, rules and regulations, voluntary standards, accords with stakeholders and other environmental conventions.

6. Promote environmental education

Provide environmental education for all people involved in the business operations of the Sumitomo Forestry Group and encourage voluntary environmental activities.

7. Place emphasis on communication

Actively disclose information and respect the opinions of stakeholders while pursuing environmental initiatives.

8. Publicly disclose and ensure implementation of the Environmental Policies

Make the Environmental Policies available to the general public and ensure familiarization with the policies by all people involved in the business operations of the Sumitomo Forestry Group.

Akira Ichikawa, President and Representative Director
(Revised April 1, 2010)

Stakeholder Comment

- It is important that Sumitomo Forestry effectively communicate its vision to society. (Expert)



Environmental Vision

Sumitomo Forestry is tackling global environmental issues head-on and promoting solutions based on its Policies & Plans.

▶ Environmental Philosophy and Environmental Policies

▼ Medium-Term Environmental Management Plan

Medium-Term Environmental Management Plan

In December 2009, the Sumitomo Forestry Group set forth the Medium-Term Environmental Management Plan, including specific guiding principles and targets for the Group's environmental management going forward, replacing the previous plan that was established in December 2005. The plan takes the medium-term perspective, examining specific quantitative targets to define the vision of where Sumitomo Forestry should be in five years' time, setting out shared targets for the Group as well as targets for each division, and major affiliated company.

Measures to achieve the targets are set forth by various perspectives: product (customer), business process innovation (internal, business partners), human resource development (employees, business partners), communication (industry, general public), etc. By advancing efforts to achieve the targets below, the Group will realize true environmental management.

■ Medium-Term Environmental Management Plan (Excerpt of Major Objectives)

Unit	Responsible	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2010 Results	FY2014 Targeted Values
Sumitomo Forestry Group(shared targets)	Environmental Management Department	Global warming	Reduction of CO ₂ emissions (Offices; excluding manufacturing companies)	Percentage of reduction of total CO ₂ emissions compared with FY2006 (%)	-13.0%	-12% (2010 target value continues)
			Reduction of CO ₂ emissions (manufacturing companies in Japan)	<ul style="list-style-type: none"> ▪ Percentage of reduction of CO₂ emissions per sales unit compared with FY2006 (%): All manufacturing companies in Japan, including offices * Each plant uses voluntarily-set base units * The percentage reduction of total CO₂ emissions compared with FY2006 (%) is used concurrently as a progress management indicator. 	— ¹	-8%
				Emission volume percentage reduction guidelines for capital investment and emission volume transactions		
				Sumitomo Forestry Crest Co., Ltd. (total for Kashima / Shizuoka / Niihama)		-10%
				Sumitomo Forestry Crest Co., Ltd. (total for Nagoya / Kyushu / No. 2 Kyushu)		-20%
				Sumirin Agro-Products Co., Ltd.		-10%
		Reduction of CO ₂ emissions (manufacturing companies outside Japan)	Set for each company in consideration of national policy on CO ₂ reduction targets, etc., in each country.			
		Resource consumption, resource recycling, industrial waste	Attainment of zero emissions	Attainment of zero emissions * Definition: Do not simply dispose of industrial waste generated by domestic manufacturing facilities, as well as new construction sites through simple incineration or landfill. * Target units: Housing Division, Sumitomo Forestry Landscaping Co., Ltd. (residential landscaping), Sumirin Sash Co., Ltd., Sumikyo Co., Ltd, Sumikyo Wintec CO., Ltd., Sumitomo Forestry Crest Co., Ltd., Sumirin Agro-Products Co., Ltd.	92.7%	Capital area Dec. 2012

Unit	Responsible	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2010 Results	FY2014 Targeted Values
Forestry Department	Forestry Department	Resource consumption, resource recycling, biodiversity, others	Promotion and expansion of sustainable forests	Percentage of certified forests in newly acquired forests managed by the Group	100%	100%
		Biodiversity, others	Establishment of forestry management that enables both preservation and conservation of biodiversity and forestry businesses	Implement monitoring surveys in Company-owned forests (Collect and review fundamental materials: 2008-2011). From 2012, set specific numeric targets by region based on comparative analysis of data collected.	3 out of 4 locations (cumulative)	4 out of 4 locations Set specific numeric targets from 2012.
Timber & Building Materials Division and Major Affiliated Companies	Forest Products Trading Department	Resource consumption, biodiversity	Increase sustainable timber handled	Percentage of certified timber handled and percentage of plantation timber handled.	Products 91.5%	Products 95%
	Building Materials Department	Global warming, resource consumption, resource recycling	Increase utilization of environmentally sound building materials	Volume of environmentally sound building materials handled	4,845 EcoCute units	6,000 EcoCute units
	Sumitomo Forestry Wood Products Co., Ltd.	Resource consumption, global warming	Promote use of Japanese timber	Volume of Japanese timber handled	Log 548,000 m ³ Lumber 291,000 m ³	Log 1,300,000 m ³ Lumber 500,000 m ³
	Sumitomo Forestry Crest Co., Ltd. (Kashima/Shizuoka/Niihama plants)	Resource consumption, global warming	Promote use of sustainable timber	Green procurement rate (Compliance with Sumitomo Forestry Timber Procurement Standards) (m ³ basis)	88.9%	100%

Unit	Responsible	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2010 Results	FY2014 Targeted Values
Overseas Business Division and Major Affiliated Companies	Overseas Business Department	Resource consumption, resource recycling, biodiversity	Expand use of sustainable raw materials * Sustainable raw materials: plantation timber, certified timber, waste wood	Percentage of sustainable timber used for wooden raw materials (total for NPIL, Alpine, KTI, RPI, FSW)	93%	100%
		Resource consumption, resource recycling, living environments (others)	Promote environmentally friendly housing	Percentage of houses sold that meet certain environmental standards (total for BSF, Paragon, DSH, Henley) * Certain environmental standards: North America, Australia: Standards in each country China, South Korea: Company's own standards	Percentage: 65%	Percentage: 90%
Housing Division and Major Affiliated Companies	Building Materials Procurement & Logistics Department Marketing Strategy Department	Global warming, resource consumption, resource recycling, others	Promote and expand usage of Japanese timber	Percentage of Japanese timber used in all products (base: volume of all timber used)	63%	70%
	Sumitomo Forestry Landscaping Co., Ltd.	Biodiversity, living environments (residential landscaping)	Promote residential landscaping that is friendly to biodiversity	Number of native plants used	18,075	35,000
Real Estate Business Division and Major Affiliated Companies	Residential Property Development Department	Resource consumption, resource recycling, global warming	Promotion of environmentally symbiotic property development	Percentage of housing units using next-generation energy-conservation standards (Base: construction starts)	39% (75 out of 192 houses)	100%
	Sumitomo Forestry Home Service Co., Ltd.	Resource consumption, resource recycling, industrial waste	Promotion of re-use of housing	Number of SumStock house transactions	17 units	12 units

1 FY2010 results are not stated, due to new targets from April 28, 2011.

Balance of Input and Output

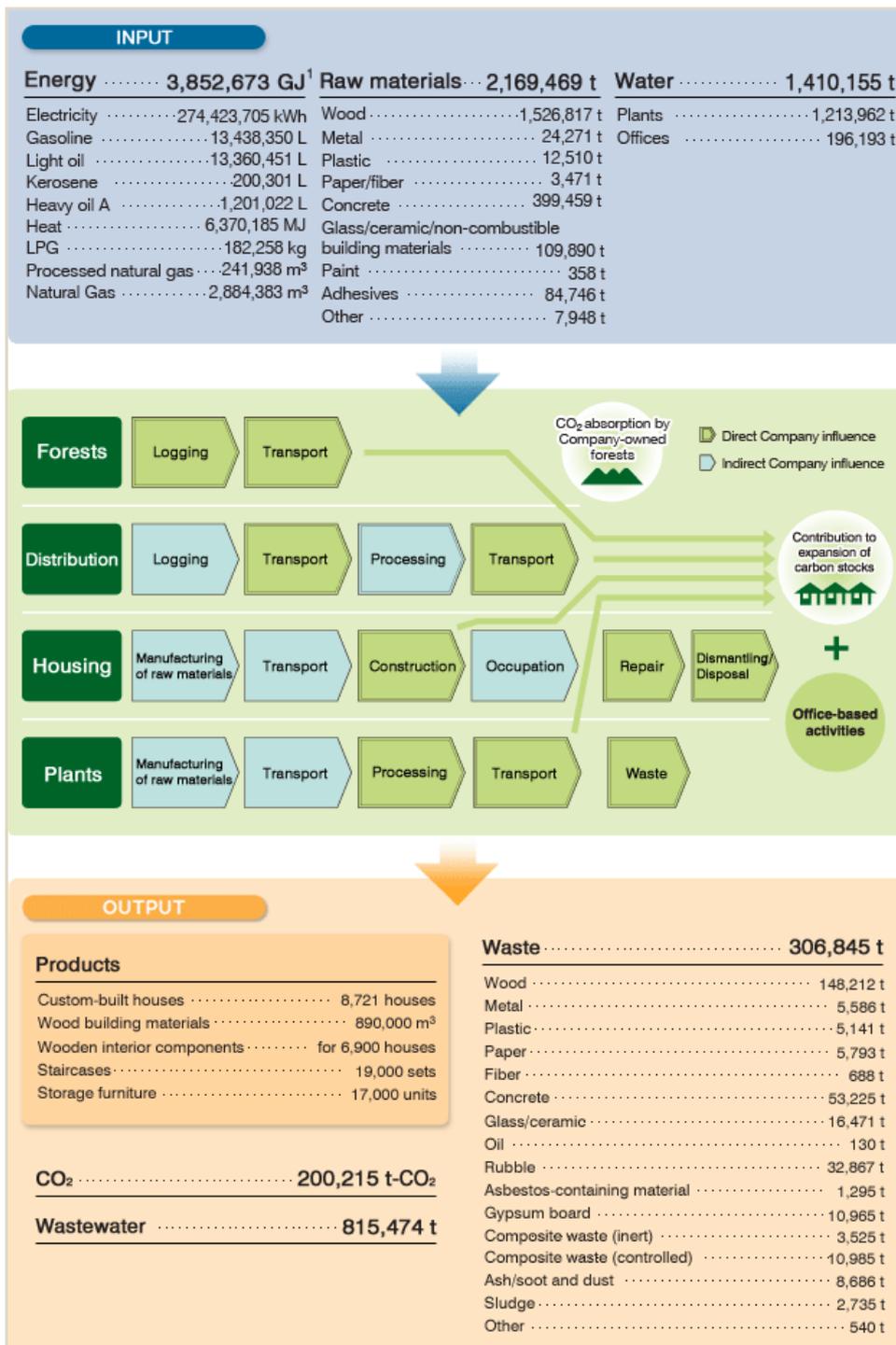
Sumitomo Forestry calculates the balance of input and output of resources and energy in each business to develop effective means of reducing the emissions and waste.

▼ Environmental Impact of Business Activities

▶ Life Cycle Assessments

▶ Contribution to Expanding Carbon Stocks

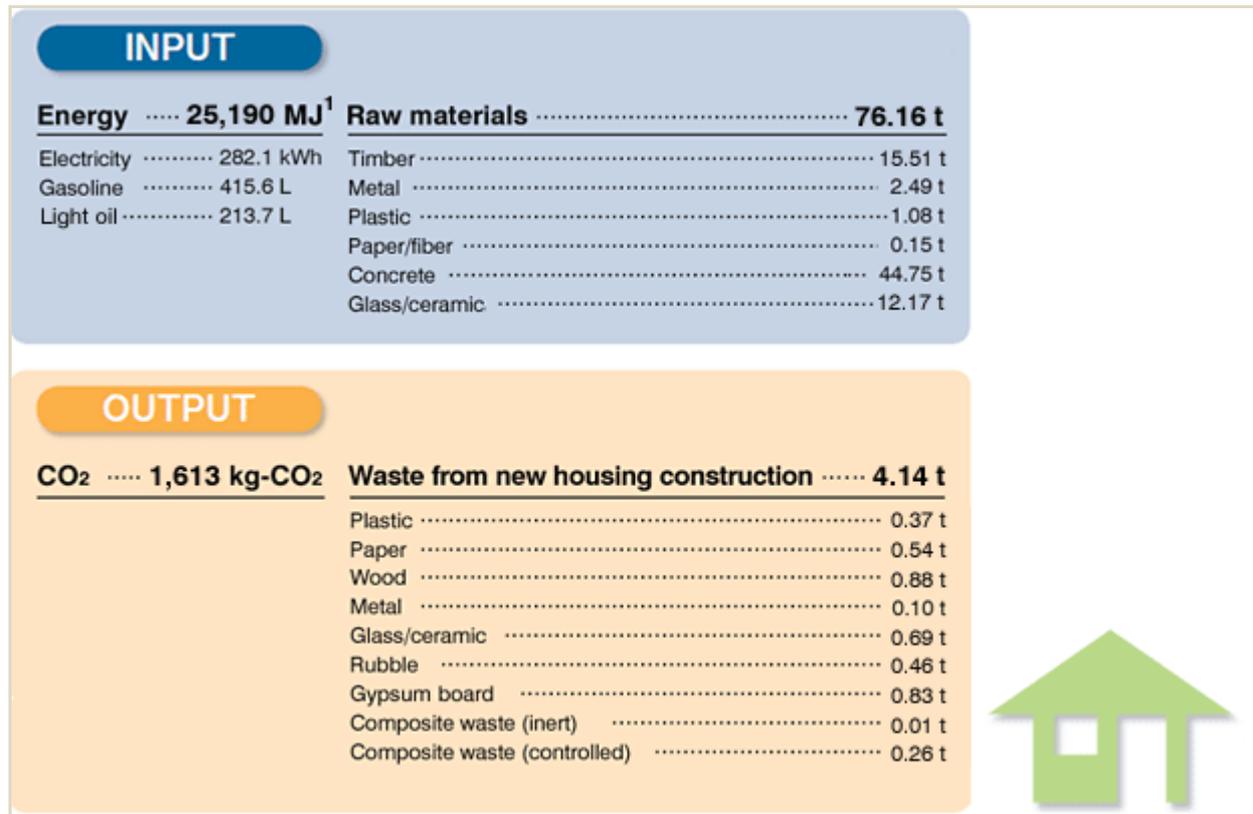
Environmental Impact of Business Activities



1 Gigajoules

* Excluding figures for the Komatsushima Plant (former Sumitomo Forestry Crest Co., Ltd.)

Environmental Impact from the Construction of a New House



1 Megajoules

Balance of Input and Output

Sumitomo Forestry calculates the balance of input and output of resources and energy in each business to develop effective means of reducing the emissions and waste.

► Environmental Impact of Business Activities

▼ Life Cycle Assessments

► Contribution to Expanding Carbon Stocks

Life Cycle Assessments

Policy & Plans

The Sumitomo Forestry Group has been carrying out life cycle assessments (LCA) since fiscal 2006 to identify the environmental impact of all of its business activities. LCA is a method of comprehensively evaluating the environmental impacts of a product throughout its life cycle, including raw material procurement, manufacture, transportation, sale, use, re-use and disposal, and is carried out with the cooperation of Tokyo University of Agriculture and Technology.

Results

■ Launch of Display of Carbon Footprint of Products¹

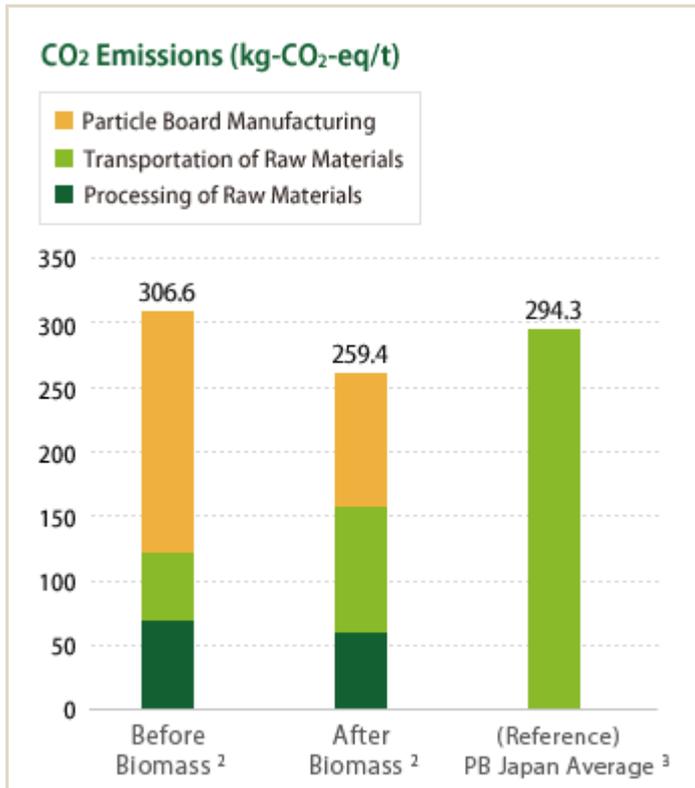
PT. Rimba Partikel Indonesia (RPI) conducts LCA surveys for the particle board it manufactures and sells, from production and transportation of the raw materials through to manufacturing of the product. Based on the results of these surveys, in October 2009, RPI began displaying carbon footprint of products on its particle board. This marks the first time that an Indonesian company has labeled timber products, and in 2010, 90% of products were labeled. RPI particle board products make effective use of resources, using wood leftover from logging, wood waste, and timber from Company-owned plantations. Further, RPI's products are manufactured using low carbon emission methods, including the use of electricity from a wood biomass power generation facility.



Carbon footprint labels on particle boards

¹ Greenhouse gases emitted during the entire life cycle of the product and service, from procurement of raw materials to disposal and recycling, are converted to CO₂ to present the data in a more understandable manner.

■ Comparison of Carbon Footprints of Products Before and After Installation of Wood Biomass Power Generation Facility (Particle Board Manufactured by RPI)



² For the purpose of this comparison, density=0.68g/cm³ is converted into ton to equalize the base units.

³ Source: Abstracts of papers presented at The 2nd Meeting of The Institute of Life Cycle Assessment, Japan (March 2007).

* Calculated based on Jan.-Dec. 2009 results

■ Inventory Analysis⁴ of Housing Materials

In fiscal 2007, Sumitomo Forestry carried out an inventory analysis of structural plywood, staircases and countertops to raise the accuracy of LCA for a single house (single product). The analysis demonstrated that structural plywood made from Japanese timber emitted less CO₂ from procurement, transportation and processing than imported timber.

⁴ Analysis of the input (energy, materials, etc.) and output (gas emissions, waste, etc.) of a product over its life cycle, from manufacture to disposal.

■ Creation of LCA Database Related to Harvesting & Transportation of Logs

LCA surveys related to harvesting of logs at all stages, from cutting underbush to taking away the logs, were carried out sequentially at the Niihama Company-owned forest (FY2003), Monbetsu Company-owned forest (FY2006), and Hyuga Company-owned forest (FY2008). Going forward, the Company plans to clarify the environmental impact from harvesting of the logs until transportation to the delivery point, based on the survey results.

Balance of Input and Output

Sumitomo Forestry calculates the balance of input and output of resources and energy in each business to develop effective means of reducing the emissions and waste.

▶ Environmental Impact of Business Activities

▶ Life Cycle Assessments

▼ Contribution to Expanding Carbon Stocks

Contribution to Expanding Carbon Stocks

Policy & Plans

As trees grow, they absorb CO₂ from the atmosphere and sequester it as carbon (carbon stock). Trees continue to store carbon, even after being harvested and processed into products, and CO₂ is only released when the wooden materials are eventually incinerated.

When mature trees are harvested and used as building materials, the CO₂ sequestered in the trees is stored for a long period of time. This means that building wooden houses can be likened to creating forests in the city.

The Sumitomo Forestry Group promotes the use of timber from sustainably managed forests in the construction of its high-quality, long-lasting wood houses and for the wooden building materials it uses. The Group also encourages the re-use and recycling of timber resources. The promotion of Group operations that encourage greater use of timber resources through the structural application and incorporation of wood increases timber-based carbon stocks and helps to curb global warming.

Results

■ Carbon Stock of the Timber Used in Housing Construction

In fiscal 2010, the carbon stocks of the Sumitomo Forestry Group's timber used for housing construction was equivalent to about 197,000 tons of CO₂, roughly the amount of CO₂ emitted by approximately 40,000 households over one year.

Tackling Climate Change

The Sumitomo Forestry Group is working to reduce CO₂ emissions through its business activities at offices and plants as a countermeasure to climate change.

▼ Policy & Business Impact

▶ FY2010 CO₂ Emission Results

▶ Reducing CO₂ Emissions in Business Activities

▶ Reducing Energy Consumption in Homes

Climate Change and Sumitomo Forestry's Role

Policy & Plans

Climate change resulting from global warming is a serious environmental problem facing the planet. The 2009 summit of industrialized countries established a target comprising a 50% reduction in greenhouse gas emissions by the year 2050 and the containment of warming to below two degrees Celsius. Japan also proposed to cut greenhouse gas emissions to 25% below 1990 levels by the year 2020. As a housing provider, the Group recognizes its important responsibility to help reduce CO₂ emissions from the household sector, which currently accounts for about 14% of Japan's total emissions.

The Sumitomo Forestry Group will make a positive contribution to the prevention of global warming by reducing CO₂ emissions from its business activities while facilitating absorption or storage of CO₂ through proper forest management and the promotion of Group operations that encourage greater use of timber resources through the structural application and incorporation of wood.

Stakeholder Comment

- While the prevention of global warming is a universal challenge, I want Sumitomo Forestry to point the way as a leader in the housing industry. (Business Partner)
- I think that trees can play a major role in reducing CO₂ emissions. I expect Sumitomo Forestry to lead the way in finding solutions to global warming as a company whose primary business is forestry. (Student)

Impact of Climate Change on the Business

Risks Presented by Climate Change

- Among those countries in which the Sumitomo Forestry Group has business sites, Japan, Australia and New Zealand are bound by the terms of the Kyoto Protocol, which established greenhouse gas reduction targets to be achieved by fiscal 2012. As a result, there is a risk that the regulations and tax systems could be tightened in these countries.

- Partial emissions trading schemes are already underway in Japan and New Zealand, and Australia is expected to launch a similar scheme in the future. This could impact on corporate activities in these countries.
- Given that Sumitomo Forestry uses natural wood as a raw material, the depletion of timber resources or changes in forestland resulting from climate change could impact on the procurement of raw materials. In addition, the growth of Company-owned forests could be affected by strong wind and heavy rain damage or changes in ecosystems resulting from climate change.
- As demands to disclose greenhouse gas countermeasures further increase, it may become necessary to gather wide-ranging information along the whole supply chain, beyond the scope that is identifiable within the Company, in order to address these demands.
- At sites where hydroelectric power generation is used, there is the risk that energy supply could be disrupted by climatic factors.

Opportunities Presented by Climate Change

- Using the Kyoto Mechanisms established by the Kyoto Protocol, there is an opportunity to create credits through CDM projects.
 - ▶ Internal Link: "CDM Business Using Wood Biomass Power Generation" (P.209)
- In housing construction, Sumitomo Forestry aims to differentiate itself from its competitors through strict compliance with energy conservation standards, and also by supplying Life Cycle Carbon Minus (LCCM) houses and other products with outstanding performance and energy-generating equipment.
 - ▶ Internal Link: "Developing Life Cycle Carbon Minus (LCCM) Homes" (P.138)
- Climate change generates opportunities such as promoting forest growth and developing untapped resources, and we believe this leads to new business opportunities including reduced procurement costs and the development of untapped resources.

Tackling Climate Change

The Sumitomo Forestry Group is working to reduce CO₂ emissions through its business activities at offices and plants as a countermeasure to climate change.

► Policy & Business Impact

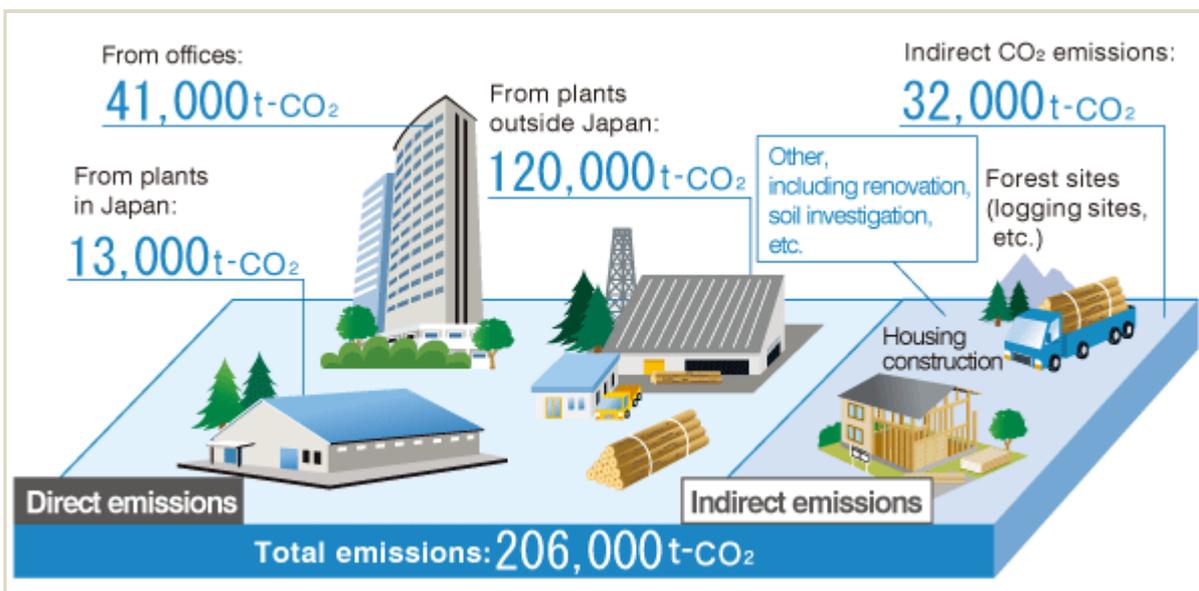
▼ FY2010 CO₂ Emission Results

► Reducing CO₂ Emissions in Business Activities

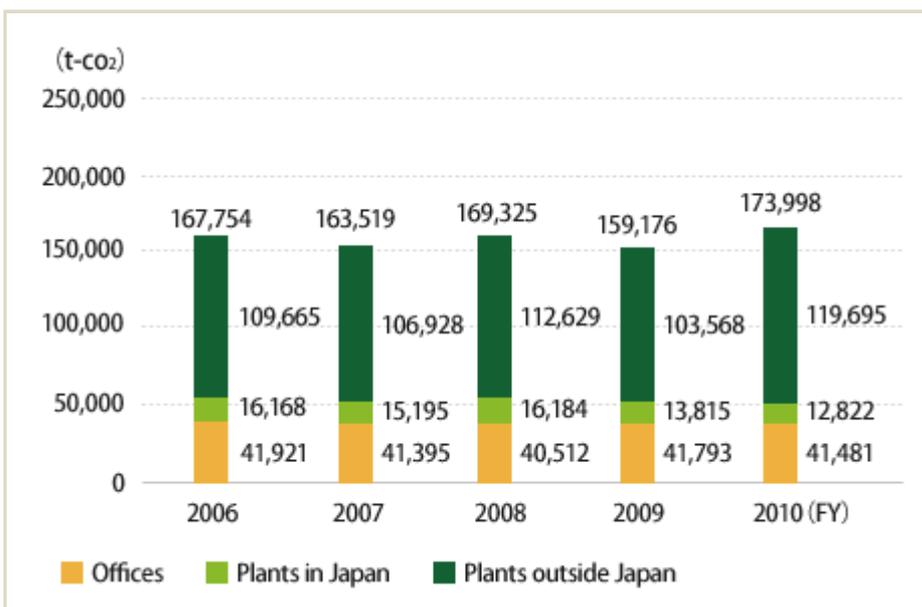
► Reducing Energy Consumption in Homes

FY2010 CO₂ Emission Results

Sumitomo Forestry Group: FY2010 CO₂ Emission Volume



Trend in Direct Emissions



Tackling Climate Change

The Sumitomo Forestry Group is working to reduce CO₂ emissions through its business activities at offices and plants as a countermeasure to climate change.

▶ Policy & Business Impact

▶ FY2010 CO₂ Emission Results

▼ Reducing CO₂ Emissions in Business Activities

▶ Reducing Energy Consumption in Homes

Sumitomo Forestry Group CO₂ Emission Volume Reduction Targets

Policy & Plans

In December 2009, the Sumitomo Forestry Group set forth the Medium-Term Environmental Management Plan and revised its CO₂ emission volume reduction targets.

The new targets for plants in Japan have been set using appropriate base units for each plant, resulting in indicators that enable much easier management of reduction efforts at the production stage. Further, at plants outside Japan, targets and management indicators for total emissions, emissions per sales unit, and/or other measures as appropriate to each plant have been set in consideration of local laws and regulations.

Medium-Term Environmental Management Plan: CO₂ Emission Volume Reduction Targets

- Offices: By FY2010, achieve a 12% reduction in overall emissions compared with FY2006, and maintain this level to 2014
- Plants in Japan: By FY2014, achieve an 8% reduction in base units¹ compared with FY2006
- Plants outside Japan: Set targets for each plant in consideration of local laws and regulations, including overall emissions, emissions per unit sold, and/or other targets as appropriate to each plant

¹ Base units are set appropriately for each product line at each plant.

Results

Offices

	2006 (base year)	2007	2008	2009	2010
Emissions at offices (t-CO ₂)	41,349	41,162 (-0.5%)	38,826 (-6.1%)	36,806 (-11.0%)	35,958 (-13.0%)

* Figures in brackets indicate the percentage change compared with FY2006

- The revised Energy Conservation Law has made it necessary to include a calculation of the energy volume used for heat source-based air-conditioning in buildings that we occupy as tenants. Although there was a resulting net increase for this element, target was achieved with a 13% reduction compared with fiscal 2006, mainly due to the sale of the transportation business, which generated substantial emissions, and also due to switching to high fuel-efficiency vehicles, installation of energy-saving tires, and energy conservation in daily business activities.

■ Plants in Japan

- Although there are differences between individual plants, reductions were made across all plants, including a 19.7% reduction per base unit of production at the Niihama plant of Sumitomo Forestry Crest Co., Ltd. due to lower electricity usage after upgrading equipment, and a 37.5% reduction at the same company's No. 2 Kyushu plant due to improved boiler combustion efficiency and optimization of operating times.

■ Plants outside Japan

- CO₂ emissions have been significantly impacted by increased production (especially at KTI), which rose substantially compared with the previous year. However, KTI is engaged in initiatives such as switching from light oil to natural gas as the fuel used in plants. Manufacturing companies outside Japan set indicators for each plant in consideration of local laws and regulations, and are also seeking to reduce emissions with reference to base units. Improvements have been made at plants including KTI, ASTI, and Alpine on a voluntarily-set base unit basis.

CO₂ emissions data and base unit emission results for each plant inside and outside Japan are shown in the Environmental Data.

- ▶ Internal Link: "Environmental Data"(P.217)

| Future Plans

Plants in Japan are easily impacted by economic downturns, making it difficult to determine the actual status of CO₂ reduction activities. For this reason, new targets have been set using base units per unit of production for each individual plant, rather than base units per unit of sales. However, setting base units for each plant makes it difficult to identify reduction initiatives across all plants. From fiscal 2011, management of total emission volumes is being carried out by setting both base unit targets per unit of production for each plant and new base unit target per unit of sales for each manufacturing company, partly in consideration of the sale of plywood plants from fiscal 2011, which are easily impacted by economic conditions.

Stakeholder Comment

- I want Sumitomo Forestry to keep developing initiatives worldwide. I believe that these initiatives will definitely have a positive impact on people in different countries. (Manager)

Reducing CO₂ Emissions from Plants: Wood Biomass Power Generation Facility Installed at RPI

Policy & Plans

PT. Rimba Partikel Indonesia (RPI) is advancing efforts to reduce CO₂ emissions by introducing wood biomass power generation.

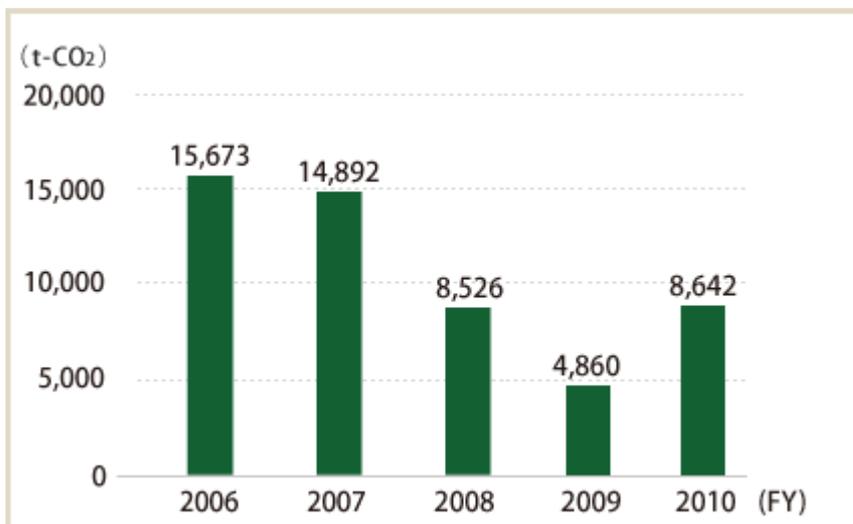
Results

In June 2008, RPI launched full-scale operation of wood biomass power generation, which mainly uses offcuts and sawdust from sawmills near the plant as fuel. The company has reduced CO₂ emissions by switching from conventional light oil-based power generation to wood biomass power generation. The United Nations' CDM Executive Board registered this initiative as a Clean Development Mechanism (CDM) project in May 2008.

In fiscal 2010, RPI's CO₂ emissions totaled 8,642 tons, a 45% reduction compared with fiscal 2006 prior to the introduction of wood biomass power generation. Emissions rose compared with fiscal 2009, but this was due to a fall in the utilization rate following machinery problems at the wood biomass power plant.

- ▶ Link to News Release: "Acquisition of Emissions Credit by Indonesia's first CDM Business" (<http://sfc.jp/english/pdf/20110427.pdf>)
- ▶ Internal Link: "CDM Business Using Wood Biomass Power Generation" (P.209)

■ RPI CO₂ Emissions¹



¹ A credit (CER) has been issued for FY2009 CO₂ emissions totaling 10,982t, which were calculated in accordance with CDM rules.

Stakeholder Comment

- I think it will be necessary to remain environmentally aware in the production process, long into the future. (Student)

Reducing CO₂ Emissions from Offices

Policy & Plans

In order to reduce the CO₂ generated by offices, the Sumitomo Forestry Group sets common targets across all Group companies and continues to advance its efforts.

Results

■ Energy Conservation at Model Homes Nationwide

At the Company's model homes and showrooms across Japan, from fiscal 2008 we began to switch over to environmentally sound lighting systems. Since fiscal 2009, we have turned off the daytime lighting when customers are not present in model homes, in order to further reduce CO₂ emissions.

■ Use of Fuel-Efficient Tires on Company-Owned Vehicles

Since fiscal 2009, the Company has promoted switching to the Dunlop fuel-efficient tire ENASAVE EC202 on Company-owned vehicles used by Group companies (all passenger vehicles except freight vehicles). This is equivalent to an annual reduction of approximately 61,200 liters of gasoline and 143 tons of CO₂ across all vehicles.

■ Switch to Fuel-Efficient Company-Owned Vehicles

In order to reduce gasoline consumption, the Company is switching to fuel-efficient vehicles selected based on Group standards. In fiscal 2010, 87.9% of upgraded Company-owned vehicles were fuel-efficient vehicles.

Future Plans

In order to cope with power shortages during summer 2011 following the Great East Japan Earthquake, the entire Group is further promoting measures to save electricity. In the light of recent power supply conditions, electricity-saving initiatives are underway at all sites nationwide, excluding the disaster area, with the aim of reducing weekday peak power consumption by 15% or more.

- ▶ Internal Link: "Promoting Green Purchasing" (P.213)
- ▶ Internal Link: "Energy Conservation in Offices" (P.213)

Stakeholder Comment

- Even though something might seem small, making many small steps can have a big impact. Many households are saving money and energy, and I think this will soon be the norm for offices too. (Customer)

Reducing CO₂ Emissions from Transportation

Policy & Plans

Sumitomo Forestry is promoting efficient transportation in order to reduce CO₂ emissions produced during the transportation of homebuilding materials.

Results

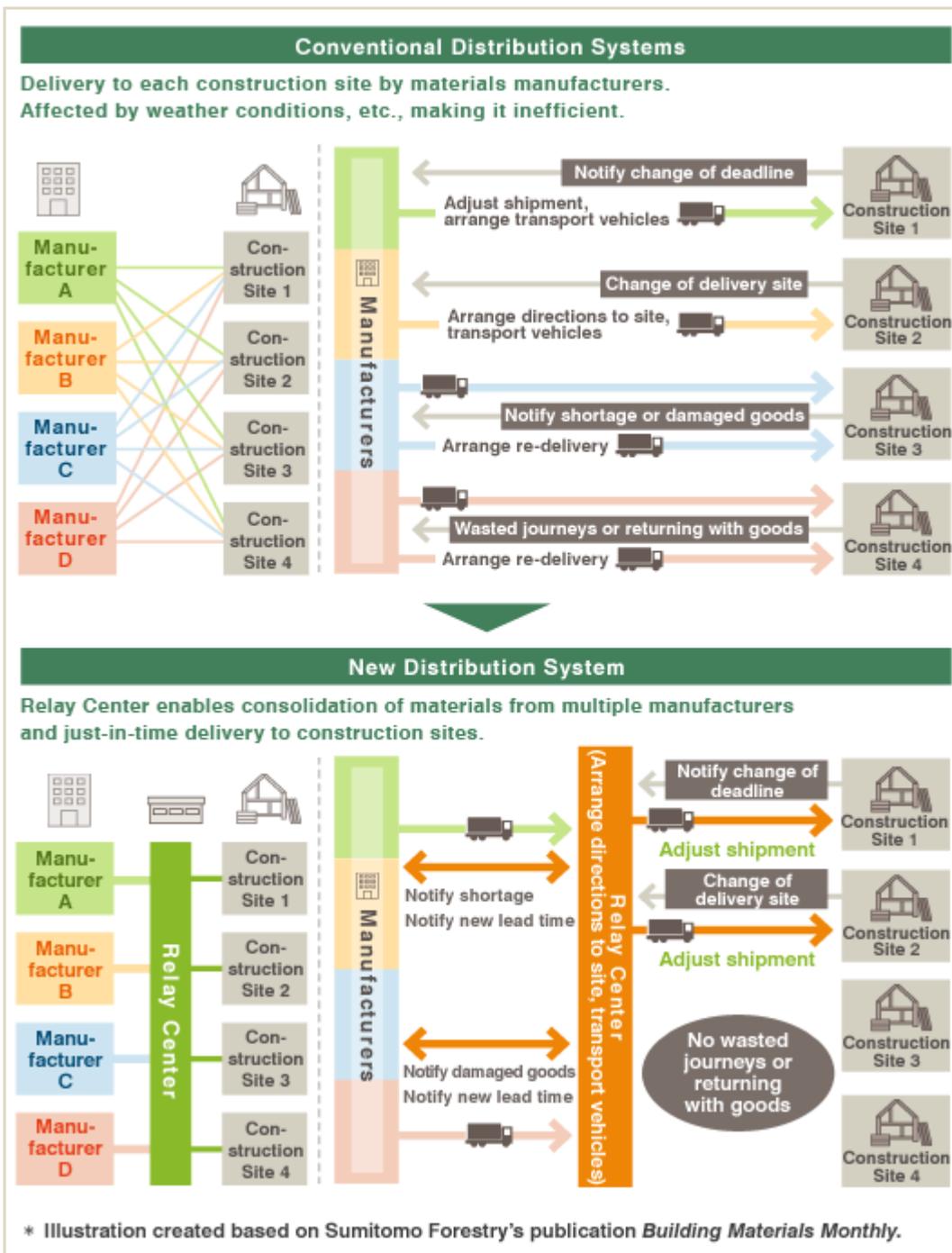
■ Building a New Distribution System for Homebuilding Materials

In fiscal 2007, improvements were made to the distribution system for homebuilding materials. Construction materials previously shipped directly from manufacturers to construction sites are now collected first at 27 relay centers nationwide. Mixed-load shipments containing materials from different manufacturers are then delivered to construction sites. In fiscal 2010, this reduced CO₂ emissions equivalent to the emissions of 152,302 delivery trucks (approximately 1,350t-CO₂) as compared with the previous distribution system. Since introducing the system, efforts have also been made to reduce the number of delivery trucks per house, and a year-on-year reduction has been achieved.

■ Establishment of an Operations Company for the Homebuilding Materials Distribution System

In April 2010, Home Eco Logistics Co., Ltd. was established to promote the Company's unique expertise in efficient distribution systems for homebuilding materials and their effectiveness in reducing CO₂ emissions. As well as fully undertaking distribution for the Group's housing business based on a rational system that utilizes 27 relay centers nationwide, Home Eco Logistics also acts as a sales and distribution contractor for manufacturers and undertakes delivery of materials to other homebuilders' construction sites.

■ Home Eco Logistics Distribution System



Future Plans

Initially, Home Eco-Logistics is distributing homebuilding materials such as fittings, bathroom vanity units and fitted kitchens, and plans to increase the range of items handled in the future.

Stakeholder Comment

- I'd like to know in concrete terms how much CO₂ is saved from the reduction of activities for your transportation vehicles. I think it's a worthwhile effort and would like to know more. (Customer)

Plantation Forest Operations to Offset CO₂ Emitted by Principal Structural Members from Harvesting Timber to Construction of Housing

Policy & Plans

The principal structural members used in housing generate approximately six tons of CO₂ per house unit, from the cutting down of timber to actual construction. In order to offset the CO₂ emitted by all the custom-built and spec homes sold during the five-year period beginning with fiscal 2009, we plan to plant approximately 2,000,000 trees on 1,500 hectares of land, and then manage cultivation of the trees for another ten years.

There are two methods of tree plantation, "Environmental reforestation," whereby mature trees are not cut down, and "Industrial reforestation," where mature trees are cut down and used as raw materials for processed wood products. This initiative is conducted as part of Project EARTH which is promoted by the Group.

Results

■ Environmental Reforestation in Indonesian National Park

In fiscal 2009 and fiscal 2010, the Company conducted environmental reforestation on approximately 120 hectares of deforested land in Indonesia's Bromo Tengger Semeru National Park. The Company has also begun monitoring the inhabitation situation of animal and plant life, in conjunction with Indonesian universities and research institutions, in order to survey the impact of plantation activity upon biodiversity.

▶ Internal Link: "Reforestation Project in Indonesia's Bromo National Park" (P.104)

■ Start of Regional Cooperation-Based Industrial Reforestation in East Java Village

In fiscal 2010, Sumitomo Forestry launched a regional cooperation-based industrial reforestation project centered on Supiturang village at the foot of Mount Semeru in East Java, Indonesia. Part of the profits obtained from harvesting mature trees in several years' time will be distributed for improving the lifestyles of the local people, with the remainder of the profits used to cover the costs of reforestation and cultivation. In this way, a sustainable plantation activity contributes to regional society.

Since the start of reforestation activities, environmental reforestation in Bromo Tengger Semeru National Park and regional cooperation-based industrial reforestation have covered a cumulative plantation land area of 360 hectares.

Future Plans

In fiscal 2011, Sumitomo Forestry plans to carry out 300 hectares of forest plantation, comprising 60 hectares of environmental reforestation in the Bromo Tengger Semeru National Park, and 240 hectares of regional cooperation-based industrial reforestation in Supiturang village, East Java, continuing from last year's activities. The cumulative total area of plantation land since fiscal 2009 is expected to reach 660 hectares. The Company will continue to conduct its business with consideration for biodiversity, while engaging in activities that make a contribution to regional society.

Stakeholder Comment

- I think that planting forests by investigating and researching which trees are suited to the land and climate makes a significant contribution to tackling global warming. (Customer)
- Many companies are carrying out reforestation, but I'd like Sumitomo Forestry to go even further due to the close connection these initiatives have with its business. (Employee)

Participating in Japan's Trial Integrated Emissions Trading Market

Policy & Plans

In October 2008, the Government of Japan launched an integrated emissions trading market on a trial basis with a view toward adopting full-scale emissions trading in Japan. Currently, there are 521 participant companies with set targets (including 392 industry associations, federations, and other organizations), 68 companies participating in trading of emissions credits, and 126 companies participating as emissions-reducing entities in the domestic clean development mechanism, for a total for 715 companies (as of July 6, 2009). Sumitomo Forestry is the only company from the housing industry participating in the trial emissions trading scheme. Participant companies establish and pursue a voluntary goal for reducing CO₂ emissions. In addition to undertaking their own efforts to reduce emissions, the participants help reduce Japan's CO₂ emissions by trading emission allowances and credits.

Results

■ Confirmation of FY2009 Target Achievement

In September 2010, the Company's fiscal 2009 performance against targets was audited and verified by the Japan Quality Assurance Organization, and the achievement of targets confirmed. As a result of this verification, feedback was provided within the Company to enhance the precision of calculating CO₂ emissions.

Tackling Climate Change

The Sumitomo Forestry Group is working to reduce CO₂ emissions through its business activities at offices and plants as a countermeasure to climate change.

▶ Policy & Business Impact

▶ FY2010 CO₂ Emission Results

▶ Reducing CO₂ Emissions in Business Activities

▼ Reducing Energy Consumption in Homes

Developing Life Cycle Carbon Minus (LCCM) Homes

Policy & Plans

The reduction of energy usage in daily life is essential to realizing a low-carbon society. The Sumitomo Forestry Group is working to develop LCCM housing to reduce CO₂ emissions throughout the life cycle of a home, from construction and operation through to dismantling and disposal. The LCCM concept aims to achieve a negative CO₂ balance across the whole life cycle of a home by using renewable energy such as solar power, solar heat and biomass. This is premised on the deployment of technologies to reduce the CO₂ produced throughout the life cycle of a home, and the establishment of an energy-saving lifestyle utilizing these technologies.

<Sumitomo Forestry's LCCM House>

Sumitomo Forestry is striving to realize an LCCM house in which CO₂ emissions are negative throughout the life cycle of the house, and which also creates lifestyle value through a variety of lifestyle-oriented services. *Sumitomo Forestry Home* houses are a wooden custom-built home constructed from renewable resource, timber. By promoting measures including the proactive use of domestic timber, *Sumitomo Forestry Home* houses achieve a reduction in CO₂ emissions as compared with steel-framed and concrete homes, from materials procurement through to construction. By implementing the following range of measures in the *Sumitomo Forestry Home* houses, the Company is working toward the realization of a comfortable LCCM house.

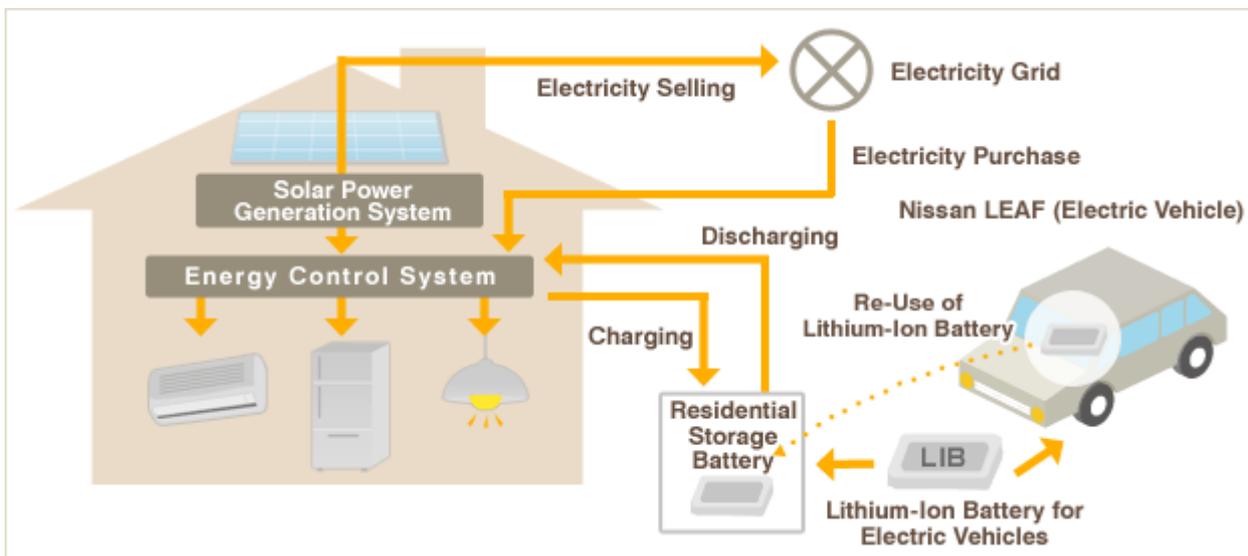
- To reduce CO₂ emissions at the occupancy stage, promote excellent insulation and air tightness, highly efficient housing equipment, and the adoption of energy-generating equipment.
- Control energy consumption in the home to optimize the internal energy balance, including energy creation and storage using solar power generation systems, home-use fuel cells and storage batteries, as well as electric vehicles, which are likely to become widespread in the future.
- To encourage proactive energy conservation by homeowners, provide environmental variables such as temperature, humidity and energy consumption in the household. Also provide a variety of lifestyle-oriented services for homeowners.

Results

■ Start of Storage Battery Validation Testing

Testing is now underway to validate re-use of the lithium-ion battery that powers the LEAF electric vehicle sold by Nissan Motor Co., Ltd., with a view to its application as a storage battery in the LCCM house to achieve energy self-sufficiency. In the future, as electric vehicles become widespread, used storage batteries could be re-used in homes to help realize a low-carbon society through efficient utilization of resources. In order to gather a variety of data related to use of such a storage battery in the home and develop performance enhancements, in February 2011 the Company recruited monitors for houses equipped with home-use storage batteries. This is leading us towards realization of the LCCM House incorporating the use of a storage battery.

■ Summary Illustration of House Equipped with a Storage Battery



■ Exhibiting of Concept Model Home at APEC Leaders Week

Sumitomo Forestry participated in a demonstration organized by the Yokohama Smart City Project during APEC Leaders Week in November 2010, exhibiting a concept model of the LCCM house. The Company exhibited and explained its basic approach to the "smart house" incorporating home energy management systems, as well as interaction with equipment and community management systems. It is hoped that the smart house concept will contribute to realization of the LCCM house, and the occasion provided the opportunity for Sumitomo Forestry to publicize its advanced technologies to visitors from inside and outside Japan.

■ Selection as "Model Project for Promoting CO₂ Reduction in Housing and Buildings"

In fiscal 2010, Sumitomo Forestry's sustainable energy house (low-CO₂ type) was selected as a "Model Project for Promoting CO₂ Reduction in Housing and Buildings" promoted by the Ministry of Land, Infrastructure, Transport, and Tourism. The Company received praise for its advanced CO₂ emission reduction proposals from the perspective of the LCCM house, where the aim is to achieve a good balance of CO₂ reduction during the life cycle of the house.

Stakeholder Comment

- Once built, a home is used for a long time, so I'd like Sumitomo Forestry to build homes that actively help the environment. (Student)
- I recommend that Sumitomo Forestry cooperate with NGOs and NPOs when promoting environmentally symbiotic houses. (Expert)

Reducing Energy Use through the *Ryounbou* Design Concept

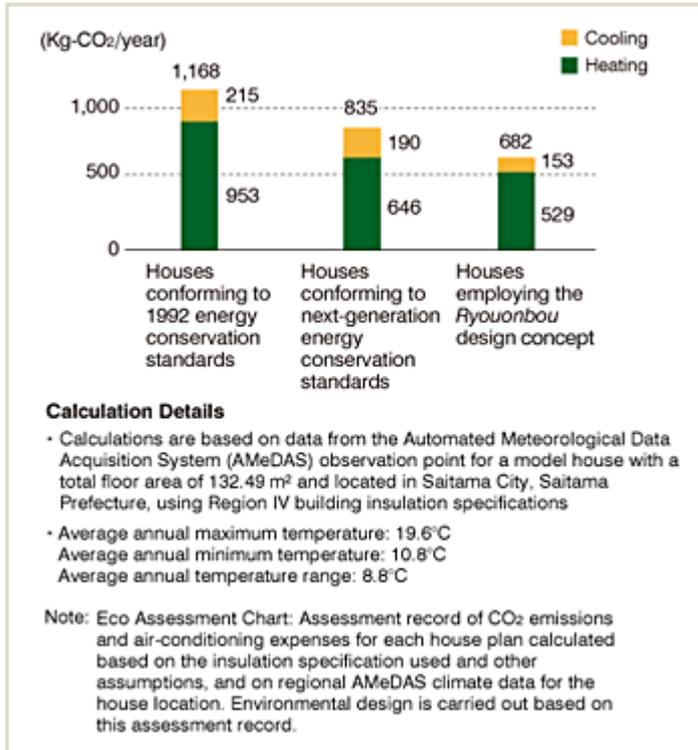
The *Ryounbou* design concept draws on the wisdom and techniques of Japan's traditional houses to effectively take advantage of nature's blessings and offer a housing style that enables people to live comfortably while limiting energy consumption.

The *Ryounbou* concept is based on three design principles for creating housing that is cool in the summer and warm in the winter: *Kaze no Sekkei* wind design, *Taiyo no Sekkei* sun design, and *Midori no Sekkei* greenery design.

Research on a model house demonstrated that the *Ryounbou* design concept could reduce CO₂ emissions during occupancy by about 40%¹ compared to houses built to specifications mandated by 1992 energy conservation standards.

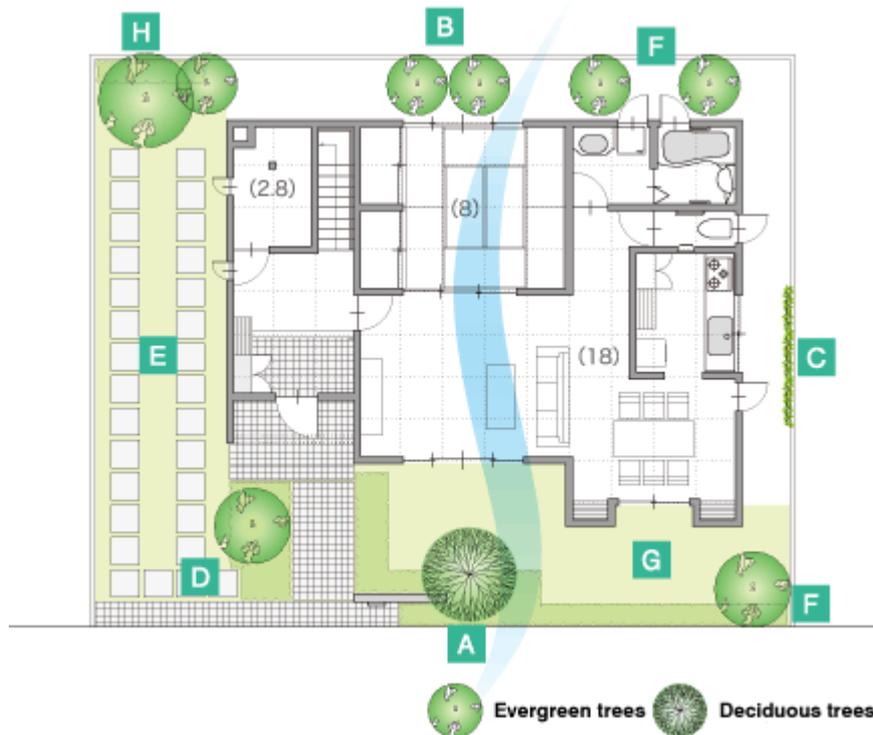
¹ This figure only applies to emissions attributable to heating and cooling

■ Comparison of CO₂ Reduction (for Air-Conditioning and Heating Only) during Occupancy Using Eco Assessment Charts



■ Case Study Plan for Placement of Greenery and Channels for the Airflow

Case Study Plan for Placement of Greenery and Channels for the Airflow



A Green canopy to create a cool, shady area of foliage

Deciduous trees grow thick with leaves in summer, blocking out direct sunlight and creating a cool, shady area of foliage. In winter, the trees lose their leaves, allowing the sunlight into the rooms.

B A refreshing green area that produces cool air

By planting trees on the north side of the house it is possible to make it cooler in summer. This also has the effect of protecting the house from the northerly winds.

C A screen of greenery that blocks out heat

In addition to blocking out sunlight during summer, the greenery also cools the air. The use of climbing plants such as bitter melon offers the added benefit of fresh produce.

D Beautification with foliage that decorates the home

We recommend trees that suit the individual home and change appearance with the seasons. As well as bringing out the beauty of a home, greenery also helps blend the building in with its surroundings.

E A parking space with greenery that moderates temperature increases during summer

In addition to allowing rainwater to be absorbed in the earth, a green parking space prevents the powerful rays of the summer sun from being reflected back into the atmosphere, thereby moderating increases in temperature in the area around the home.

F “Green blinds” that gently restrict the vision of passersby

Strategically placed foliage in front of windows and other open areas restricts the view in the house from outside and enhances privacy.

G Green groundcover that reduces the reflection of heat in summer

A lawn effectively reduces the reflection of the heat of the sun back into the atmosphere. Leaf transpiration, whereby moisture evaporates from the grass, helps moderate increases in temperature.

H A partition of foliage that takes the edge off the cold

By strategically placing trees according to prevailing wind direction, it is possible to obstruct the cold northerly wind in winter, reduce its force and chill, and divert its direction.

Stakeholder Comment

- I'm interested in the *Ryouonbou* concept. I think it's important not just to use new technology, but also to rethink conventional wisdom. (Customer)

Growing Use of Solar Energy in Houses

Policy & Plans

Sumitomo Forestry is working to further reduce a house's environmental impact by employing a solar power system in addition to the *Ryouonbou* design concept.

Results

In fiscal 2010, about 30% of all new detached houses sold by Sumitomo Forestry were equipped with solar power systems. The Company is also promoting use of dual power generation incorporating solar power generation systems with the home-use storage battery Enefarm or the gas cogeneration system ECOWILL.

	2008	2009	2010
Solar power installation rate	4%	22%	28%
Dual power generation installation rate	-	3%	5%

Launch of New Solabo

In July 2010, Sumitomo Forestry launched the new *Solabo*, a wooden house that generates energy in the home. As well as increasing the variety of solar power generation systems that can be installed, it also facilitates installation of products suited to different lifestyles, such as home-use fuel cell systems. Using fuel cell systems in combination with solar power enables us to supplement the electricity generating capacity of the solar power system when the weather is unsuitable, which also leads to a



New Solabo

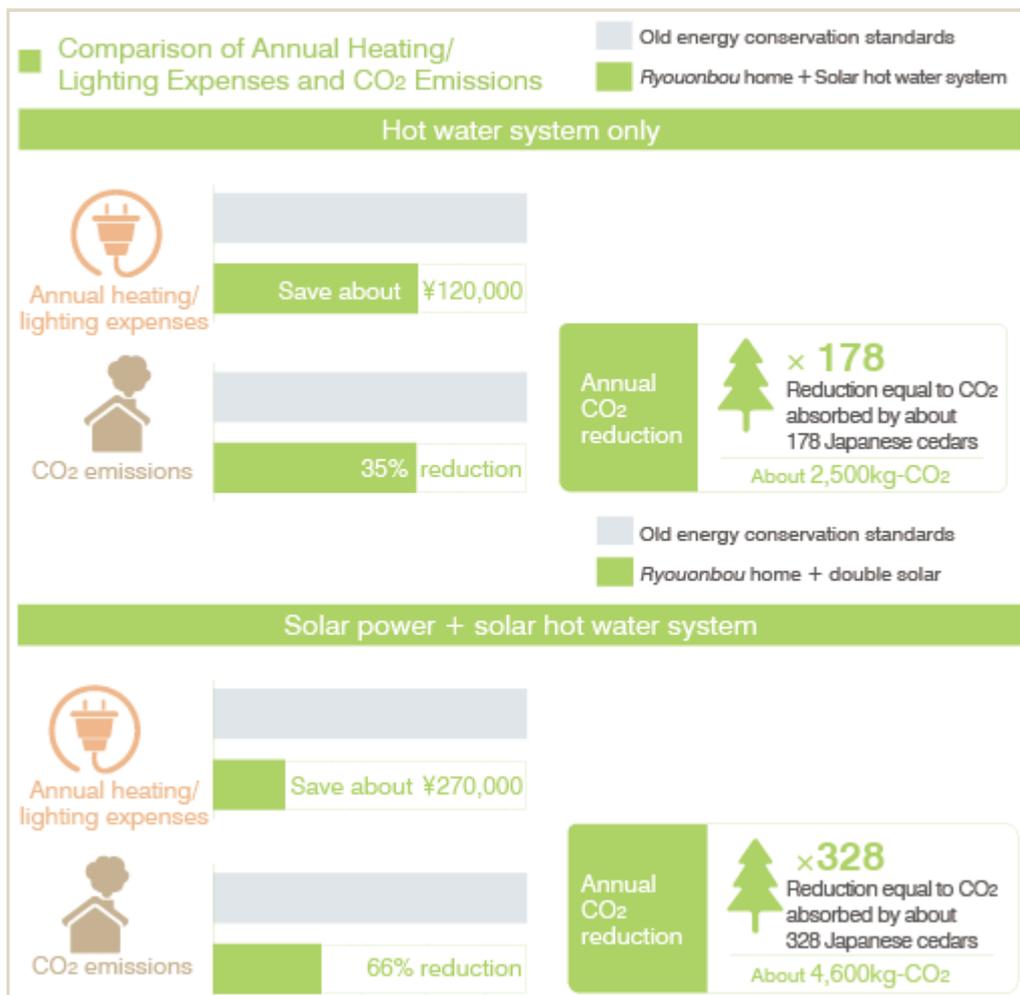
significant reduction in CO₂ emissions. It is also possible to sell surplus power saved from the home solar power generation systems, promoting lower energy costs.

Solar Hot Water System Developed

Policy & Plans

Sumitomo Forestry is developing a solar hot water system in collaboration with an equipment manufacturer. The Company is promoting the diffusion of this system, which makes efficient use of solar energy, as it helps to save energy and reduce CO₂ emissions. The heat energy in this hot water system is used more efficiently than in a solar power system, and a double solar system combining the two systems is even more economical and environmentally sound.

■ Comparison of Annual Heating/Lighting Expenses and CO₂ Emissions Using Combined Solar Power and Hot Water Generation Systems



Employing Next-Generation Energy Conservation Standards

Policy & Plans

The Japanese government has established energy conservation standards geared toward reducing energy consumption in houses. Sumitomo Forestry's standard housing specifications have been based on next-generation energy conservation standards¹ since fiscal 2005.

Results

■ Increasing Adoption of Next-Generation Energy Conservation Standards

In fiscal 2010, next-generation energy conservation standards were employed in 98.2% of the detached houses built by the Company, an improvement on last year. The standards also correspond to the highest energy-saving level (level 4) under Japan's Housing Performance Indication System.

¹ These refer to the "Standards and Owner Determination of Energy Usage Rationalization Pertaining to Houses" (Notice No. 3 of the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure and Transport [2006]), and "Guidelines for Design, Construction and Maintenance of Energy Usage Rationalization Systems for Houses" (Notice No. 378 of the Ministry of Land, Infrastructure and Transport [2006]).

Promoting Environmentally Friendly, Energy-Saving Renovation

Policy & Plans

70% of existing homes were built before 1992, and are said to have inadequate heat insulation. Energy conservation in existing homes is an important issue in the prevention of global warming. Sumitomo Forestry Home Tech Co., Ltd. offers environmentally friendly, energy saving renovation, including solar power generation systems, the latest water-saving household appliances for the kitchen and bathroom, and natural ventilation and lighting to reduce reliance on heating and cooling equipment.

Results

■ Compilation of "Guidebook on Energy-Saving Renovation"

Sumitomo Forestry Home Tech Co., Ltd. has created a guidebook to promote energy-saving renovation techniques, which it has co-developed with Tsukuba Research Institute. By surveying and diagnosing conditions such as the customer's requirements and lifestyle, as well as the building and site conditions, it has been possible to propose renovation techniques that are optimized for each client and are highly cost efficient.

Renovation Technique Check Sheet

▶ Internal Link: "R&D for Environmentally Friendly Housing" (P.203)

Providing Environmentally Sound Homes in Australia

Australian Group company Henley Properties Group is providing a zero-emission demonstration house incorporating energy- and water-saving measures in response to growing environmental awareness and severe water shortages. The house is expected to make an energy saving of at least 70% compared with conventional houses, by employing a design based on climatic conditions and a solar power generation system.



Zero Emission Demonstration House

Resource Recycling

Sumitomo Forestry is working to reduce and recycle resources, with a focus on resources used in the housing business.

▼ Policy on Resources

▶ Zero Emissions Initiatives

▶ Proper Disposal of Demolition Waste

▶ Resource Recycling

Policy on Resources

Policy & Plans

Approximately 76.2 tons of resources are used for the principal structural members and building materials that go into a single house built to the Company's standard specifications. Therefore, first of all the Company is working to reduce the environmental impact and effectively utilize resources, focusing on zero emissions initiatives, including reducing the generation of waste, reusing resources, and recycling.

In addition, at the time of inputting raw materials, it is necessary to eliminate redundant materials and use components that generate a low amount of offcuts, in order to reduce the volume of resources. The Company also believes it is important to utilize recycled products in order to advance the recycling of resources.

Sumitomo Forestry is working to complete the loop of recycling by using recyclable resources, thoroughly separating wastes at construction and demolition sites, and promoting the use of recycled products.

Stakeholder Comment

- I think houses being constructed now should use components that can be easily separated for re-use when the houses are dismantled for rebuilding in the future. (Customer)

Resource Recycling

Sumitomo Forestry is working to reduce and recycle resources, with a focus on resources used in the housing business.

▶ Policy on Resources

▼ Zero Emissions Initiatives

▶ Proper Disposal of Demolition Waste

▶ Resource Recycling

Zero Emissions Initiatives

In order to advance the recycling of resources, the Company first defines the "zero emissions" target to be pursued, and works to achieve this target.

Definition of Zero Emissions

The Group will not simply incinerate or bury in landfills all of the industrial waste generated from its plants in Japan and new housing construction sites.

Based on this definition, the Group will continue zero emissions activities at domestic manufacturing facilities, and initially aims to achieve zero emissions at new construction sites¹ in the capital area by December 31, 2012.

The recycling rate at the end of fiscal 2010 was 92.7%.

¹ Includes residential landscaping

Waste Reduction at New Housing Construction Sites

Policy & Plans

Sumitomo Forestry identifies the volume of waste generated at new housing construction sites and works to reduce this volume, while also preventing inappropriate disposal. The Company is also working towards the achievement of zero emissions by promoting the processing of industrial waste by utilizing "inter-region recovery and recycling certification system¹."

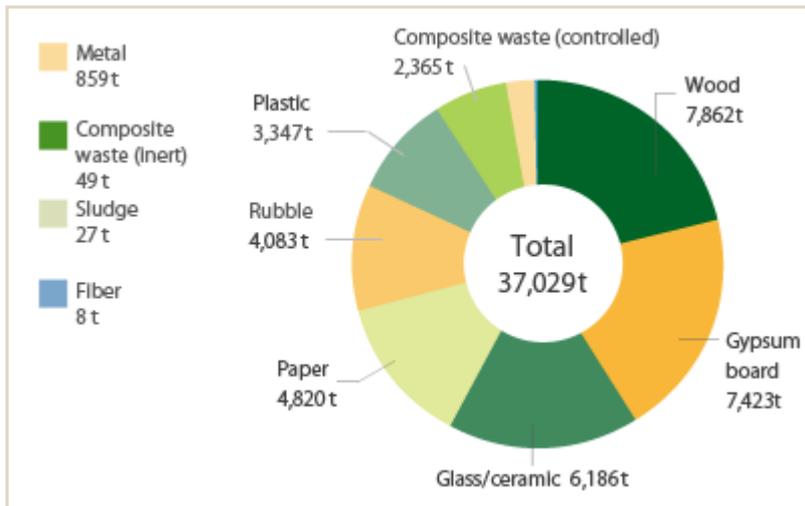
¹ When manufacturers collect industrial waste across multiple prefectures, this is a special system whereby approval for waste disposal is not required from each separate municipal government provided that the Minister for the Environment certifies compliance with certain strict criteria such as processing capacity, even when the manufacturer outsources collection/transportation, intermediate treatment and final disposal.

Results

■ FY2010 Recycling Results

A recycling rate of 87.8% was achieved for waste generated at new housing construction sites.

■ Volume of Industrial Waste from New Detached Housing (FY2010)



■ Treatment of Industrial Waste Utilizing Inter-Region Recovery and Recycling Certification System

On December 8, 2010, Sumitomo Forestry obtained industrial waste certification based on an inter-region recovery and recycling certification system. This system enables companies designated by Sumitomo Forestry (such as materials suppliers) to be registered as "persons engaged in the collection or transportation of industrial waste," so that approval for industrial waste treatment is not required in relation to the collection and transportation of the Company's waste. This makes it possible to collect industrial waste by utilizing specialist waste collection/transportation vehicles and trucks returning to base after having transported homebuilding materials to new construction sites, and to consolidate waste collection at collection centers registered in the inter-region certification system.

The consolidated waste is entrusted directly to treatment contractors that can process it with zero emissions, or is transported to in-house facilities where high-level separation can be carried out. After sorting, the waste is entrusted directly to third-party recycling facilities or is sold at a profit.

■ Initiatives for the Collection of Waste Using Materials Transportation Vehicles

The collection, transportation and consolidation of waste based on the inter-region recovery and recycling certification system utilizes the distribution system of Home Eco Logistics Co., Ltd., which was established in April 2010 and is the operations management company for the homebuilding materials distribution system. Home Eco Logistics Co., Ltd. gathers the materials required by new construction sites at 27 relay centers nationwide and transports them to each construction site. The waste is then consolidated at these relay centers using the returning truck or specialist collection/transportation vehicles. Between November 2009 and March 2010, Sumitomo Forestry conducted validation at ten new construction sites to ascertain whether this kind of waste collection process was feasible.

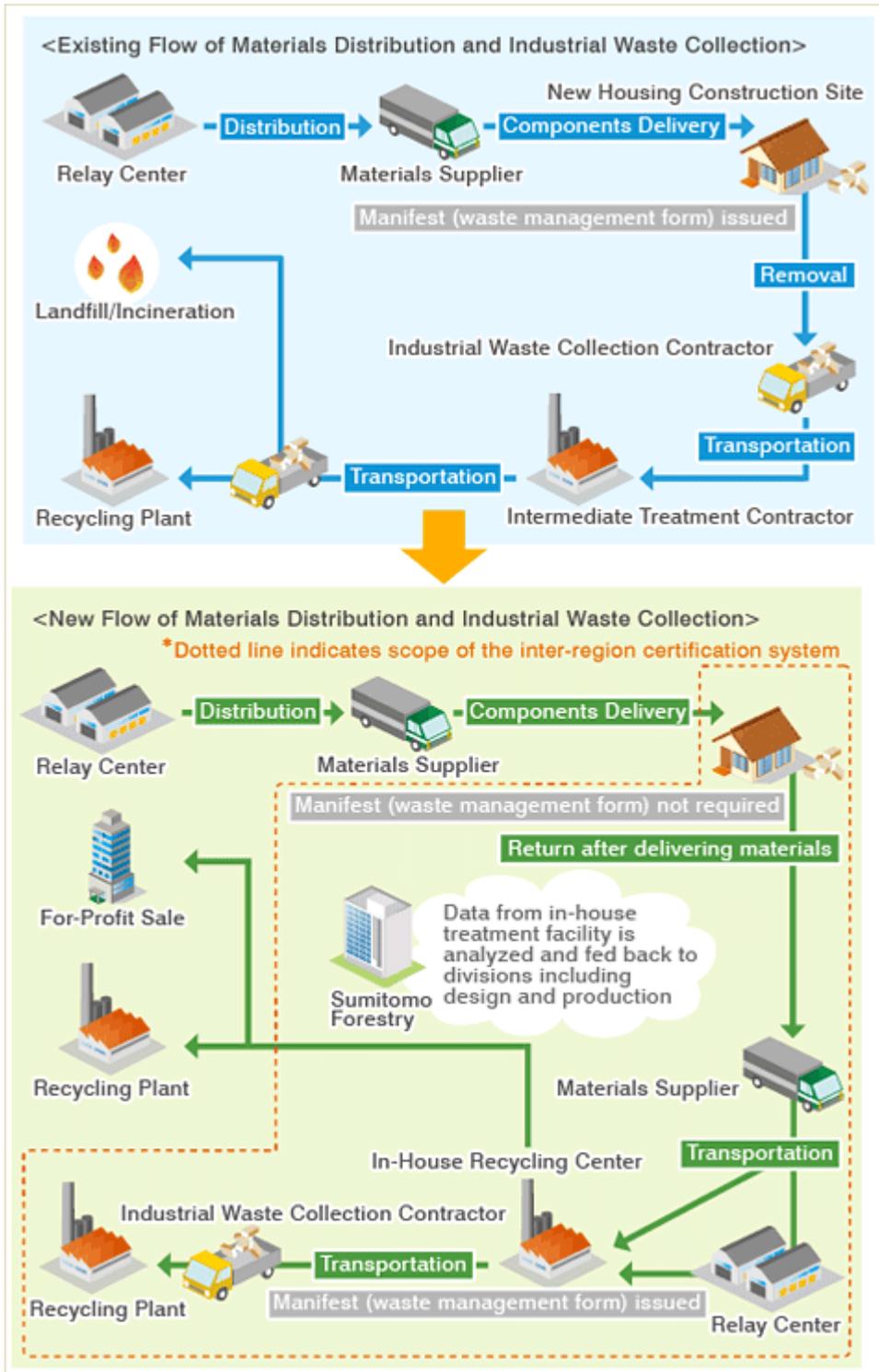
▶ Internal Link: "Reducing CO₂ Emissions from Transportation" (P.134)

■ High-Level Waste Sorting Initiatives at In-House Facilities

- To achieve zero emissions at new construction sites, waste needs to be sorted to the highest degree possible. Thinking that it would be effective to establish a specialist in-house waste separation facility to carry out high-level sorting of waste, Sumitomo Forestry is working toward the establishment and launch of a Capital Area Recycling Center. The consolidation and separation of waste from housing construction in the capital area and its transportation to recycling centers will result in a higher recycling rate.

- Establishment of the recycling center will make it possible to collect and analyze waste-related data, and provide feedback on potential improvements in areas such as product development, materials, design, production and distribution, which will lead to a reduction in the volume of waste being generated.

■ Current and New Process Flows



■ Validation with Industrial Waste Traceability System

- In fiscal 2008, the Housing Division conducted a trial run of an industrial waste traceability system that uses IC chips to ascertain the actual output of waste from new housing construction sites. In fiscal 2009, this industrial waste traceability system was installed and operated at ten branches, including the six branches in the Greater Tokyo area, Mito, Kyoto, Shiga, and Kita-Kyushu. The operational plans for the Capital Area Recycling Center have been drafted with reference to the data collected in this system.

- This system will come to an end at the six branches in the Tokyo area and Mito along with the launch of the recycling center collection system utilizing inter-region recovery and recycling certification system, but it will continue to operate in other areas, and the Company will be working to reduce waste by comparing the data before and after introduction of the system.

■ Initiatives to Limit Industrial Waste from Packaging Materials

The Group continues its efforts to limit the generation of industrial waste through the use of pre-cut timber, reducing the amount of packaging materials used. Examples of efforts in this area include use of pre-cut timber for soffits (the underside of eaves) and setting the dimensions of the eaves to minimize end cuts from materials used to finish the underside of the home's eaves. In addition, the practicality and costs of pre-cutting ceramic roof tiles, sidings, and panels for exterior reinforcement are being investigated for future deployment.

| Future Plans

Sumitomo Forestry will continue its efforts to achieve zero emissions in the capital area by December 2012 through recycling at recycling centers utilizing the inter-region recovery and recycling certification system. At the same time, the Company aims to reduce the volume of waste handled at recycling centers to 40% of the current level, through ongoing initiatives to limit the generation of waste. Once these objectives have been reached, the Company will work toward achieving even finer separation of waste while developing materials recycled from in-house production and utilizing them in the construction of new houses.

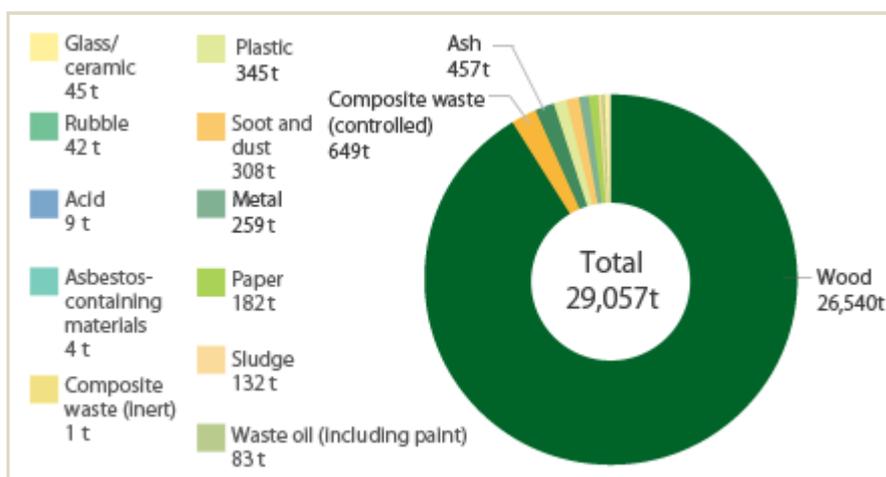
| Waste Reduction at Plants

| Results

■ Achievement of Zero Emissions

Zero Emissions was achieved at the Group's plants, as a result of continuing efforts to achieve zero emissions at the plants operated by Sumitomo Forestry Crest Co., Ltd. and Sumirin Agro-Products Co., Ltd.

■ Volume of Waste Generated at Plants (FY2010)



Resource Recycling

Sumitomo Forestry is working to reduce and recycle resources, with a focus on resources used in the housing business.

► Policy on Resources

► Zero Emissions Initiatives

▼ Proper Disposal of Demolition Waste

► Resource Recycling

Proper Disposal of Demolition Waste

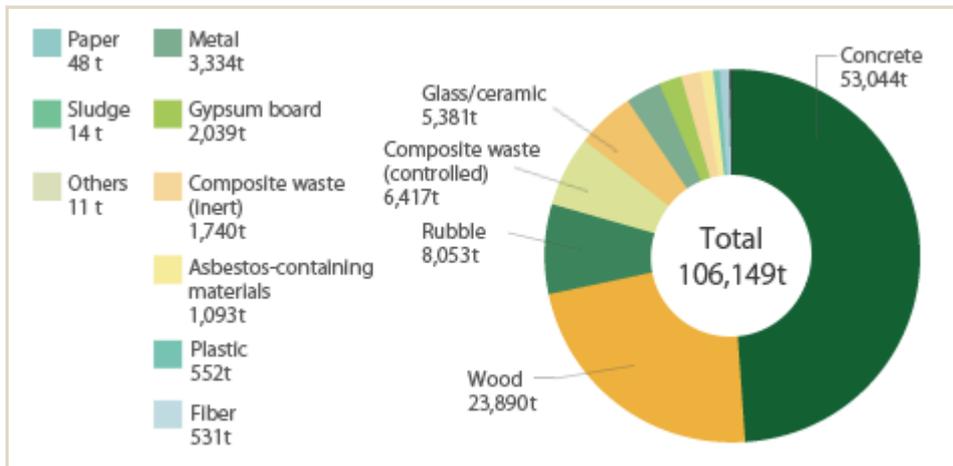
Policy & Plans

Sumitomo Forestry has promoted recycling since before enactment of the Construction Waste Recycling Law, by thoroughly dismantling, sorting, and separately disposing of waste materials when constructing new houses.

Results

The Company has achieved a nearly 100% recycling rate for concrete and metal waste. A 98% recycling rate has been achieved for wood waste, and the present challenge is to develop recycling routes for roofing tiles, glass, ceramics, gypsum board, and other composite waste.

■ Volume of Demolition Waste (FY2010)



Resource Recycling

Sumitomo Forestry is working to reduce and recycle resources, with a focus on resources used in the housing business.

▶ Policy on Resources

▶ Zero Emissions Initiatives

▶ Proper Disposal of Demolition Waste

▼ Resource Recycling

Recycling of Wood Waste

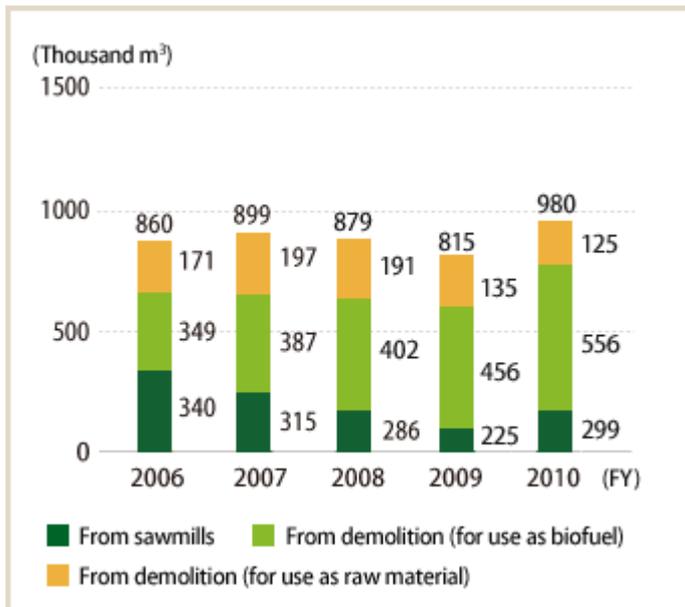
Policy & Plans

Offcuts from the timber milling process and waste wood from new housing construction and demolition sites can be turned into wood chips for re-use in papermaking and particleboard or as biofuel. Sumitomo Forestry has created its own recycling routes for facilitating the distribution of wood chips by employing the networks it has developed through its timber distribution business.

Results

In fiscal 2010, there was an increase in the volume of wood chips handled due to their supply to Kawasaki Biomass Electric Power Co., Ltd., which started operation in February 2011.

■ Volume of Wood Chips Handled



▶ Internal Link: "Promoting Wood Biomass Power Generation" (P.210)

Effective Utilization of Used Activated Carbon from Water Purification Plants

Policy & Plans

The Tokyo Metropolitan Government Bureau of Waterworks uses an advanced water purification process that combines ozone treatment with biologically activated carbon. This system uses a large quantity of activated carbon, amounting to some 5,000 m³ per year, in the process of reducing organic material and deodorization, necessitating the effective use of the used activated carbon.

Group company Sumirin Agro-Products Co., Ltd. is making effective use of this used activated carbon to develop and market potting media for agriculture and horticulture and a soil improvement agent for landscaping.

Results

■ Joint Patent Application with Tokyo Metropolis regarding Effect on Promotion of Plant Growth

For two years (fiscal 2008-2009), Sumirin Agro-Products Co., Ltd. conducted joint research with the Tokyo Metropolitan Government Bureau of Waterworks to develop effective uses for used activated carbon from water purification process. The research demonstrated that used activated carbon effectively promoted plant growth when used as potting media for agriculture and horticulture and as a soil improvement agent for landscaping. Sumirin Agro-Products Co., Ltd. and the Tokyo Metropolis have jointly applied for a patent based on these research results.

■ Launch of Soil Improver Sales

The company has started selling a soil improvement agent utilizing used activated carbon. Sales commenced in February 2010, focused on the Kanto area, and have reached 8.8 tons.

Future Plans

Going forward, the company plans to commercialize and expand sales channels for potting media and soil improvement agents using used activated carbon.

Recycling of Glass Pieces

Policy & Plans

Sumirin Agro-Products Co., Ltd. has developed a next-generation, lightweight growing medium for rice seedlings utilizing glass pieces. Conventional red soil-type rice seedling growing media have a significant environmental impact, as their production involves the extraction of mountain soil, and their heavy weight has presented problems as the age of those working in agriculture has risen. This product helps to resolve these issues.

Results

■ Launch of *Karuido* Rice Seedling Growing Medium

In March 2011, sales of a new rice seedling growing medium *Karuido* were launched. *Karuido* is an environmentally sound product that uses granular activated carbon and a recycled material made by expanding waste (broken) window glass at high temperature. It weighs about 60% less than conventional products, and also has excellent permeability and aeration properties. The product also facilitates a shorter growing period due to faster seed germination and root growth, and requires no new equipment additional to planting with a transplanting machine, thereby saving labor.

Sales had reached 31.4 tons by May 2011.

- ▶ Link to News Release: "Sumirin Agro-Products to Launch *Karuido*" (<http://sfc.jp/english/pdf/20110225.pdf>)



Karuido, which uses expanded glass pieces and granular activated carbon

Preserving Forests

Sumitomo Forestry practices sustainable forest management, both in and outside Japan. The Company also strives to use Japanese timber.

▼ Conservation and Sustainable Use of Timber Resources

▶ Sustainable Forestry in Japan

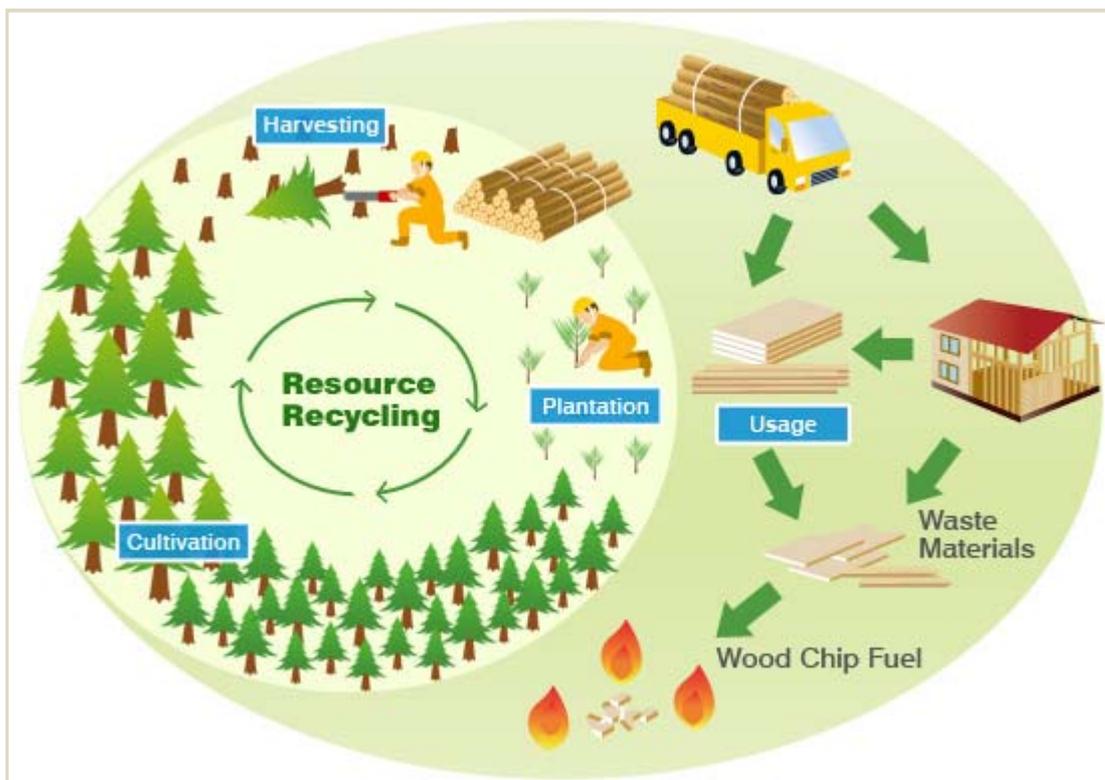
▶ Proactive Use of Domestic Timber

▶ Overseas Plantation Forest Operations and Sustainable Use

Conservation and Sustainable Use of Timber Resources

Forests perform a variety of functions for the public good, including erosion control and water control, cultivating water resources, curbing global warming by absorbing CO₂, and preserving biodiversity. For these functions to work effectively, proper forest management is crucial.

The Sumitomo Forestry Group believes that sustainable forest management is necessary to ensure that timber resources are available in perpetuity, and is advancing initiatives both in and outside Japan.

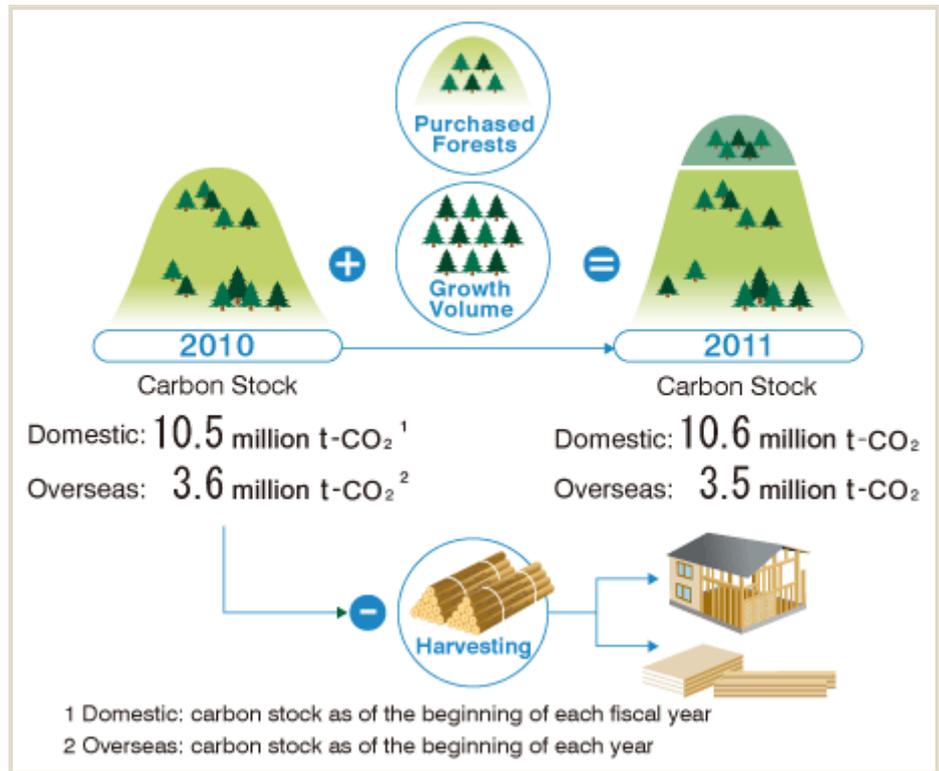


Cultivation

The Sumitomo Forestry Group owns forests with a total area of 42,636 hectares within Japan. Outside Japan, it manages forests with a total area of approximately 190,000 hectares. The functions of forests that serve the public good can be enhanced by appropriate forestry management including weeding, pruning, and thinning.

Forests absorb CO₂ then retain it as carbon - or "carbon stock."

The carbon stock of the Sumitomo Forestry Group forests in Japan was 10.62 million t-CO₂, and the carbon stock of plantation forests overseas was 3.53 million t-CO₂.



Harvesting

In fiscal 2010, the Sumitomo Forestry Group harvested approximately 240,000 m³ of trees. The harvested trees were milled and processed, then provided to the world as a variety of applications, including housing and furniture. In some cases, for example structural members used in houses, the timber will be used for decades.

Even after trees are processed into products, the wood continues to retain CO₂ as carbon. Thus, it can be said that using wooden products and building wood-construction homes are activities that "Create Forests in Cities."

Carbon Stock in Housing

One *Sumitomo Forestry Home* house has a carbon stock of about 22.6t-CO₂, and the carbon stock of all houses constructed by the Company in fiscal 2010 totaled approximately 197,000t-CO₂.

1 Carbon stock of the timber used in housing construction in fiscal 2010



Usage

Wood products can still be used effectively even after they have served their purpose. For example, in the case of wood-construction homes, the lumber can be re-used after demolition as wooden materials such as boards.

Wood chips resulting from this process of re-use, and wood that has served its purpose as a wooden product, can still be used as wood fuel. This is called cascade usage and is a way to use wood completely and totally. In this way, carbon is retained until wood products are used as biomass fuel to create electricity. At this point, the CO₂ released from burning the wood is the CO₂ that was absorbed during the tree's growth process, so the CO₂ in the atmosphere has not been increased during the life cycle of the tree.

- ▶ Internal Link: "Promoting Wood Biomass Power Generation"(P.210)

Plantation

Just harvesting trees and using the timber means forestry resources will be diminished. Sumitomo Forestry always plants and cultivates new trees after harvesting trees to ensure sustainability of forest resources. In fiscal 2010, Sumitomo Forestry planted forests in Japan with a total area of approximately 70 hectares and 5,050 hectares overseas. From a carbon stock perspective, during the time wood products used in cities are retaining carbon, newly planted trees grow, absorb CO₂, and retain carbon. By promoting operations that encourage greater use of timber resources through the structural application and incorporation of wood, Company-owned forests and the carbon retained in the homes we build thus increase the carbon stock and contribute to counteracting global warming.

Stakeholder Comment

- I myself own forests and feel the need for an appropriate forest management system, so I support Sumitomo Forestry's initiatives. (NGO/NPO)

Preserving Forests

Sumitomo Forestry practices sustainable forest management, both in and outside Japan. The Company also strives to use Japanese timber.

▶ Conservation and Sustainable Use of Timber Resources

▼ Sustainable Forestry in Japan

▶ Proactive Use of Domestic Timber

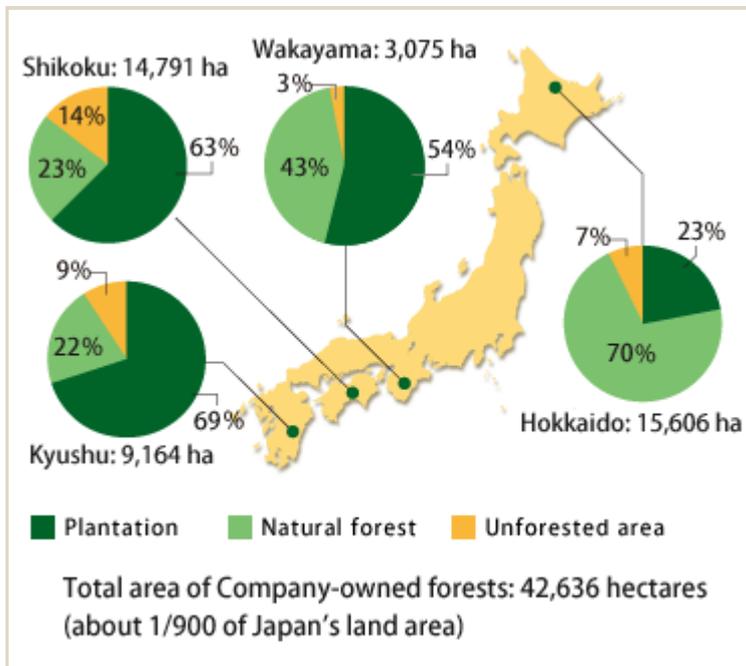
▶ Overseas Plantation Forest Operations and Sustainable Use

Promoting Sustainable Forestry in Japan

Policy & Plans

Sumitomo Forestry's Company-owned forests located in Hokkaido, Wakayama, Shikoku and Kyushu cover a total area of 42,636 hectares (about 1/900 of Japan's land area). Company-owned forests are categorized as "economic forests," where the production of timber is the priority, and "environmental forests," where the preservation of forests is the focus. Thinning is carried out appropriately, taking into consideration the ecosystems and surrounding environment. The Company ensures sustainable forest management using a range of techniques, including small-area clear cutting for mature forests that are ready for harvesting, which enables efficient harvesting of trees, followed by reforestation.

■ Distribution and Area Covered by Sumitomo Forestry-Owned Forests (As of March 31, 2011)



Results

■ Acquisition of SGEN¹ Certification For Company-Owned Forests

Sumitomo Forestry-owned forests acquired certification from Japan's Sustainable Green Ecosystem Council (SGEC) in September 2006. In fiscal 2010, the forests were inspected for the fourth time, and it

was independently determined that Sumitomo Forestry had continued to manage its forests appropriately, including taking measures to preserve biodiversity, among other issues. In addition, 1,100 hectares of forests newly acquired in Hokkaido and Wakayama were also certified by SGEC.

▶ Internal Link: "Preserving Biodiversity" (P.174)

¹ Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.

Stakeholder Comment

- I'd like Sumitomo Forestry to create an environment in which Japan's forest resources can be maintained and preserved by securing appropriate profits for people working in forestry. (Customer)
- Japan's forestry industry is said to be in decline. I'd like to see Sumitomo Forestry take the initiative in reviving this industry in Japan. (Customer)

Initiatives for Efficient and Labor-Saving Harvesting of Trees

Policy & Plans

Sumitomo Forestry is working to achieve substantial streamlining and labor saving in the timber harvesting system in Japan's forests.

Results

■ Development of Forestry Machinery Suited to Japan's Forests

Sumitomo Forestry has worked together with the University of Tokyo, Caterpillar Japan Ltd. and Nansei Machine to develop forest machinery that is suited to the conditions of work in Japan's forests, which are often steeply sloping. Remodeling and improvements are being made based on the latest, high-performance European forest machinery, such as incorporating wireless control functions, in order to drastically improve timber harvesting efficiency. This project has been selected by the New Energy and Industrial Technology Development Organization (NEDO) as a funded project "Development of Wood Biomass Harvesting Machinery for Remote Forest Stands."



A Tower Yarder machine suited to Japan's forests

Future Plans

Development and enhancement of the machine is due to be completed during fiscal 2010, with testing scheduled to start in fiscal 2011 in a Company-owned forest in Kyushu (Hyuga Forestry Office). The aim is to achieve practical application from fiscal 2012.

Building a Forest Management Model Utilizing Airborne Laser Imaging Detection and Ranging (LIDAR) Technology

Policy & Plans

Sumitomo Forestry is using Airborne Laser Imaging Detection and Ranging (LIDAR) on a trial basis in some of its forests in order to accurately identify the volume of resources in these forests, to more accurately calculate the sustainable harvestable volume over the medium-to-long term, and to build an efficient and effective forest management model.

Results

■ Implementation of LIDAR

Forest measurement using LIDAR was carried out over approximately 1,500 hectares of Company-owned forest in Kyushu, and the measurement data was then analyzed. LIDAR is a technology for obtaining detailed measurement of the ground surface. Laser beams are projected onto the ground by a laser measuring device on board an aircraft or helicopter, and ground measurements are obtained from the direction of the reflected beam and the time it takes to arrive. When used in a forest region, it is possible to obtain detailed data including the topography and height of the trees.

■ Validation of LIDAR Efficacy

The efficacy of LIDAR in surveying the volume of forest resources was confirmed by validating the precision of forest stand LIDAR measurement based on a field survey.

Future Plans

Additional surveys are due to be carried out in forest stands where existing forest survey data differs significantly from the fiscal 2010 validation results, in order to enhance the precision of the survey data. Wide-area measurement of forests using LIDAR will also be carried out in other regions in order to build an efficient and effective forest management model.

Streamlining Management of Company-Owned Forests through Joint Operations

To maximize the functionality of forests, proper maintenance of forests—clearing away of underbrush, pruning, and thinning—is vital. In Japan, however, the large number of owners holding small forestland makes it difficult to do so efficiently, diminishing the vitality of forests and hindering the use of domestic timber resources. To overcome this problem, Sumitomo Forestry is working to increase the efficiency of forest maintenance through joint operations with forest owners in Japan.

Stakeholder Comment

- I was troubled by the devastation of forests in Japan, so I think it's wonderful if forest owners can work together to restore Japan's beautiful scenery. (Customer)
- I want Sumitomo Forestry to maintain not just Company-owned forests but also uncared forestland. I hope to see operations that will renew as many declining forests as possible. (Customer)

Joint Operations with Private Owners of Large Forests

Policy & Plans

We aspire to fulfill our responsibility to society as a leading private-sector owner of forests in Japan by realizing the renewal of Japan's forests by innovating new private-sector-led business models.

Results

■ Signing of Memorandum on Joint Operations by Three Private-Sector Companies

In October 2009, Sumitomo Forestry, Oji Paper Co., Ltd., and Oji Forest & Products Co., Ltd. signed a memorandum of understanding to engage in joint utilization of forestry resources centered on each of the three company's forests. This is the first joint operation of its kind in Japan between corporations holding large-scale forest assets.

The three companies are jointly engaged in two projects involving "active use of SGEC-certified timber from Hokkaido," and "a joint forestry operations area in Ehime prefecture," leveraging technology and expertise accumulated over many years of forestry management, as well as an integrated, upstream-to-downstream initiative.

Project Name	Overview of Project	FY2010 Results
Active use of SGEC-certified timber from Hokkaido	SGEC-certified logs harvested from forests owned by Sumitomo Forestry (Monbetsu area) and Oji Paper group (Soya and Engaru areas) will be processed by SGEC-certified entities (processing facilities that have been certified by SGEC for classification, separation, and labeling), and finished into high-quality structural members made of engineered wood, then used in custom-built detached houses sold by Sumitomo Forestry.	Purchased approximately 440 m ³ of SGEC-certified Japanese larch lumber produced and processed from forests owned by Oji Paper group. About 150 m ³ of the lumber was finished mainly into residential-use engineered wood (for posts), and was purchased for use in the Sapporo branch's custom-built detached houses.
Joint forestry operations area in Ehime prefecture	Sumitomo Forestry and the Oji Paper group will jointly create a forestry operations area centered on forests owned by Oji Paper group with neighboring privately held forests, creating the scale necessary for operating efficiencies, and building new logging roads through the mountains, thereby increasing the productivity and efficiency of operations such as thinning.	Implemented improvement felling by promoting a joint forestry operations area with neighboring privately held forests, centered on forests owned by Oji Forest & Products Co., Ltd., to increase efficiency in forest management. Area of improvement felling <ul style="list-style-type: none"> ▪ Forest owned by Oji Forest & Products Co., Ltd.: Approx. 31 ha ▪ Forest owned by Kohno Kohsan Co., Ltd.: Approx. 5 ha

Promotion of Public-Private Sector Forestry Management

Policy & Plans

To achieve efficiencies in forest management, Sumitomo Forestry is promoting efficient forest operations by designating a joint forestry operations area encompassing national forests and private and public forests, whose ownership structures are different.

Results

■ Signing of Agreement to Promote Forest Maintenance between Owners of National, Private and Public Forests

In fiscal 2009, Sumitomo Forestry signed an agreement to promote forest maintenance between owners of national, private and public forests in relation to Company-owned forests in the prefectures of Kochi, Kumamoto and Wakayama. The initiative in Kumamoto prefecture is the largest forest area ever covered by such an agreement. As a result, it is now possible to efficiently build a network of strip roads, which has been problematic up until now, and to create efficiencies in forestry operations, with the expectation of reduced costs.

■ Overview Of Agreement For Promotion Of Forest Management

Area	Signatories to the Agreement	Company-Owned Forest Area (Total Area)	FY2010 Results
Kochi Prefecture	<ul style="list-style-type: none"> Forestry Agency, Shikoku Regional Forest Office, Reihoku Forest Management Department Sumitomo Forestry Co., Ltd., Niihama Forestry Office¹ 	225ha (716ha)	Approx. 2,000 m of new strip roads built through national and Company-owned forests (Breakdown) Company-owned: Approx. 1,900 m National-owned: Approx. 100 m
Kumamoto Prefecture	<ul style="list-style-type: none"> Forestry Agency, Kyushu Regional Forest Office, Kumamoto Nambu Forest Management Department Forestry and Forest Products Research Institute, Forest and Agricultural Land Maintenance Center, Kumamoto Water and Forest Resource Office Sumitomo Forestry Co., Ltd., Hyuga Forestry Office² Kyushu Yokoi Forestry Co., Ltd. 	317ha (3,935ha)	Approx. 3,300 m of new strip roads built through national and Company-owned forests (Breakdown) Company-owned: Approx. 100 m National-owned: Approx. 1,200 m Shared forest / other Company-owned: Approx. 2,000 m
Wakayama Prefecture	<ul style="list-style-type: none"> Forestry Agency, Kinki Chugoku Regional Forest Office, Wakayama Forest Management Department Forestry and Forest Products Research Institute, Forest and Agricultural Land Maintenance Center, Wakayama Water and Forest Resource Office Sumitomo Forestry Co., Ltd., Ogawa Forestry Office³ Miyama Forest Owner's Cooperation 	288ha (1,539ha)	Approx. 3,850 m of new strip roads built through national and Company-owned forests (Breakdown) Company-owned: Approx. 1,350 m National-owned: Approx. 2,500 m

¹ Now Sumitomo Forestry Wood Products Co., Ltd., Niihama Forestry Office

² Now Sumitomo Forestry Wood Products Co., Ltd., Hyuga Forestry Office

³ Now Sumitomo Forestry Wood Products Co., Ltd., Wakayama Forestry Office

Future Plans

Going forward, the partners will continue to jointly engage in thinning operations and sales of products made from the thinnings, and aim for even more appropriate and efficient operations.

Effective Use of Unused Biomass Resources

Policy & Plans

When left alone, branches and twigs from thinning of forests, and wood left over from logging such as offcuts, become a source of greenhouse gas emissions and are a remote cause of regional natural disasters. Sumitomo Forestry Wood Products is actively promoting effective use of such unused biomass resources.

Results

■ Start of Supply of Wood Left Over from Logging as Wood Biomass Fuel

Sumitomo Forestry Wood Products Co., Ltd. has taken a lead role in researching the construction of a system to collect wood left over from logging and provide wood biomass fuel, as part of the Model Demonstration Project for New Business Creation Using Wood Resources since fiscal 2008. Following a positive assessment of the results, Sumitomo Forestry Wood Products Co., Ltd. has been providing Sumitomo Joint Electric Power Co., Ltd. with all the necessary amount of wood left over from logging for their biomass power generation business launched in July 2010, in which a portion of the coal used to generate electric power is replaced with biomass chips. As well as cutting CO₂ emissions by 6,900 tons per year, this also contributes to the preservation of regional forests. Similar initiatives are being promoted with the Kochi plant of Sumitomo Osaka Cement Co., Ltd., involving the supply of wood left over from logging.



Wood left over from logging (left) and wood chips (right)

▶ Internal Link: "Promoting Wood Biomass Power Generation" (P.210)

Future Plans

Ahead of a Feed-in Tariff program for renewable energy, which the Japanese government is considering introducing from fiscal 2012, Sumitomo Forestry aims to further expand the business of supplying wood left over from logging across the nation.

Stakeholder Comment

- I have hopes for biomass utilizing thinnings and wood waste. (Association Director)

Preserving Forests

Sumitomo Forestry practices sustainable forest management, both in and outside Japan. The Company also strives to use Japanese timber.

▶ Conservation and Sustainable Use of Timber Resources

▶ Sustainable Forestry in Japan

▼ Proactive Use of Domestic Timber

▶ Overseas Plantation Forest Operations and Sustainable Use

Proactive Use of Domestic Timber

Policy & Plans

Sumitomo Forestry is promoting measures to encourage the active use of Japanese timber, including the development and diffusion of standards to ensure the supply of timber with consistent quality, cost reductions through joint forestry operations, and the effective use of wood left over from logging.

Results

■ Expansion of Supply Using Company-Developed Standard *FS (Forest Service) Grade*

In order to increase demand for Japanese timber, it is necessary to provide products with consistent quality, while also ensuring stable supply. In fiscal 2009, Sumitomo Forestry Wood Products Co., Ltd. began selling Japanese timber products using a Company-developed standard for pre-cut timber, the *FS (Forest Service) Grade*. The other Company-developed standard is *MIZDAS®¹*, which is targeted at timber blocks of Japanese cedar and cypress, but *FS Grade* is a general standard for pre-cut timber, covering cedar posts and studs. This standard leads to enhanced recovery rate and cost-competitiveness, for example by broadening the acceptable range of surface cracks, and by allowing wane if it is within 30 cm from the tip end of the timber, as the wane is cut at the pre-cut stage.

Sales have been focused on the Kanto, Tohoku and Hokuriku regions, and in fiscal 2010, supplies of *FS Grade* products reached 30,000 m³, three times the fiscal 2009 level.

■ Promoting Systems for Utilizing Japanese Timber

Sumitomo Forestry Wood Products Co., Ltd. is working to reduce costs by creating joint forestry operations areas with small-scale forest owners and proposing efficient forestry management including maintenance of forestry roads and thinning/final cutting and planting. With regard to distribution, a system has been established in which products bypass the log market and are shipped directly to customers, incorporating the market-in² technique into harvesting plans. Also, the Company is engaged in a project to utilize wood left over from logging, such as branch and short timber, in biomass power generation and as a fuel mixed with coal during burning.

Future Plans

The Company plans to expand sales of *FS Grade* products and increase the range of products available, such as cypress posts, foundations and engineered wood, while developing a nationwide customer base.

- ▶ Internal Link: "Streamlining Management of Company-Owned Forests through Joint Operations" (P.160)

- 1 A system that is incorporated into timber drying equipment to automatically control temperature and humidity via computer
- 2 A management approach whereby the requirements of the customer or buyer are identified during the development, production and sale of a product, and only the quantity of the product required by the user is supplied.

Stakeholder Comment

- I feel that the timber industry really holds the key now, both in the sense of preserving the environment and creating employment. (Customer)

Using Japanese Timber in Homes

Policy & Plans

Sumitomo Forestry embraces a policy of actively using Japanese timber in its houses, and is promoting initiatives to encourage the use of its *Super Cypress* laminated engineered wood for structural use, made from Japanese cypress (*Chamaecyparis obtusa*), and its original load-bearing wall *Lattice Panels*, made from Japanese cedar (*Cryptomeria japonica*) and Japanese larch (*Larix leptolepis*).

Results

■ Supply of Homes with Enhanced Ratio of Japanese Timber

In fiscal 2008, the Company reached its target of using Japanese timber for 70% of the principal structural members in *Sumitomo Forestry Home* house, where the main Multi-Balance construction method is employed. Sumitomo Forestry also supplies houses in certain regions, or limited to particular models, in which this ratio is increased to 100%, such as *MyForest-Waraku Miyabi* and *MyForest-Taiju*.



Super Cypress

■ Supply of Homes Using Certified Timber

To produce homes that use timber from certified forests, such timber must be appropriately separated and marked in the processing, distribution and home construction processes. Since February 2008, Sumitomo Forestry has been supplying houses that use SGEC-certified timber in Hokkaido, where it was possible to implement these systems in each process and to procure certified timber on a stable basis throughout the year.

■ Supply of Homes Actively Using Regionally-Produced Timber

In Hokkaido, Sumitomo Forestry offers a 100% "made in Hokkaido" model that uses only locally grown Japanese larch and Sakhalin fir. Since fiscal 2009, the Company has built houses in Nagano, Nara, Wakayama, Yamaguchi, Ehime, Kochi, Oita and Kumamoto, using at least some locally produced timber.

In August 2010, the Company launched sales of *Forest Garden Keio Horinouchi* built-for-sale housing (in Hachioji City, Tokyo), where some of the principal structural members (posts and foundations) use Japanese cypress certified based on the Tama Timber Certification Scheme¹, thereby contributing to the revitalization of regional forests.



Tama certified cypress, produced from local trees in Tokyo

▶ Internal Link: "Property Development in Harmony with Regional Areas and the Environment" (P.61)

¹ A scheme in which forest owners, materials manufacturers, the log market and timber product manufacturers register, and the Tama Timber Certification Council certifies that the wood has been produced in appropriately managed forests in the Tama region.

Stakeholder Comment

- I think it's good if consumers make a conscious decision to use environmentally sound homebuilding materials. (Customer)
- Sumitomo Forestry does not exclusively use Japanese timber, but also uses imported timber. I think it is good that the Company sets separate environmental initiatives for each type of timber. (Business partner)

Using Japanese Timber in Products

Policy & Plans

Sumitomo Forestry is committed to the proactive use of Japanese timber in interior materials and furniture. The proactive use of domestic timber supports the revitalization and sound cultivation of domestic forests and also contributes to environmental conservation, including preserving national land and curbing global warming. Thus, it also contributes to the achievement of the government's goal of 50% self-sufficiency in timber.

Results & Future Plans

■ Making Effective Use of Thinnings: The *Monbetsu no Mori* Line of Furniture

Sumitomo Forestry markets the *Monbetsu no Mori* line of furniture that makes effective use of thinnings of hard wood harvested from Company-owned forests primarily in Monbetsu, Hokkaido. The thinnings from hard wood used as raw materials for the *Monbetsu no Mori* brand comes from SGEN¹-certified forests. In fiscal 2010, companies involved in production of the *Monbetsu no Mori* brand acquired certification for a

distribution system for SGEC-certified timber products, and can now display the SGEC label on products. This is the first time in Japan that furniture displaying the SGEC label has been sold, and the Company is committed to supplying thinnings from hard wood trees to companies that support initiatives such as these.

In order to continue expanding the lineup of *Monbetsu no Mori* products, the Company is developing new products including sofas, dining chairs and desks. The Company also plans to develop sales of interior materials and furniture to government offices as well as general consumers, which utilize unused resources such as thinnings.



Furniture products made with thinnings of broadleaf trees from forests in Monbetsu

¹ Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.

■ Production of *Ayasugi* and *Totorop* Interior Materials Using Japanese Timber

Sumitomo Forestry Crest Co., Ltd. uses Japanese cedar for its *Ayasugi* line of interior materials such as entrance hall storage areas and flooring, and Japanese-grown Sakhalin fir for its *Totorop* line of doors and flooring. A cycle of planting and logging Japanese-grown Sakhalin fir trees, which are commonly grown in Hokkaido, enables a balance between timber supply and forest regeneration.



Ayasugi flooring

■ Exterior Products Using Japanese Cypress Thinnings and Small Trees

Sumitomo Forestry Landscaping Co., Ltd. sells the environmentally sound *Original Deck Hinoki* brand that uses thinnings from Japanese cypress, and has also increased sales of product variations such as Japanese cypress fences/open verandahs. Japanese cypress is a conifer that possesses beautiful grain and superior durability, and, as such, has traditionally been used in shrines and altars. Cypress thinnings and small diameter trees are procured through the domestic network of the Sumitomo Forestry Group, and are used effectively as products employing the Group's own heat treatment technology.



Original Deck Hinoki

Stakeholder Comment

- When using wood, I think it's good if consumers know where it comes from. (Student)

Development of Efficient Timber Drying Technology

When manufacturing cedar and cypress posts, cracking tends to occur in the wood-drying process, especially for cedar due to its high moisture content, making it difficult to ensure consistent quality.

Sumitomo Forestry responded by developing and promoting the *MIZDAS®* system, which is incorporated into timber drying equipment, to automatically control temperature and humidity via computer. This system which adjusts the drying process to the moisture content and temperature of the timber to be dried reduces cracking, distortion and other damage to the timber, and makes it possible to supply highly competitive and high-quality *MIZDAS®* Cedar posts and *MIZDAS®* Cypress posts at low cost.



Timber dried with the *MIZDAS®* system

Preserving Forests

Sumitomo Forestry practices sustainable forest management, both in and outside Japan. The Company also strives to use Japanese timber.

▶ Conservation and Sustainable Use of Timber Resources

▶ Sustainable Forestry in Japan

▶ Proactive Use of Domestic Timber

▼ Overseas Plantation Forest Operations and Sustainable Use

As forecasts for global timber consumption continue to rise, loss of forests and destruction of ecosystems are accelerating at a dramatic pace due to forest fires, illegal logging, and slash-and-burn farming in Southeast Asia and other parts of the world. In this environment, Sumitomo Forestry is expanding its forest plantation business overseas in order to promote the active use of sustainable plantation timber.

Promotion of the Plantation Forestry Business Overseas

Policy & Plans

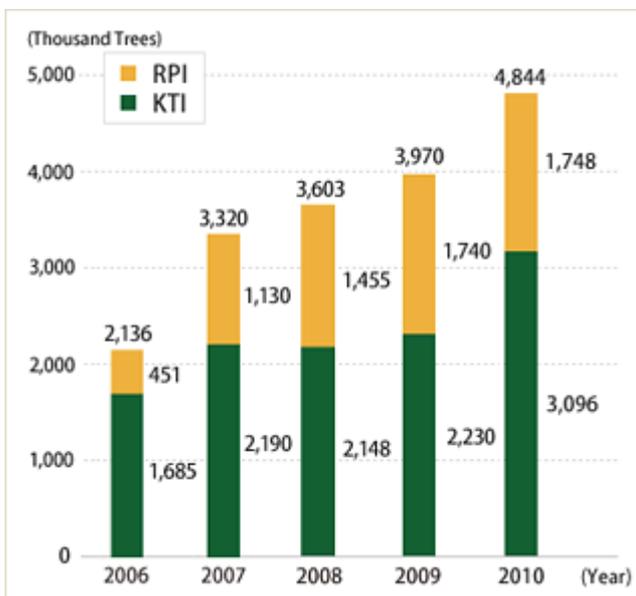
In order to ensure a stable supply of raw materials while still protecting the environment, Group companies outside Japan are increasing their use of plantation timber by reducing procurement of raw materials from natural forests, and are promoting plantation forest operations.

Results

■ Trees Planted in FY2010

Company Name	Country	Reforested Area
Kutai Timber Indonesia (KTI)	Indonesia	2,814ha
Rimba Partikel Indonesia (RPI)	Indonesia	1,051ha
Nelson Pine Industries (NPIL)	New Zealand	216ha
Open Bay Timber (OBT)	Papua New Guinea	965ha

■ Reforestation in Indonesia



Future Plans

KTI, which produces plywood and other timber products, is aiming to use plantation timber for all of its raw material in the near future, and is engaged in activities including further increasing the area of reforested land.

Contribution of Social Forestry to Local Communities

Policy & Plans

In its plantation forest operations in Indonesia, the Sumitomo Forestry Group cooperates with residents living in the vicinity of its projects to ensure that regional society also receives the economic benefits of plantation forest operations.

Results

■ Contributing to Regional Society through Social Forestry

In 2000, the Company launched "social forestry" in Indonesia, a program for distributing seedlings to local residents free of charge. Kutai Timber Indonesia (KTI) (<http://www.kti.co.id/>) and Rimba Partikel Indonesia (RPI) then promise to buy the grown trees back in six to seven years, when the trees are ready for harvesting. As well as endeavoring to support the independence of local residents, social forestry also fosters communication in order to build strong relationships with regional society.

In the area around the plantation forest operations, 17 regions and about 8,800 people are involved with forest plantation through social forestry.

■ Acquisition of Forestry Certification in Cooperation with Local Residents

KTI formed a reforestation cooperative together with local residents in fiscal 2007, and acquired FSC® FM certification for 152 hectares of plantation forest in December 2008. Certification was obtained for an additional 179 hectares of plantation forest in January 2011, taking the total area of certified plantation forest to 331 hectares.

Future Plans

In order to expand the area of certified forests, an additional application is due to be made in 2011 for FSC®-FM certification of around 600 hectares of plantation forest.

Increased Handling of Timber from Certified Forests and Plantation Forests

Policy & Plans

Sumitomo Forestry procures timber from forests all over the world and therefore has a major obligation to preserve the world's forests. The Sumitomo Forestry Group has set forth its Timber Procurement Philosophy and Policy and New Action Plan, and is promoting procurement of sustainable timber. The Timber & Building Materials Division's Forest Products Trading Department and Building Materials Department have acquired Chain of Custody (CoC)¹ certifications from both the Forest Stewardship Council (FSC®)² and the Programme for the Endorsement of Forest Certification (PEFC)³ to encourage the use of timber from sustainable forests.



The Action Plan based on the Timber Procurement Philosophy and Policy has set a target of 70% handling of timber from certified forests (FSC®, PEFC, SGEC) and plantation forests within the process of timber distribution by fiscal 2012.

- 1 A system for certifying appropriate separation and labeling by operators during storage, processing and distribution of timber from certified forests.
- 2 The Forest Stewardship Council (FSC®) provides a global forestry certification system. Its Forest Management (FM) certification authenticates forest management, while FSC Chain of Custody (CoC) certification confirms that forest products from certified forests are appropriately separated and marked in the storage, processing and distribution processes.
- 3 The PEFC is a forest certification program that promotes sustainable forest management by offering certification from third parties independent of stakeholders.

Results

Volume Handled

Volume of certified timber and plantation timber handled in fiscal 2010: Approx. 1.32 million m³ (60% of the timber handled by Sumitomo Forestry)

Major Forestry Certifications

Type of Forestry Certification		Name of Certified Division or Company
SGEC	Forestry certification	Forestry Department, Forestry & Environment Division (Company-owned forests)
	Comprehensive separation and labeling certification	Forest Products Trading Department, Timber & Building Materials Division (pre-cut materials), Housing Division (pre-cut materials)
	Separation and labeling certification	Sumitomo Forestry Wood Products Co., Ltd., Daiichisansho Co., Ltd., and Sumitomo Forestry Crest Co., Ltd.
FSC®	FM certification	KTI (reforestation cooperative)
	CoC certification	Forest Products Trading Department and Building Materials Department, Timber & Building Materials Division; Kowa Lumber Co., Ltd.; Alpine MDF Industries Pty. Ltd.; PT. Kutai Timber Indonesia; Sumitomo Forestry (Singapore) Ltd.
PEFC	CoC certification	Forest Products Trading Department and Building Materials Department, Timber & Building Materials Division

■ Sales of Environmentally Sound Plywood *KIKORIN-PLYWOOD*

In fiscal 2009, Sumitomo Forestry launched sales of the environmentally sound plywood *KIKORIN-PLYWOOD*. More than 50% of the raw materials used to manufacture *KIKORIN-PLYWOOD* are timber from forests certified by FSC® or PEFC, as well as from plantation forests that are sustainably managed. In fiscal 2010, the volume of *KIKORIN-PLYWOOD* sold was 1.5 times the fiscal 2009 level.



KIKORIN-PLYWOOD

| Future Plans

Initiatives are being implemented under the New Action Plan stipulated by the Timber Procurement Philosophy and Policy.

- ▶ Internal Link: "New Action Plan for Timber Procurement" (P.20)

Stakeholder Comment

- I think it's wonderful that a virtuous cycle is being created in which income from plywood is used for future forest plantation. (Customer)

Launch of Large-Scale Commercial Forest Plantation Business

| Policy & Plans

Sumitomo Forestry has jointly launched a large-scale commercial forest plantation business in cooperation with ALAS Kusuma Group, a company involved in the forestry management and plywood manufacturing businesses in Indonesia. As well as realizing the stable supply of timber, this initiative not only contributes to the economic development of the local community by providing employment for local residents in commercial forest plantation operations, but also to the preservation of biodiversity and the reduction of greenhouse gas emissions.

| Results

■ Start of Full-Scale Plantation Operations

This initiative classifies forestland degraded by illegal logging and slash-and-burn farming, into three areas: (1) forests preservation zones, (2) buffer zones, and (3) forestation zones. By further classifying forestation zones by environmental factors such as soil composition and moisture content, the initiative matches forestation operations to local environmental conditions. Full-scale plantation operations started in 2010.

■ Promoting Initiatives and Research into the "Right Tree for the Right Site"

Aiming for sustainable commercial plantation forestry that contributes to the preservation of biodiversity, Sumitomo Forestry identifies areas to protect, such as riparian forests, and carries out mosaic planting whereby forestation is undertaken only in designated areas suited for that purpose. In addition, the Company continues to undertake research into the suitability of trees in specific areas, selecting species of trees that are suited to the land in the particular plantation site.



Trees grown on an industrial plantation

| Future Plans

The plan is to increase the area of plantation operations from the current 40,000 hectares to 280,000 hectares. When drawing up forestation plans in the future, the Company is also considering the use of leading-edge satellite information technology currently under development through joint research with the Japan Aerospace Exploration Agency (JAXA)'s Space Open Lab system.

- ▶ Internal Link: "Plantation Forest Operation Using Satellite Information" (P.209)

Stakeholder Comment

- I want to see proactive initiatives to help restore destroyed tropical rainforest. (Customer)

Preserving Biodiversity

Sumitomo Forestry continues its environmental conservation activities in forests based on site surveys, proposing environmentally sound planting in the landscaping business.

▼ Policy and Plans for Biodiversity Preservation

▶ Initiatives at Company-Owned Forests in Japan

▶ Initiatives at Overseas Plantation Forests

▶ Initiatives at Landscaping Business

▶ Initiatives at Plants

▶ Participation in COP-10 Interactive Fair for Biodiversity

Biodiversity and Sumitomo Forestry's Operations

Wood has been the axis of Sumitomo Forestry's businesses since our founding centuries ago. While many companies are indirectly involved with biodiversity through their supply chains, at Sumitomo Forestry, forests that nurture trees and support biodiversity are directly and inextricably our business field—and we are acutely aware of the critical importance of, and our responsibility for, biodiversity. Moreover, wood is one of the blessings we receive from biodiversity. If this blessing is lost, we risk losing the foundation of our business, thus it is imperative that we are proactively and aggressively involved with preserving and encouraging biodiversity to an even greater degree than other companies.

■ How Our Businesses are Linked to Biodiversity

Business Domain	Activities to Preserve Biodiversity
Forestry / Environment Operations	<ul style="list-style-type: none"> ▪ Preservation of natural forests ▪ Biodiversity-friendly operations in Company-owned forests ▪ Protection of rare animal and plant species
Timber and Building Materials Distribution / Building Materials Manufacturing	<ul style="list-style-type: none"> ▪ Procurement of timber from forests where sustainable forestry is practiced ▪ Manufacture and handling of products using certified timber and plantation timber ▪ Greenification of land where plants are located
Housing / Real Estate / Landscaping	<ul style="list-style-type: none"> ▪ Landscaping using native / indigenous plant species ▪ Proactive use of Japanese timber
Overseas Operations	<ul style="list-style-type: none"> ▪ Switchover to plantation timber as raw materials ▪ Plantation operations that consider zoning and coexistence with the local community.
Research and Development	<ul style="list-style-type: none"> ▪ Conservation of precious germ-plasm stock
Social Contribution Activities	<ul style="list-style-type: none"> ▪ Regeneration of tropical rain forests ▪ Restoration of native forests at the Mt. Fuji <i>Manabi no Mori</i> ▪ Environmental education activities at the Mt. Fuji <i>Manabi no Mori</i>

Stakeholder Comment

- I think information of biodiversity should be introduced in a way that is understandable not just for adults, but for children as well. Expressions should be used that enable everyone to clearly understand what the company is doing, and for what purpose. (Customer)

Policy and Plans for Biodiversity Preservation

Sumitomo Forestry declared its commitment to preserve biodiversity when it revised its Environmental Philosophy and set forth its Timber Procurement Philosophy and Policy in fiscal 2007. The Company has promulgated its Policy on Biodiversity Preservation in Company-owned forests in Japan.

In fiscal 2009, to identify the impact of our businesses on biodiversity, we conducted assessments and evaluations—from the perspective of biodiversity—of our operations, particularly in those business domains where it is thought our activities impact biodiversity. Based on these results, in each business unit, we seek out third-party perspectives from experts and specialists from NGOs and NPOs to ensure objectivity, and actively advance our activities in an effective manner.



Policy on Biodiversity Preservation in Company-Owned Forests in Japan (Excerpt) (Formulated September 2006)

1. Diversity of ecosystems

We will properly manage strictly protected areas designated under the Natural Parks Law and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear-cutting is conducted.

2. Diversity of species

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the *Sumitomo Forestry Red Data Book*.

3. Genetic diversity

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.

Stakeholder Comment

- Because you're in an industry that handles timber, I expect Sumitomo Forestry to continue its proactive efforts to preserve biodiversity and engage in sustainable forestry. (Company Employee)

Preserving Biodiversity

Sumitomo Forestry continues its environmental conservation activities in forests based on site surveys, proposing environmentally sound planting in the landscaping business.

▶ Policy and Plans for Biodiversity Preservation

▼ Initiatives at Company-Owned Forests in Japan

▶ Initiatives at Overseas Plantation Forests

▶ Initiatives at Landscaping Business

▶ Initiatives at Plants

▶ Participation in COP-10 Interactive Fair for Biodiversity

Preservation Initiatives at Company-Owned Forests in Japan

The Company has created the *Sumitomo Forestry Red Data Book* to list the rare flora and fauna that might exist in Company-owned forests, and provides training to those who work in these forests. This data book was created with reference to the *Red Data Book* published by prefectural authorities, and is updated whenever necessary. Forests are subject to appropriate zoning based on criteria such as tree growth potential, and efforts are being made to protect areas around water, which are rich in biodiversity, through the creation of a Riparian Forest Management Manual.



Sumitomo Forestry Red Data Book
(Monbetsu Forestry Office Edition)

Since fiscal 2008, the Company has conducted monitoring surveys of the habitation status of mammalian and avian species in Company-owned forests. In order to ascertain the long-term impact of logging and plantation operations on mammalian and avian species, surveys will be conducted in the regions of Hokkaido, Shikoku, Kyushu and Wakayama, with one of the four regions being surveyed each year. Therefore, the plan is to survey the same region once every four years.

In 2011, the Company plans to conduct a monitoring survey to assess the habitation status of mammalian and avian species in Company-owned forests in Wakayama.

Stakeholder Comment

- I think it's wonderful that Sumitomo Forestry is carrying out very specific activities, such as creating the *Red Data Book* and conducting monitoring surveys. (Customer)

Monitoring Surveys of Mammalian and Avian Species in Company-Owned Forests

As part of a monitoring program for SGEN¹ forestry certification, in June 2010 Sumitomo Forestry conducted a monitoring survey of Company-owned forests in Hokkaido. Mammalian and avian species were surveyed and photographed at fixed locations to obtain the basic information needed to preserve biodiversity in Company-owned forests and determine the impact of logging on the surrounding environment.

1 Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.

■ Survey Results

The survey confirmed the presence of a wide variety of mammalian and avian species.

■ Confirmed Mammalian and Avian Species

	Shikoku	Kyushu	Hokkaido
Survey year	2008	2009	2010
Mammalian species	14	11	10
Avian species	31	33	38
Main important species ²	Japanese squirrel	Japanese serow	Sable

2 Species included in Red Data Book by national or regional stipulation (designated as endangered species) under the Act for Protection of Cultural Properties, Act for Preservation of Species, prefectural ordinances, and other laws and ordinances.

Regional Environmental Planning, Inc., the company that conducted the survey, made the following observations on the impact of clear-cutting upon mammalian and avian species.

1. Mammalian Species

No tree forest species³ were confirmed in clear-cut areas, but tree forest species such as Eurasian red squirrel (*Sciurus vulgaris orientis*) were found to be inhabiting adjacent surrounding tree forest. Therefore, it is thought that as plant life recovers, forest tree species will come to inhabit clear-cut areas, and the types of species will change. From a different perspective, it is thought that special grass environments found sporadically in clear-cut areas of contiguous tree forest provide feeding environments for species that feed on herbaceous species, such as mountain hare (*Lepus timidus ainu*) and Hokkaido sika deer (*Cervus nippon yesoensis*).

2. Avian Species

Although avian species were observed to be temporarily dispersed in clear-cut areas, at present the surrounding tree forest environment, inclusive of these clear-cut areas, functions sufficiently as a habitat for avian species, and it is thought that habitats capable of supporting avian species are being preserved. The fact that the Black-faced Bunting (*Emberiza spodocephala*) has already infiltrated clear-cut areas indicates a recovery in species types and confirmed species. From these observations, it is thought that, going forward, habitat

species will increase as plant life recovers in clear-cut areas, with species such as the Blue-and-white Flycatcher (*Cyanoptila cyanomelana*) and Narcissus Flycatcher (*Ficedula narcissina*), moving in from surrounding tree forest, and the constituent species will continue to diversify.

3. Shared

The area covered by this survey supports a wide variety of mammalian and avian species. Of the species confirmed, brown bear (*Ursus arctos*), Ezo red fox (*Vulpes vulpes schrencki*) and Eastern Buzzard (*Buteo japonicus*) are umbrella species⁴, while sable (*Martes zibellina*) and white-backed woodpecker (*Dendrocopos leucotos*) are important species, thus it is thought that habitats capable of supporting a diverse range of mammalian and avian species are being preserved. Further, Sumitomo Forestry and Regional Environmental Planning, Inc. will both continue to observe and monitor the impact of operations upon the confirmed important species and do what is necessary to protect these important species.



Brown bear



Ezo red fox

3 Species whose habitat is tree forests

4 Species whose position is at the top of the food chain

Stakeholder Comment

- I'd like Sumitomo Forestry to continue listening to third-party viewpoints and tackle the issues even more. (Student)

Preserving Biodiversity

Sumitomo Forestry continues its environmental conservation activities in forests based on site surveys, proposing environmentally sound planting in the landscaping business.

- ▶ Policy and Plans for Biodiversity Preservation
- ▶ Initiatives at Company-Owned Forests in Japan
- ▼ Initiatives at Overseas Plantation Forests
- ▶ Initiatives at Landscaping Business
- ▶ Initiatives at Plants
- ▶ Participation in COP-10 Interactive Fair for Biodiversity

Preservation of Overseas Plantation Forests

Policy & Plans

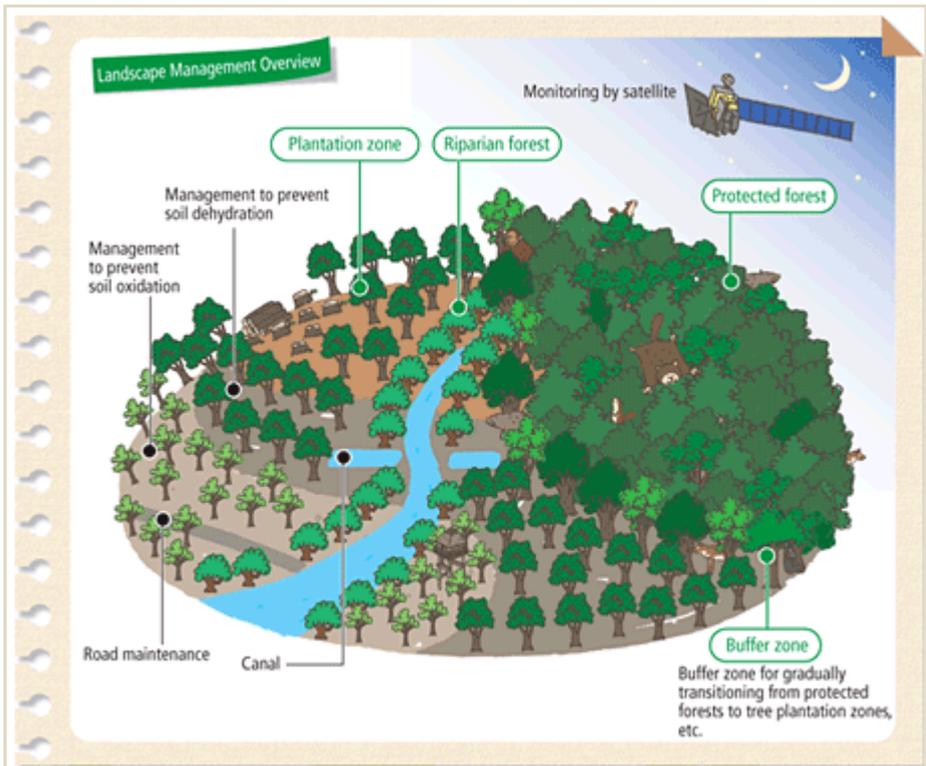
Indonesia has the third largest area of rainforest in the world, but it is said that around 700,000 hectares of forest are lost each year due to factors including forest fires, illegal logging and slash-and-burn farming. Sumitomo Forestry is working to curb the decline in rainforests and preserve biodiversity through reforestation.

Results

Sumitomo Forestry began large-scale commercial forest plantation in West Kalimantan, Indonesia. In order to protect precious forests, forest plantation is being carried out using techniques matched to specific areas, based on appropriate zoning that takes biodiversity into consideration.

▶ Internal Link: "Launch of Large-Scale Commercial Forest Plantation Business" (P.172)

■ Reforestation Based on Appropriate Zoning



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Landscaping Operations that Help to Preserve Biodiversity

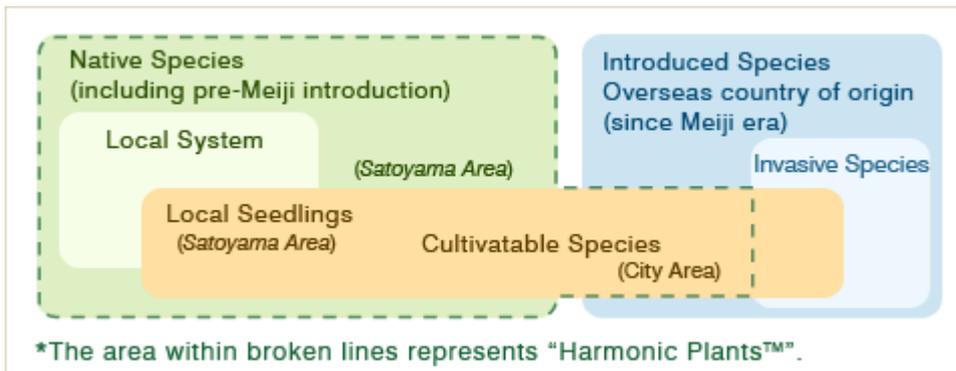
Policy & Plans

Sumitomo Forestry Landscaping Co., Ltd. has named biodiversity-friendly plants and trees to be used in landscaping, "Harmonic Plants™", which it is actively promoting.

Through the landscaping business, the company has been encouraging planting that includes native species, and aiming for promotion of biodiversity, it has clearly classified the trees and plants used in landscaping from the perspective of biodiversity as "Harmonic Plants™", so that species having a clearly adverse impact on local ecosystems are not used.

The conservation level for the planned planting site is classified into one of four area types—Protected Area, Conservation Area, *Satoyama Area* (countryside close to rural communities), City Area—and "local seedlings", "native plants" and "cultivable species" are used according to the impact on each area's ecosystem. In the landscaping of residential gardens, consideration is given to the color of the space by incorporating certain cultivatable species and introduced plants that do not affect the local ecosystem, rather than limiting planting only to native plants.

■ The Thinking behind "Harmonic Plants™"



■ Approach to Planting Areas

① Protected Area (area in which the genetic constitution is protected): Area in which the artificial transplanting or introduction of plants is not permitted for scientific reasons, such as an area of primordial nature.	
② Conservation Area (area of systems conservation): An area in which nature is protected, such as islands, high-mountain, or wetlands. Local seedlings are used for greenification.	
③ Satoyama Area (area of species conservation): A region of secondary nature that is impacted by human activity, such as a mid-mountainous area or Satoyama Area. Native species, including cultivatable species, are used for greenification.	
④ City Area (area in which introduced species are managed): An area removed from a natural ecosystem that can be managed. Non-invasive cultivatable species can also be used.	

In residential exterior landscaping, the company is promoting the "Mou Hitotsu no Mori-zukuri™" (Making Another Forest) project for the greenification of towns and residences, primarily using plants that are native to the region, including cultivatable species. The target is to create forests with a land area equivalent to Company-owned forests, which comprise approximately 1/900th of the total area of Japan.

Results

■ Participation in Green Wave 2010

Between March and May 2010, Sumitomo Forestry participated as a partner organization in Green Wave 2010, an event organized by the Ministry of the Environment, Ministry of Land, Infrastructure, Transport and Tourism, and the Forestry Agency to encourage awareness of biodiversity and promote biodiversity initiatives.

■ Green Wave 2010 Activities

Residential Landscaping Department	To convey the importance of residential landscaping that takes local ecosystems into consideration, original seals labeled <i>Nippon no Ki</i> ("Tree of Japan") were displayed on garden plants in the model homes, and customers were introduced to "Harmonic Plants™" focused on Japanese native species.
Environmental Landscaping Department	In 17 locations managed by Sumitomo Forestry Landscaping Co., Ltd., comprising corporations, hospitals and facilities, a total of 21 public lectures and other events were arranged concerning planting experience, technical guidance, and biodiversity.

■ Planting at New Model Homes

At new model homes including Minato Mirai Model Home in Yokohama City, Kanagawa Prefecture, and Komazawa Second Model Home in Setagaya Ward, Tokyo, the company planted "Harmonic Plants™" focused on Japanese native species, and began popularizing residential landscaping that takes ecosystems into consideration.

■ Launch of Tree Production Technology Association, Building of Local Seedling Production Network

Even plants classified as being the same species can have different genes according to the region in which they are found naturally.

In order to produce local seedlings whose existing mother (seed) trees have grown natively in each region since ancient times, a Tree Production Technology Association made up of Sumitomo Forestry Landscaping Co., Ltd. and tree producers was launched and has been developing its operations.

On land of cooperating farms in Oita Prefecture, around 900 seedlings comprising approximately 20 species are being cultivated, including the evergreen oak (*Quercus myrsinifolia*), the longstalk holly (*Llex pedunculosa*), and the hill cherry (*Prunus jamasakura*).

Going forward, seedlings that are native to local areas will be sold to local government bodies promoting the preservation of public forests, and to companies planning the greenification of offices and factories.



Acorns of the evergreen oak (*Quercus myrsinifolia*) collected in an area of untouched nature

| Future Plans

Sumitomo Forestry is committed to ongoing activities that take biodiversity into consideration, promoting the preservation of ecosystems, by further tightening the selection criteria for plants handled by the landscaping business, and by strengthening the dissemination of information about the appeal and value of this business through "Harmonic Plants™".

Stakeholder Comment

- I was really interested in the "Harmonic Plants" species of plants. I'd like you to do even more to make people aware of this. (Student)
- It's really commendable that the landscaping business takes existing ecosystems into consideration, rather than just randomly planting trees and grasses. (Student)

Preserving Biodiversity

Sumitomo Forestry continues its environmental conservation activities in forests based on site surveys, proposing environmentally sound planting in the landscaping business.

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▼ Initiatives at Plants

▶ Participation in COP-10 Interactive Fair for Biodiversity

Biodiversity at Plants

Policy & Plans

Sumitomo Forestry Crest Co., Ltd. is conducting biodiversity conservation activities optimized for the local communities where its production facilities are located, under the shared objective of "providing habitats for local species and rest areas through conservation of plant life indigenous to the local community."

Results

■ Plan to Cultivate Beach Silvertop (*Glehnia littoralis*) at the Kashima Plant

Plans are underway to cultivate the endangered plant species, beach silvertop (*Glehnia littoralis*), which is native to the sandy beaches of Kashima. In fiscal 2009, the company began cultivation in planter boxes of beach silvertop seeds received from Kamisu City, but germination was not confirmed. Then, in fiscal 2010, the company began nurturing seedlings that had been divided immediately after germination, and these are currently growing well. We plan to monitor their progress and transfer them to a flowerbed.



Settled planting of beach silvertop

■ Bird-Friendly Planting at No. 2 Kyushu Plant

In order to preserve the species of birds that inhabit the region, surveys have been conducted to identify which trees are best suited to particular birds.

Preserving Biodiversity

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▶ Initiatives at Plants

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Participation in COP-10 Interactive Fair for Biodiversity

■ Exhibitor at COP10 Interactive Fair for Biodiversity

Sumitomo Forestry was the largest private-sector company to exhibit at the outdoor Interactive Fair for Biodiversity held in conjunction with the Tenth Conference of Parties to the Convention on Biological Diversity (COP10) in Nagoya, Aichi Prefecture in October 2010. As a company whose business development has centered on wood and whose responsibility for, and influence on, biodiversity are significant, visitors were introduced to the initiatives of the Sumitomo Forestry Group through information panels and video, together with the history of the Group since its founding in 1691. During the Fair, the Company's booth was visited by a wide range of people both from in and outside Japan, amounting to some 15,249 visitors in total.

Given the close connection between biodiversity and the problem of global warming, the Company donated 12t-CO₂ of J-VER credits obtained by Company-owned forests in Kyushu to initiatives to offset CO₂ emitted from electric power used during the Fair.

■ Presentation of Sumitomo Forestry Group Activities

Sumitomo Forestry took part in the Interactive Fair for Biodiversity Forum held adjacent to the Fair, giving a presentation entitled "The Current State of Japan's Forests and Sumitomo Forestry's Initiatives," which was attended by about 100 people. The presentation introduced topics including the current state of Japan's degraded forests, initiatives in Company-owned forests to preserve biodiversity, and initiatives to promote Japanese timber, which in turn revitalizes forestry in Japan.

■ Creation of Brochure "Sumitomo Forestry & Biodiversity"

A brochure entitled "Sumitomo Forestry & Biodiversity" was created, which introduced the connection between the Sumitomo Forestry Group and biodiversity, as well as its initiatives to preserve biodiversity, thus disseminating information about the Group's activities in a proactive way.



COP10 Exhibition



Brochure "Sumitomo Forestry & Biodiversity"



Management of Hazardous Materials

Sumitomo Forestry endeavors to address revisions to legislation, identify, appropriately manage, and reduce the amount of hazardous materials used in its business operations.

Management of Chemical Substances at Research Institute and Plants

The Sumitomo Forestry Tsukuba Research Institute and the plants belonging to Sumitomo Forestry Crest Co., Ltd. use chemical substances in laboratory work and production. The Tsukuba Research Institute prepared the Chemical Substance Management Manual based on a pollution prevention agreement it entered into with the city of Tsukuba. The institute established an organizational structure for chemical substances management in accordance with the manual and prescribed methods for receiving, storing, using, and disposing of chemical substances. In 2010, a new Chemical Substance Disaster Response Manual was created to prescribe matters including pre- and post-disaster response, and preventive measures.

Sumitomo Forestry Crest Co., Ltd's plants take precautions to prevent chemical leaks and other environmental accidents. They have prepared environment-related operations manuals that prescribe methods for waste disposal, water treatment, and the handling of organic solvents, among other matters. The plants are also measuring concentrations of air and water pollutants and organic solvents in exhaust gas.

■ PRTR Substances¹

1 Substances controlled under the Pollutant Release and Transfer Register Act

Unit: kg (excluding dioxins, which is shown in mg-TEQ)

Substance No. (PRTR Law)	Chemical substance	Volume used	Emissions					Transfers			Consumed ²
			Emissions to air	Emissions to public sewage system	Emissions to soil	On-site landfill	Total emissions	Transfer as waste	Transfers to sewage	Total transfers	
4	Acrylic acid and its water-soluble salts	4,590.00	0.00	16.00	0.00	0.00	16.00	0.00	0.00	0.00	4,574.00
7	n-Butyl acrylate	13,742.00	0.00	0.00	0.00	0.00	0.00	29.00	0.00	29.00	13,713.00
13	Acetonitrile	2.44	0.00	0.00	0.00	0.00	0.00	2.44	0.00	2.44	0.00
84	Glyoxal	2,420.00	0.00	0.00	0.00	0.00	0.00	4.90	0.00	4.90	2,415.10
127	Chloroform	0.59	0.00	0.00	0.00	0.00	0.00	0.59	0.00	0.59	0.00
134	Vinyl acetate	1,948,148.00	3,400.00	1.60	0.00	0.00	3,401.60	0.00	0.00	0.00	1,944,746.40
186	Dichloromethane	68,448.50	62,450.40	0.00	0.00	0.00	62,450.40	3,301.83	0.00	3,301.83	2,696.27
243	Dioxins	81.52	81.45	0.00	0.00	0.00	81.45	0.07	0.00	0.07	0.00
296	1,2,4-Trimethylbenzene	0.30	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.09	0.21
297	1,3,5-Trimethylbenzene	0.30	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.09	0.21
300	Toluene	4,783.70	4,783.70	0.00	0.00	0.00	4,783.70	0.00	0.00	0.00	0.00
302	Naphthalene	4.48	0.00	0.00	0.00	0.00	0.00	1.34	0.00	1.34	3.14
349	Phenol	17,640.00	0.00	0.30	0.00	0.00	0.30	320.00	0.00	320.00	17,319.70
395	The water-soluble salts of peroxydisulfuric acid	2,418.00	0.00	0.00	0.00	0.00	0.00	6.00	0.00	6.00	2,412.00
407	Poly(oxyethylene)alkyl ether (alkylC=12-15)	1,508.00	0.00	15.00	0.00	0.00	15.00	0.00	0.00	0.00	1,493.00
411	Formaldehyde	129,500.00	34.00	10.00	0.00	0.00	44.00	180.00	0.00	180.00	129,276.00
415	Methacrylic acid	1,130.00	0.00	1.00	0.00	0.00	1.00	0.00	0.00	0.00	1,129.00
448	Methylenebis (4,1-phenylene) diisocyanate	14,945.90	1,079.90	0.00	0.00	0.00	1,079.90	73.00	0.00	73.00	13,793.00

2 "Consumed" is the amount of substances stipulated under the PRTR Law transformed through chemical reaction, included in or accompanying manufactured products, and transported off site.

■ Emissions of NOx and SOx

Substance	Emissions (Unit: kg)
Sulfur oxides (SOx)	3,499
Nitrogen oxides (NOx)	1,651
Soot and dust	9,034

■ Effluent Water Quality Survey Results
(No. 2 Kyushu Plant)

Item ²	Unit	Measured	Effluent Standards ³
pH	—	7.4	5.0–9.0
COD	mg/l	31.9	40
SS	mg/l	3	50
T-N	mg/l	6.07	60
T-P	mg/l	0.05	8

■ Effluent Water Quality Survey Results (Tsukuba Research Institute)

Item	Unit	Measured	Effluent Standards ⁴
pH	—	7.8	5.8 – 8.6
BOD ⁵	mg/l	4	160
SS	mg/l	6	200
Total n-hexane extract substances (total mineral oils)	mg/l	Less than 1	5
Total n-hexane extract substances (total plant and animal fats/oils)	mg/l	Less than 1	30
Total Phenols	mg/l	Less than 0.025	0.5 or less

2 pH = concentration of hydronium ions, COD = Chemical Oxygen Demand, SS = Suspended Solids, T-N = Total Nitrogen, T-P = Total Phosphorous

3 Effluent Standards uses values stipulated by prefectural ordinance.

4 Effluent Standards uses values stipulated by the Water Pollution Control Act.

Total Phenols uses standards required by the Tsukuba City Pollution Prevention Agreement.

5 BOD = Biological Oxygen Control

Proper Treatment of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured appropriate disposal routes for asbestos. Countermeasures for prevention of asbestos being released into the air during demolition work are detailed in the Guide for Appropriate Measures during Demolition Work, which sets forth policies for construction management. The Company also discloses information about asbestos use and countermeasures via its website.

Storage and Proper Treatment of Polychlorinated Biphenyls (PCBs)

Sumitomo Forestry properly manages polychlorinated biphenyl (PCB) waste and prevents leakage to the soil by keeping it in sealed metal containers inside designated, locked steel warehouses marked for stored goods. Each branch and division has arranged to gradually dispose of stored PCBs based on proper disposal implementation plans. In fiscal 2010, following the sale of Sumitomo Forestry Crest Co., Ltd's Komatsushima Plant, PCBs waste stored at the Komatsushima Plant were transferred to this company's Kyushu Plant.

On inspecting electric facilities that are being used at the Komatsushima Plant, a slight trace of PCBs was found in two units. It was decided that one of these units would continue being used by the new owner, while the other unit was transferred to the Kyushu Plant after removal from the electrical circuit and oil extraction. The extracted oil was disposed of appropriately in treatment facilities, due to the slight trace of PCB waste.

Measures against Volatile Organic Compounds (VOCs)

Policy & Plans

Sumitomo Forestry is working to reduce emissions of volatile organic compounds (VOCs), which have been identified as a cause of "sick house" syndrome in Sumitomo Forestry Home houses.

Results

- Only "F☆☆☆☆"-rated building materials, furniture, lighting systems, and curtains—which have the lowest level of formaldehyde emissions—are used
- Cosmetic plasterboards that absorb and break down formaldehyde are used inside closets. Only *tatami* mats that do not contain foamed polystyrene are used. Efforts are also being made to reduce toluene and xylene.

Efficient Use of Water Resources

Sumitomo Forestry works to reduce water use at its plants and offices, and to use recycled water at its factories.

Reducing Volume and Using Recycled Water at Plants

Policy & Plans

Of the Sumitomo Forestry Group's domestic manufacturing facilities, the No. 2 Kyushu Plant of Sumitomo Forestry Crest Co., Ltd., which manufactures synthetic resin adhesives and other products, is a designated facility under the stipulations of the Water Pollution Control Act. The other factories primarily manufacture processed wood products such as plywood and housing interior materials and thus do not use large amounts of water. Nonetheless, efforts to use water as efficiently as possible are being made at all Sumitomo Forestry manufacturing facilities.

Results

■ Cutting down on Water Usage

The No. 2 Kyushu Plant of Sumitomo Forestry Crest Co., Ltd. uses industrial water primarily to cool manufacturing equipment and to dilute plant effluents. The following initiatives are ongoing in order to reduce the amount of water used. In fiscal 2010, we reduced the volume of industrial water usage by 7% compared with the previous fiscal year.

1. Redesign production plans to match the actual production sequence in order to decrease the number of times equipment is washed.
2. Recirculate some of the water used to wash equipment for reuse as a raw material.
3. Cover a storage pool for effluent with a roof to prevent rain from increasing wastewater volume.



Roof covering treated water storage pool

■ Using Recycled Water

Some 770,000 m³ of recycled and reused water is utilized every year at the No. 2 Kyushu Plant and Niihama Plant of Sumitomo Forestry Crest Co., Ltd. through such efforts as recycling the water used in water curtain spray booths and reusing treated wastewater.

Stakeholder Comment

- Please remember the importance of water when conducting activities to sustain forests and help the environment. (Customer)



Environmental Management

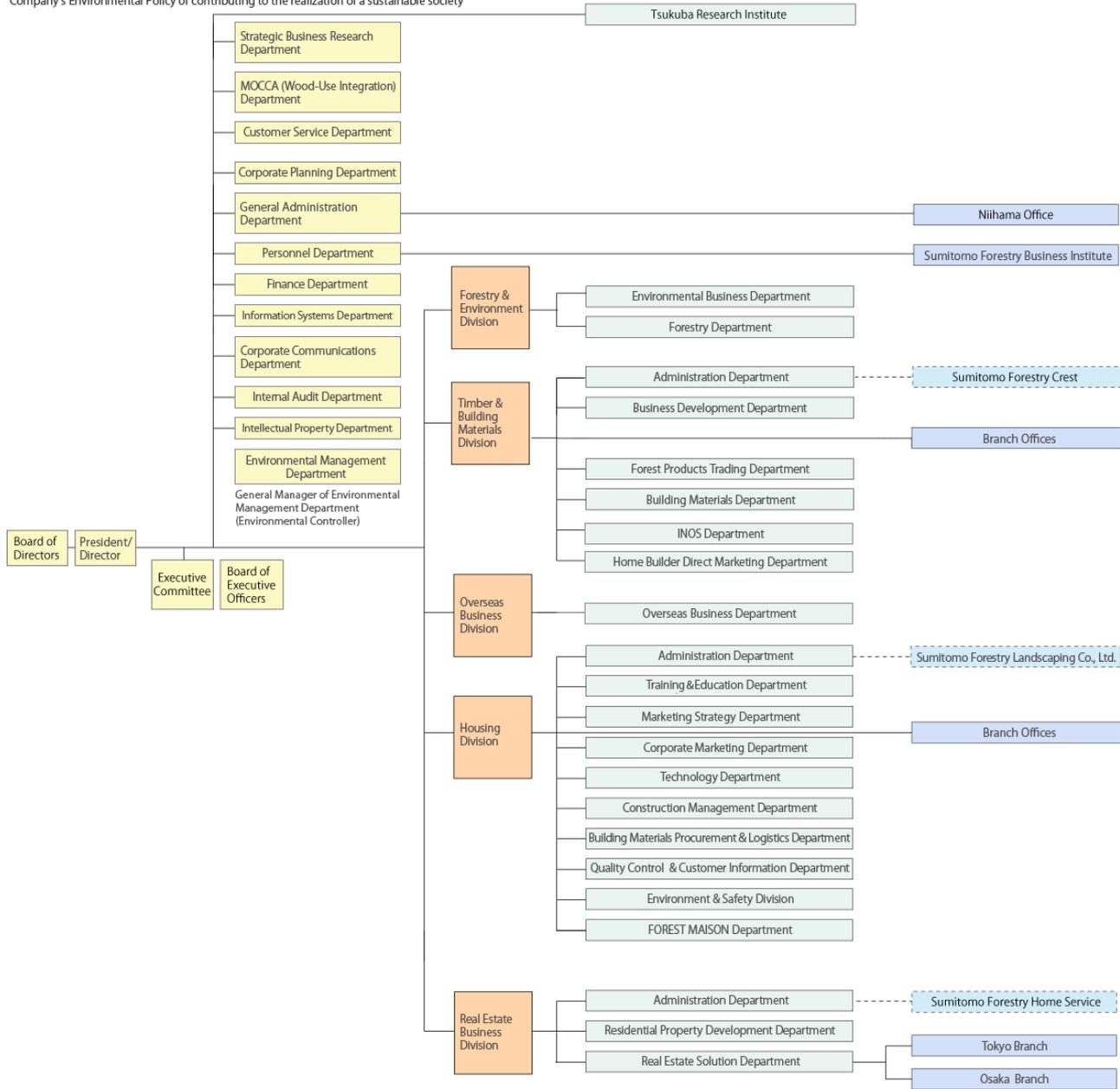
Based on periodical environmental audits, Sumitomo Forestry aims to improve its risk countermeasures and the education of its employees.



Environmental Management System

Environmental Management Structure

The following organization consider the environment in business activities through activities carried out by respective divisions and in keeping with the Company's Environmental Policy of contributing to the realization of a sustainable society



ISO 14001-certified premises not included in integrated certification
 • Alpine MDF Industries Pty Ltd., Nelson Pine Industries Ltd.; PT. Kutal Timber Indonesia; PT. Rimba Partikel Indonesia; and PT. AST Indonesia

In fiscal 1995, Sumitomo Forestry adopted an environmental management system (EMS), and in fiscal 1997, its Housing Division was the first organization in Japan's housing industry to acquire ISO 14001 certification. In fiscal 2002, the certification was upgraded to encompass the entire Company. Efforts were taken to extend this certification to Group companies, and by the end of fiscal 2009, three companies were included in the integrated ISO 14001 certification: Sumitomo Forestry Landscaping Co., Ltd.; Sumitomo Forestry Home Service Co., Ltd.; and Sumitomo Forestry Crest Co., Ltd.¹

Companies that have obtained ISO 14001 certification independent of the Group-wide integrated ISO 14001 certification are: Alpine MDF Industries Pty Ltd. (ALPINE MDF); Nelson Pine Industries Ltd. (NPIL) (<http://www.nelsonpine.co.nz/>); PT. Kutai Timber Indonesia (KTI) (<http://www.kti.co.id/>); PT. Rimba Partikel Indonesia (RPI); and PT. AST Indonesia (ASTI).

¹ Each plant of the former Toyo Plywood Co., Ltd. (Nagoya plant, Kyushu plant, No. 2 Kyushu plant) had obtained ISO certification independently. Due the merger with Sumitomo Forestry Crest Co., Ltd. and following an inspection in fiscal 2010, all of the systems of the former Toyo Plywood Co., Ltd. have been integrated into the certification held by Sumitomo Forestry.

Internal Environmental Audits

Policy & Plans

Different departments of Group companies conduct audits of each other to reliably and efficiently advance environmental conservation efforts. Employees are qualified as internal environmental auditors by passing an examination upon completion of a training course held in-house. The results of internal audits are reported to management, which prescribes improvements as needed.

Results

- In fiscal 2010, 95 departments conducted internal environmental audits. Our internal environmental auditors evaluated initiatives, proposed improvements, and checked compliance frameworks. In the fiscal year under review, three training courses and examinations were administered to certify internal environmental auditors.
- As of the end of fiscal 2010, a total of 1,133 employees including 421 from Group companies have qualified as such auditors.

Audits by External Certification Bodies

Policy & Plans

ISO 14001 certification reviews are conducted annually and renewal examinations are held every three years by external certification bodies.

Results

In addition to renewal examinations, in fiscal 2010, Sumitomo Forestry Crest Co., Ltd. underwent an audit of its expanded scope of certification for its larger organization that resulted from the merger with Toyo

Plywood Co., Ltd. Its ISO 14001 certification was updated with changes to its certification scope approved. The audit recommended 24 proposals for improvement. These proposals were studied by relevant departments, which decided on appropriate actions to take, and internal environmental audits were conducted to determine the effectiveness of initiatives.

Environmental Management

Based on periodical environmental audits, Sumitomo Forestry aims to improve its risk countermeasures and the education of its employees.

▶ Promoting Environmental Management

▼ Promoting Environmental Education and Training

▶ Environmental Risk Management

Promoting Environmental Education and Training

Policy & Plans

The Company conducts environmental education programs to foster awareness of environmental issues among employees and to encourage them to take action of their own accord.

Results

■ Environmental Email Newsletter

Sumitomo Forestry sends an email newsletter on environmental topics to all employees once or twice a month, and also posts in-depth information on an intranet portal for environmental understanding. The portal encourages employees to educate themselves about the environment through a wide array of information, ranging from familiar environmental topics to expert knowledge.



Intranet environment portal

■ Internal Training

During training for new employees joining the Company, employees are given a lecture on the Group's environmental initiatives. In addition to this, they are taken on a training trip to the Besshiyama Company-owned forest in the city of Niihama, Ehime Prefecture, to provide an opportunity to think about the environment while experiencing a regenerated forest firsthand. The Company also gives lectures on proper treatment and recycling to employees in charge of industrial waste, and provides technical environmental education, including courses to train internal ISO 14001 environmental auditors.

■ E-Learning in the Housing Division

In the Housing Division, e-learning courses were taken by all employees. The aim of the coursework was to enhance the required knowledge of housing sales personnel, and content ranged from general topics on the environment to specific initiatives underway at the Company.

Environmental Management

Based on periodical environmental audits, Sumitomo Forestry aims to improve its risk countermeasures and the education of its employees.

▶ Promoting Environmental Management

▶ Promoting Environmental Education and Training

▼ Environmental Risk Management

Efforts to Reduce Environmental Risks

Policy & Plans

Sumitomo Forestry identifies important environmental risks relating to its business activities, such as risks associated with industrial waste, soil contamination, and illegal logging, and develops appropriate countermeasures. In particular, the Sumitomo Forestry Group regards industrial waste from its various business activities as its most serious environmental risk, and accordingly continues to ensure proper disposal.

Results

In fiscal 2010, there were no significant violations of any environment-related laws or ordinances.

Proper Treatment of Industrial Waste

Policy & Plans

Approximately 70% of illegally dumped industrial waste in Japan is construction waste. The Sumitomo Forestry Group makes sure it disposes of waste in an appropriate and responsible manner. The Company reviewed its management systems, appointed personnel in charge of industrial waste treatment, and carried out voluntary compliance audits concerning industrial waste at each company as well as comprehensive site inspections of intermediate treatment plants at third parties on a regular basis.

Results

■ Appointment of Specialists for On-Site Inspections

In the Housing Division, in fiscal 2010 we decided to appoint specialized personnel whose main duty is to inspect the disposal of industrial waste at each construction control center in the capital area, as well as the Kinki and Chukyo regions, in order to ascertain conditions at waste treatment contractors. In addition, the specialized personnel will unify the management of these contracts with their on-site inspection work. This initiative aims to increase work efficiency and more effectively prevent the illegal dumping of waste.

■ Electronic Manifest System Monitors Conditions at Industrial Waste Processors

All of the waste treatment contractors working with the Housing Division's branches and new housing construction sites have adopted electronic manifest systems. During fiscal 2010, 99.8% of all manifests, including those for housing demolition waste, were electronic.

■ Acquisition of Permits as Industrial Waste Processors

Group companies Sumirin Agro-Products Co., Ltd's Sakura Plant and Japan Bio Energy Co., Ltd obtained permits to operate as intermediary industrial waste disposal companies, and started operations. Related laws and regulations state that companies have a responsibility to circulate manifests and store records after intermediary processing even if secondary treatment and residual landfill disposal does not occur. The Sumitomo Forestry Group appropriately processes industrial wastes which are generated from its own manufacturing activities, and industrial wastes from consignment waste treatment services to other companies.

Company Name	Outline
Sumirin Agro-Products Co., Ltd. Sakura Plant	<ul style="list-style-type: none"> ▪ Intermediary processing (fermentation) of water purification cake¹ generated from water purification plants ▪ Processed water purification cake is used as a raw material of <i>Tsuchitaro</i>, seedling growing media for agriculture and horticulture
Japan Bio Energy Co., Ltd.	<ul style="list-style-type: none"> ▪ Intermediary processing (shredding) of construction wood waste, thinnings, waste pallets and other wood waste ▪ Wood chips from the shredded waste are delivered nearby to Kawasaki Biomass Electric Power Co., Ltd., where it is used as a fuel for power generation

¹ Water purification cake is desiccated, hardened fine-grained soil remnants produced by water purification plants during the processing of natural river and lake water.

| Future Plans

The Sumitomo Forestry Group will continue to ensure proper disposal of industrial waste by carrying out internal audits of industrial waste management at the division and Company levels, and by inspecting disposal sites.

| Preventing the Use of Illegally Logged Timber

| Policy & Plans

Sumitomo Forestry performs checks of all overseas suppliers of logs, lumber, and wood products to confirm legal compliance and to ensure that the Group does not handle any illegally logged timber. To improve reliability, the Group sends local Sumitomo Forestry representatives and inspectors to visit logging sites and confirm compliance when necessary.

Results

■ All Wood Suppliers Passed Legal Checks

Surveys conducted over the three years from fiscal 2006 to fiscal 2009 show the Company achieved 100% compliance for all timber directly imported from overseas suppliers. In fiscal 2010, based on a New Action Plan, the Sumitomo Forestry Group began to examine new methods of confirming legal compliance, such as changing the frequency of audits depending on the country, in order to ensure 100% compliance for all directly imported timber and wood products. The Group has also been implementing impromptu audits at new suppliers and scheduled inspections at existing suppliers.

▶ Internal Link: "New Action Plan for Timber Procurement" (P.20)

Countermeasures against Soil Contamination

Policy & Plans

Soil contamination is difficult to discover because unseen contaminants can build up in places underground over a wide area. Since there is the potential risk of soil contamination in various places at businesses that buy and sell land, rent and lease land, and handle chemical substances, the Sumitomo Forestry Group has standardized procedures for inspecting soil contamination prior to the purchase of new land in the spec home business, in addition to soil contamination countermeasures for land owned and managed by the Company.

Results

■ Compilation of Guidebook on Soil Contamination Risk Countermeasures

In April 2010, the Revised Soil Contamination Countermeasures Act was enacted, increasing the frequency of inspections and notifications for soil contamination. A more diverse range of soil contamination problems are likely to be discovered as a result. In response, Sumitomo Forestry created the Guidebook on Soil Contamination Risk Countermeasures in fiscal 2010 as a basic tool for countering the risk of soil contamination. Using this guidebook as a baseline reference, the Sumitomo Forestry Group will take specific and effective action to address the risk of soil contamination, guided by the advice of designated investigative organizations and government agencies with expert knowledge.

■ Voluntary Soil Cleanup at Sumitomo Forestry Crest Co., Ltd's Kashima Plant

In fiscal 2008, Sumitomo Forestry Crest Co., Ltd's Kashima Plant conducted a soil contamination survey on its grounds as a voluntary initiative. As a result, the groundwater was found to slightly exceed the standards set for volatile organic compound (VOC) contamination.

The plant cleaned up the soil in fiscal 2009. Subsequent monitoring has found no values exceeding the relevant standards. However, the values found are above the measurement threshold, so we plan to take annual measurements to continue monitoring the values.

Countermeasures against Water Pollution

Policy & Plans

At facilities designated under the stipulations of the Water Pollution Control Law, the Company conducts regular water quality surveys of discharged water, and strictly manages quality in accordance with baseline values.

Results

The Water Pollution Control Law was revised in May 2010, establishing fines for improper recordkeeping of pollution measurements for discharged water, and others. It also obligates companies to take measures necessary to prevent water pollution caused by sewage and effluent. The Sumitomo Forestry Group has thoroughly complied with this revised law and taken measures to address water pollution.

- ▶ Internal Link: "Effluent Water Quality Survey Results" (P.188)
- ▶ Internal Link: "Case study: a patent to solve a water-pollution problem" (P.93)

Proper Management and Reduction of Hazardous Materials

Sumitomo Forestry endeavors to identify, appropriately manage, and reduce the amount of hazardous chemical materials used and emitted in its business operations. In November 2008, the Pollutant Release and Transfer Register (PRTR) Act was revised, including the target substances that must be identified by emitted or transported amount beginning in fiscal 2010. Complying with the revised law, the Sumitomo Forestry Group calculated the amounts emitted and transported in fiscal 2010, and notified the proper authorities.

- ▶ Internal Link: "Management of Hazardous Materials" (P.113)

Preventing Air Pollution

Policy & Plans

At facilities equipped with boilers, which are compliant with the Air Pollution Control Law, emissions and concentrations of NO_x, SO_x, and soot and dust are regularly measured to ensure that strict compliance with concentration standards is maintained.

Results

The Air Pollution Control Law was revised in May 2010, establishing fines for improper recordkeeping of pollution measurements for soot and smoke emissions, and others. It also obligates companies to take measures necessary to control emissions of soot and smoke. The Sumitomo Forestry Group has thoroughly complied with this revised law and taken measures to prevent air pollution.

- ▶ Internal Link: "Emissions of NOx and SOx" (P.187)

Reducing Inconvenience to Local Residents

Policy & Plans

The Company makes efforts to prevent noise and vibrations during construction of houses to reduce inconvenience to nearby residents.

Results

■ Development of Masking Method for Improved Sound Insulation

Sumitomo Forestry Home Tech Co., Ltd. has developed a method that suppresses noise generated during renovation projects. Noise levels are reduced with the use of a soundproof and insulating masking sheet made of layers of special noise-masking felt and a special coating film. This new method provides customers with a higher level of comfort when living at home during a renovation.

- ▶ Link to News Release: "Sumitomo Forestry Home Tech Co., Ltd. Develops 'Masking Method for Improved Sound Insulation' (Patent Pending)" (<http://sfc.jp/english/pdf/20110215.pdf>)



Research & Development

Sumitomo Forestry strives to create a sustainable society through R&D that capitalizes on its cutting-edge technologies and knowledge of trees and wood.

▼ R&D Policy

▶ R&D for Sustainable Forest Management

▶ R&D for Environmentally Friendly Housing

R&D Policy

Policy & Plans

In accordance with its long-term management strategy, the following research groups at the Tsukuba Research Institute work together on research and technology development to create future value, leveraging Sumitomo Forestry's strengths in a variety of areas from forestry to finished products, encompassing wood resources, construction and housing.

The Wood Resources & Materials Research Group develops plantation technologies and utilizes plantation timber outside Japan and timber from reforestation in Japan, as well as new wood materials.

The Architectonic & Housing Research Group develops technologies to improve the safety and long-term durability of structures, technologies to more effectively use trees, technologies that reduce carbon emissions and promote symbiosis with nature, and technologies for designing and improving the livability of homes.

Research & Development

Sumitomo Forestry strives to create a sustainable society through R&D that capitalizes on its cutting-edge technologies and knowledge of trees and wood.

▶ R&D Policy

▼ R&D for Sustainable Forest Management

▶ R&D for Environmentally Friendly Housing

Developing Technology to Propagate Treasured and Precious Trees

Policy & Plans

In every region of Japan, there are trees that have been treasured from long ago, and some are centuries old. To ensure these precious trees are passed down to subsequent generations, Sumitomo Forestry works to develop identification technology with DNA markers and propagation technology for seedlings, leveraging the Group's accumulated expertise in propagation through cutting, grafting, and biotechnology.

Results

■ Development of Technology to Identify Varieties of Cherry Trees with DNA

It is said that there are more than 250 varieties of cherry tree, which Japan is famous for, that have been carefully bred since the Muromachi era (1338-1573). However, it is quite difficult to identify each variety by external appearance alone. To solve this problem, Sumitomo Forestry jointly developed identification technology with DNA markers with the Forestry and Forest Products Research Institute, National Institute of Genetics, and Association for Propagation of the Knowledge of Genetics.



DNA extraction

■ Creation of DNA Database of 200 Varieties of Cherry Tree

In March 2010, Sumitomo Forestry completed a database of 200 varieties of cherry tree, sorted based on DNA using the aforementioned identification technology. This database clearly identifies each variety of cherry tree, making it possible to accurately pass on the DNA of each cherry tree to the next generation.

Future Plans

Using the cherry tree DNA database and plant tissue culture techniques, we aim to ensure the next generation can enjoy our heritage trees by identifying unknown varieties of cherry tree and helping old trees propagate.

▶ Internal Link: "Treasured and Precious Trees Propagation Business" (P.207)

Development of Technology to Use Plantation Timber

Policy & Plans

Sumitomo Forestry is developing technologies to use tree species that have not been used previously, as well as fast-growing trees, to promote the growth of its overseas wooden panel business.

Results

Development of Technology to Produce Boards from Fast-Growing Balsa Trees

Kutai Timber Indonesia (KTI) (<http://www.kti.co.id/>), a Group company, started plantation forestry of balsa trees in 2000, and has been developing technology to use the balsa in its blockboard (lumber-core plywood) and structural plywood products. Patents are pending on these technologies at the current time.

Product	Features
Blockboard (using bamboo as a surface veneer)	<ul style="list-style-type: none"> Leveraging the highly insulative properties of balsa, blockboard could be used in flooring to ward off the cold of winter.
Structural plywood (using balsa and kamerere)	<ul style="list-style-type: none"> Structural plywood is a combination of balsa grown by KTI and kamerere wood grown on plantations operated by Group company Open Bay Timber, Ltd. Structural plywood helps improve workability due to its lighter weight and performance that is identical to mainstream conifer plywood made from Russian larch and Japanese cedar woods.

Production of High-Quality Particle Board from Plantation Trees

In preparation for the start of particle board (PB) manufacturing in Vietnam in 2012, the Tsukuba Research Institute has been investigating raw materials that can be sourced reliably in Vietnam and used to produce high-quality PB. Researchers examined the material characteristics of previously unused tree species, including plantation trees that can be sourced from neighboring regions and fruit trees, and experimentally fabricated PB in laboratory settings, and test-fabricated full-size PB in cooperation with a Group company then conducting processing experiments. The year-long effort made possible the manufacture of high-quality PB using sustainable plantation timber and led to the decision to start operations.

Research & Development

Sumitomo Forestry strives to create a sustainable society through R&D that capitalizes on its cutting-edge technologies and knowledge of trees and wood.

▶ R&D Policy

▶ R&D for Sustainable Forest Management

▼ R&D for Environmentally Friendly Housing

Developing Life Cycle Carbon Minus (LCCM) Homes

Policy & Plans

Sumitomo Forestry has been researching and developing Life Cycle Carbon Minus (LCCM) homes designed to have a negative carbon footprint at the end of their life cycle.

Results

■ Developing Technologies to Neutralize CO₂ Emissions from Households

In fiscal 2010, Sumitomo Forestry worked to develop technologies that neutralize CO₂ emissions from households during occupancy, as the first stage of R&D.

- (1)Based on surveys of actual energy consumption, we are studying optimal energy-saving design concepts in tune with the lifestyles of homeowners and the unique characteristics of buildings.
- (2)In order to reduce energy used for heating and cooling systems, we are developing innovative highly effective insulation techniques and technologies to use natural energy sources like solar power and geothermal power.
- (3)We are investigating technologies for creating and storing energy, such as solar power generation systems and home-use storage batteries, as well as ways to manage energy consumption inside the home, including electric vehicles, which are likely to proliferate in the future.
- (4)We are developing technologies that display environmental variables such as temperature, humidity and energy consumption in households, coach homeowners on how to save energy, and help homeowners proactively lower their energy consumption on their own.

Future Plans

Sumitomo Forestry plans to build a model home for demonstrating LCCM technologies, and bolster development of technologies that save energy, such as in water heaters, lighting and home appliances, in order to further reduce CO₂ emissions from households. The Company also plans to investigate technologies that lower CO₂ emissions during the construction, renovation and demolition phases of a home's life cycle.

Development of Energy-Saving Renovation Techniques

Policy & Plans

Energy-saving technologies for structures, centered on improvement of insulation and air tightness, not only make the living environment more comfortable, but also have the effect of reducing lighting and heating costs, and controlling CO₂ emissions. The Sumitomo Forestry Group has been developing various renovation techniques to improve energy conservation in existing buildings as well.

Results

■ Development of Way to Assess Insulation Performance and Techniques to Enhance Insulation and Suppress Noise during Renovation

Sumitomo Forestry has established a simple way to assess the insulation performance of a building on-site by using a compact thermal camera during building renovations. The Company also developed renovation techniques to enhance insulation performance and noise suppression through the simple addition of masking sheet onto walls without having to tear down the structure.

■ Compilation of "Guidebook on Energy-Saving Renovation"

The Tsukuba Research Institute and Sumitomo Forestry Home Tech Co., Ltd. jointly developed methods for energy-saving renovation works, and compiled the Guidebook on Energy-Saving Renovation to spread this knowledge. After an interview and on-site inspection of the home, we look for weak points in a building's insulation and air tightness with a compact thermal camera. We then propose ideas on how to renovate within a customer's budget. The Guidebook provides a checklist to use in each stage of this analysis, and suggests ways to improve weak points without tearing down interior and exterior materials.



Easy-to-Understand
Renovation Guide to
Insulation and Air
Tightness

Future Plans

Sumitomo Forestry will continue to develop and promote methods to conserve energy in buildings and create more comfortable living environments.

Environment-Related Businesses

Sumitomo Forestry offers its expertise and knowledge accumulated over the decades to help solve environmental problems.

Aim of Environment-Related Businesses

The Sumitomo Forestry Group is deeply interconnected with forests, which play a central role in solving global environmental problems, including global warming. Its environment-related businesses include sustainable plantation forest operations that respect biodiversity, biomass power generation, environmental greening operations, and environmentally friendly products, as well as many other fields that hold potential for commercialization. Leveraging our accumulated expertise and knowledge, we offer tree-related consulting services, and have built a business model on these services for actually implementing our ideas on site. This is embodied in our environmental problem solutions business, which realizes sustainable use of natural resources while harmonizing with the environment and the local community.

Stakeholder Comment

- I would like to see Sumitomo Forestry play an active role in environmental planning for the entire region. (Expert)

Launch of Ecosystem Network Fast Diagnostic Services

Policy & Plans

Sumitomo Forestry plans to start offering Eco-Asset™¹ consulting services to corporations looking to utilize corporate green spaces for their CSR activities. In 2010, the Tenth Conference of Parties to the Convention on Biological Diversity (COP10) was convened in Nagoya, Aichi Prefecture, which increased awareness of the relationship between business with biodiversity, such as in the Declaration of Biodiversity by Nippon Keidanren, and the publication of Guidelines for Private Sector Engagement in Biodiversity by the Ministry of the Environment.

¹ Eco-Asset™ is a consulting business jointly operated by Sumitomo Forestry Landscaping Co., Ltd., InterRisk Research Institute & Consulting, Inc., and Regional Environmental Planning, Inc.

Results

■ Joint Development of Biodiversity Potential Assessment System

Sumitomo Forestry Landscaping Co., Ltd., InterRisk Research Institute & Consulting, and Regional Environmental Planning have jointly developed a biodiversity assessment system for measuring the potential to preserve biodiversity for businesses. This is the first service of its kind in Japan and it provides a simple assessment of biodiversity preservation potential, based on aerial photos of the business location, data and literature. With this tool, companies can decide which of their business locations should receive priority in their efforts to preserve biodiversity.

■ Biodiversity Potential Assessments Identify Key Locations

Biodiversity potential assessments were conducted at all 121 domestic bases of the Panasonic Group, which has provided assistance for this initiative from the development stage. The assessments identified eleven business locations, in addition to Moriguchi-Kadoma area (Osaka) around Panasonic Corporation's headquarters, as key areas for biodiversity preservation, and designated them as models for how businesses can coexist with nature.

| Future Plans

Sumitomo Forestry aims to promote new environment-related businesses, starting with greening.

Launch of Moss Folded-Plate Roof Greening System

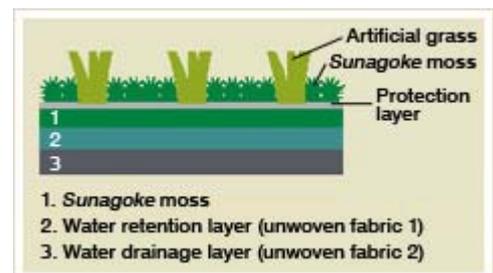
| Policy & Plans

We promote greening business as a means of conserving energy and mitigating the heat island phenomenon.

| Results

Sumitomo Forestry Landscaping Co., Ltd. began selling in May 2011 a moss folded-plate roof greening system that complies with the definition of green spaces in the Factory Location Act. The system uses a specific kind of moss (sunagoke) that is resistant to sun and dryness, making it highly durable against fire and wind. This low-maintenance product features a base in the moss planters that uses an unweaved fabric that does not require soil, preventing the moss from dying or soil from being scattered by wind. It also has excellent heat insulation properties, which helps reduce CO₂ and utility costs¹. The system utilizes transpiration property of the moss, helping to reduce the heat island effect.

- ▶ Link to News Release: "Announcing the Launch of *Koke Kanmuri*" (<http://sfc.jp/english/pdf/20110421.pdf>)



Cross-Section View of Moss Folded-Plate Roof Greening System



Installation of Moss Folded-Plate Roof Greening System

¹ Over a 120-day period of air conditioner use (June to September), the system effectively reduced CO₂ emissions by about 16.8 tons and lowered utility bills by about ¥630,000. This calculation was based on a greening area of 1,000 square meters, 600 hours of daylight during air conditioner use, a cooling efficiency of 0.84, and city gas CO₂ conversion coefficient of 2.28 kilogram of CO₂ / N square meters.

Treasured and Precious Trees Propagation Business

Policy & Plans

One of Sumitomo Forestry's businesses has been developing technologies for breeding trees with the same qualities as treasured trees and precious trees in various regions, in order for future generations to benefit from these trees.

Results

■ Successful Breeding of Yuten Cherry Tree (Protected Species) Using Plant Tissue Culture Techniques

The Yuten cherry tree is an ancient breed found at Seigan-ji Temple, Tokyo, that has been designated a protected species in Shinagawa Ward. Due to the advanced age of the trees and rapid changes in the environment in recent years, the trees have shown signs of decay in their canopies, raising the need to plant successors. Sumitomo Forestry Co., Ltd. and Sumitomo Forestry Landscaping Co., Ltd. were successful in breeding seedlings of these trees, using their plant tissue culture techniques based on progress made thus far in development and applied research.

In this research project, Sumitomo Forestry identified the DNA of the cherry trees by referring to a DNA database of 200 varieties of cherry tree that was jointly created with Forestry and Forest Products Research Institute. As a result, it was discovered that there is a strong possibility that the Yuten cherry tree is a new variety of cherry tree.

Future Plans

- We will confirm whether the flowers, leaves and other parts of the cherry tree are the same, by checking the DNA of the seedlings bred from the Yuten cherry tree, and following up with flower petal research after they bloom. Then we plan to use the incubated seedlings at commemorative and other events held at Yuten-ji Temple.
- We also plan to identify the origins of unknown species of cherry trees using our cherry tree DNA database and plant tissue culture techniques. We will apply this experience in our breeding business for treasured and precious trees throughout Japan. We hope to preserve these precious trees for future generations by understanding in depth the many varieties of trees, their identifying DNA traits, diversity of the species and individual history.

▶ Internal Link: "Developing Technology to Propagate Treasured and Precious Trees" (P.201)

Overseas Reforestation Consultancy

Policy & Plans

Backed by our knowledge of forest management in tropical regions, we offer consulting services for environmental reforestation and cultivation of forests that takes into account local communities, such as for the restoration of denuded land in tropical regions and the rehabilitation of biodiversity.

Results

■ Tropical Forest Regeneration Project with Mitsui Sumitomo Insurance Co., Ltd.

In the aim of restoring degraded forests in national parks, Sumitomo Forestry has been working on a reforestation project for the Paliyan Wildlife Sanctuary in Indonesia.

As a result of reforestation that began in April 2005 and continues today, we have planted around 300,000 trees on 350 hectares of land, as of March 2011.



Before reforestation (September 2005)



After reforestation (October 2010)

■ Industrial and Environmental Reforestation with Roland Corporation

Since 2007, Sumitomo Forestry has participated in the industrial reforestation of lands managed by The Indonesian State Owned Forestry Enterprise (Perum Perhutani) for the purpose of timber production, and also in the environmental reforestation of these lands for the purpose of increasing watershed protection, contributing to local economies and preventing global warming. For the former, a total of 72.4 hectares have been reforested, and some of the harvested trees were used to build cabinets for electric pianos made by Roland Corporation. For the latter, a total of 30.6 hectares have been reforested.

In fiscal 2010, supplemental planting was done to replace planted trees damaged by drought in the environmental reforestation lands.



Before reforestation (September 2007)



After reforestation (September 2009)

Future Plans

■ Tropical Forest Regeneration Project with Mitsui Sumitomo Insurance Co., Ltd.

In order to prevent illegal logging and the unplanned agricultural denuding of forest that was rehabilitated through reforestation projects, we aim to increase the incomes of local residents by introducing better agricultural technology. We ultimately aim to create a structure that sustains forests forever.

- **Reforestation Business with Roland Corporation**

This industrial reforestation project has a timeline of eight years, until March 2015, and plans call for harvesting to begin in 2012. The environmental reforestation project has a timeline of five years until March 2012.

Plantation Forest Operation Using Satellite Information

Policy & Plans

Sumitomo Forestry has been developing a new business model for plantation forest operations based on data from land-observing satellites. By using satellite information, environmental data of the planned site stretching across a broad area can be obtained or estimated with a high degree of accuracy, which is extremely valuable for conducting reforestation projects in developing countries.

Results

Development of Support Tools for Using Satellite Data in Reforestation Projects and Feasibility Studies

In cooperation with the Hiroshima Institute of Technology and Kyoto University, Sumitomo Forestry proposed an Afforestation Business Model for Developing Nations Using Satellite Data, and it was selected for the Space Open Lab in fiscal 2008. The Industrial Collaboration Department of the Japan Aerospace Exploration Agency (JAXA), an independent administrative organization, administers the Space Open Lab project. Research on the project was conducted jointly with JAXA through the end of fiscal 2010.

Based on knowledge gained from this joint research, the Company has been developing a plantation development support tool and conducting feasibility studies using satellite information in the Company's large-scale industrial plantation operation in plantation forest areas of West Kalimantan in Indonesia. The satellite data has provided a detailed map of the land candidates for plantation forests, and it has helped with forming estimates of the pace of growth of forests that have already been planted. In these ways, the satellite data can increase the efficiency of plantation forestry operations.

CDM Business Using Wood Biomass Power Generation

Policy & Plans

On May 23, 2008, PT. Rimba Partikel Indonesia's (RPI) wood biomass power generation business, which primarily uses lumber mill offcuts and sawdust as fuel, was registered by the CDM Executive Board at the United Nations as a Clean Development Mechanism (CDM)¹ project.

The generator, a wood biomass model with an output capacity of four megawatts, is expected to reduce annual CO₂ emissions by 15,000 tons compared to the light oil generator it replaces. It is the first wood biomass power generation CDM operation in Indonesia.

Results

■ Issuance of CER Credits for 10,982 t-CO₂ following U.N. Review

Following an assessment by the United Nations, in March 2011, CER² credits for 10,982 t-CO₂ were issued for the fiscal 2009 portion. Many CER credits issued to date have been for reducing CFC gas and nitrogen oxide, or for reducing CO₂ emissions by using hydroelectric, wind power and other forms of clean energy. This time, the CER credit was issued for RPI's efforts in using biomass energy, an area that has not been cited often for credits in the past.

- ▶ Internal Link: "Reducing CO₂ Emissions from Plants: Wood Biomass Power Generation Facility Installed at RPI" (P.132)

Future Plans

The CER credits issued this time will be used for a variety of purposes, including the Sumitomo Forestry Group's reduction of CO₂ emissions, CSR activities, and emission rights trading.

- 1 Clean Development Mechanism (CDM)
A system under which developing countries receive technologies and funding from advanced countries in order to encourage businesses to reduce emissions of greenhouse gases or increase their offset of greenhouse gases. In exchange, the advanced countries receive CERs, which can be used to help achieve emissions targets at home.
- 2 Certified Emission Reduction (CER)
CER credits are certified by the United Nations, which issues them based on the volume of greenhouse gas emissions reduced in accordance with CDM rules.



RPI's wood biomass boiler

Promoting Wood Biomass Power Generation

Policy & Plans

By operating a biomass power generation facility that uses industrial waste wood generated by thinning forests or demolition of buildings, the Company promotes recycling of timber, efficient use of forest resources, and contributes to stopping global warming by reducing CO₂ emissions.

Results

■ Establishment of Biomass Power Generation Company

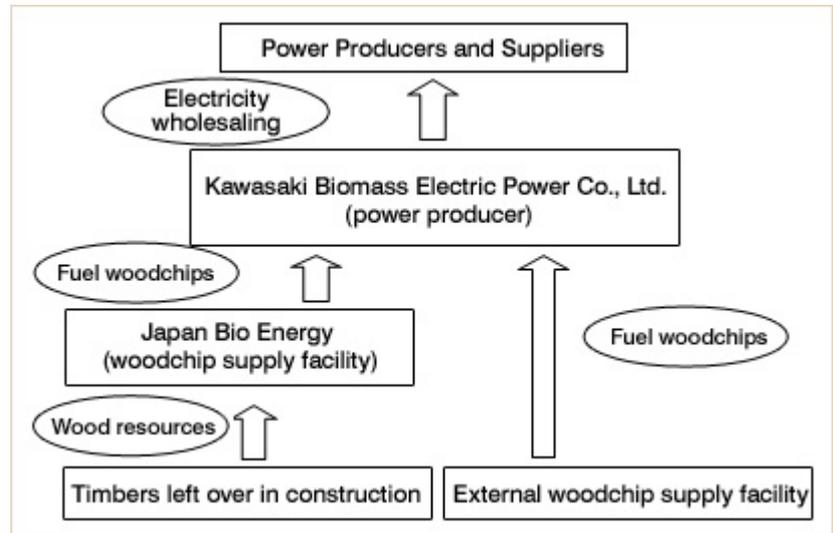
Sumitomo Joint Electric Power Co., Ltd., Fuluhashi EPO Corporation, and Sumitomo Forestry jointly established Kawasaki Biomass Electric Power Co., Ltd. in Kawasaki City, Kanagawa Prefecture, in April 2008 to operate a biomass power generation facility using woodchips as fuel. Japan Bio Energy Co., Ltd., a woodchip supply company, was also established in a nearby location. The Kawasaki Biomass Electric Power Co., Ltd. started operations in February 2011 as the largest biomass power generation business in Japan.



Kawasaki Biomass Electric Power Co., Ltd. and Japan Bio Energy Co., Ltd.

■ Building a System that Supplies Wood Waste as a Fuel

Japan Bio Energy makes woodchips out of wood waste collected from the construction of homes, and supplies it to Kawasaki Biomass Electric Power Co., Ltd. as a fuel for its power generators. The chip factory and power plant are located next to each other, dramatically cutting the amount of energy used to transport the woodchips. In addition, the biomass power generation plant fulfills the energy needs of both the woodchip factory and the power plant.



Business Outline

| Future Plans

Sumitomo Forestry will work to secure biomass fuel to ensure stable power generation at maximum output, and also aggressively develop other biomass fuels from forest resources and other unused biomass sources.

Stakeholder Comment

- I want Sumitomo Forestry to partner with electric power companies and local residents to support lifestyles in the broadest sense of the meaning throughout society. (Student)

Sale of First Private-Sector Domestic Forest Absorption-type Offset Credit (J-VER)

| Policy & Plans

The Japan Verified Emission Reduction (J-VER) system, an offset credit promoted by the Ministry of the Environment as a measure to combat global warming, certifies carbon offset credits for domestic projects that reduce emissions of or absorb greenhouse gases, in an amount equivalent to the amount of emissions reduced or gases absorbed. The use of J-VER offset credits, a business model of utilizing offset credits to improve profitability of forestry management, contributes to the revitalization of Japan's forests.

| Results

■ Sale of Forest Absorption-type J-VER Offset Credit

In July 2009, a Company-owned forest¹ was registered under the J-VER system as the first Sustainable Forestry Management Promotion-Type Project. Following validation, a J-VER offset credit of 2,083 t-CO₂

was issued and marketed, equivalent to the amount of CO₂ absorbed by the forest in fiscal 2008, as determined by an assessment organization. The credits have been used to offset events such as exhibitions, and it was also used to offset CO₂ emissions associated with the COP10 (the Tenth Conference of Parties to the Convention on Biological Diversity) event held in Nagoya in October 2010. In fiscal 2010, credits worth 1,590 t-CO₂ were sold, and in May 2011, J-VER credits were issued for 2,151 t-CO₂, the amount absorbed by the forest in fiscal 2009.

¹ Company-owned forest in Yamase area, Miyazaki Prefecture

■ J-VER Offset Credits Sold to Ochisangyo Co., Ltd.

In August 2010, Sumitomo Forestry sold J-VER offset credits worth 30 t-CO₂ to Ochisangyo Co., Ltd. These credits were used to offset 1kg of CO₂ per visitor to Ochisangyo's "I Love Home Fair" event held nationwide. In total, 22,349 t-CO₂ was offset for 22,349 people. The remaining credits will be used at other events and conferences sponsored by the company.

■ Offsetting of CO₂ Emissions at Model Homes

Sumitomo Forestry makes every effort to reduce CO₂ emissions at its model homes. To help the environment further, the Company began using its own J-VER credits to offset CO₂ emissions from 290 homes at its model homes across the country in October 2010. These credits will offset all annual CO₂ emissions from its model homes for three and a half years until fiscal 2013. Around 1,500 t-CO₂ in credits were used for the six months remaining until the end of fiscal 2010.

▶ Internal Link: "Reducing CO₂ Emissions from Offices" (P.133)

■ Offsetting of CO₂ Emissions for Housing Fair 2011

Using its own J-VER credits, Sumitomo Forestry offset the CO₂ emitted from the use of electricity, gas and water at each of its Housing Fair 2011 events held in Tokyo, Nagoya and Osaka from January through February 2011 (a total of 54 t-CO₂ was offset).

▶ Link to News Release: "Sumitomo Forestry to Host *Sumai Haku* Housing Fair 2011 in Tokyo, Osaka, and Nagoya, CO₂ Emissions Offset with Company's Own J-VER Project" (<http://sfc.jp/english/pdf/20101222.pdf>)



Environmental Activities in Offices

Sumitomo Forestry is focusing on green purchasing, energy conservation, and the reduction of gasoline consumption.

Promoting Green Purchasing

Policy & Plans

Sumitomo Forestry encourages its offices to conduct green purchasing—the priority purchasing of products that have a low environmental impact. Office Product and Company Vehicle Purchasing Guidelines were established in 2006, laying down a clear set of standards for progressing with green purchasing. High fuel-efficiency vehicles have been selected based on Group standards to be the standard model vehicles leased and operated by Group companies, and the changeover to these vehicles is progressing gradually. The re-evaluation of the high fuel-efficiency vehicles will be conducted at least once a year from the perspective of both cost and environmental considerations.

Results

■ Company-Owned Vehicle Initiatives

The share of fuel-efficient standard models among new vehicles leased was 87.9% in fiscal 2010, making the share of high fuel-efficiency vehicles among the Group's total vehicles leased, including existing vehicles, 53.3% as of March 2011, an improvement over the previous fiscal year. In addition, in January 2011, a re-evaluation of the standard high fuel-efficiency vehicles was conducted as set forth in the guidelines. The Group is switching over to Dunlop ENASAVE EC202 high fuel-efficient tires for its Group-owned vehicles (all passenger vehicles except freight vehicles).

■ Office Supplies Procurement Initiatives

The Group's green purchasing ratio in fiscal 2010 was 69.8%.

Energy Conservation in Offices

Policy & Plans

The entire company is taking part in energy conservation efforts in offices with the goal of reducing CO₂ emissions.

Results

■ Initiatives to Reduce Gasoline Consumption

This year again, the Group encouraged employees to attend seminars and hands-on workshops sponsored

by the Japan Automobile Federation (JAF) to provide instruction in environmentally sound driving. Since fiscal 2009, 13 employees have attended these seminars and workshops. Further, we have initiated efforts to reduce gasoline consumption by having drivers maintain a daily driving record to monitor their gasoline consumption. We believe this will help them to use their vehicles more efficiently and reduce their consumption of gasoline.

■ Initiatives to Reduce Electricity Consumption

The Group conducted a "Perfect No Overtime Day" during "Environmental Month" in June and "Family Week" in November, the goal of which was to have everyone turn the lights out and leaving the company at the same time.

- ▶ Internal Link: "Reducing CO₂ Emissions from Offices" (P.133)

Environmental Accounting

Sumitomo Forestry calculates the costs and benefits of its environmental conservation activities and promotes environmentally sound management.

Policy & Plans

Sumitomo Forestry calculates and publicizes the costs and benefits of its environmental conservation activities to promote environmentally sound management.

* The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain affiliated companies.

Results

Environmental Protection Costs

Unit: Million Yen

Cost Category		Main Activities	Cost
Operations costs	Pollution prevention costs ¹	Soil contamination survey	1
	Global environmental protection costs ²	Sustainable forestry cultivation	626
		Environment-related business (CDM business, overseas reforestation, etc.)	188
		Carbon offset	60
	Resource recycling costs ³	Promotion of appropriate treatment, reduction, and recycling of industrial waste	3,575
		Waste wood-based chip distribution operations	161
		Potting mix business (using sediment from water purification plants, etc.)	592
Upstream/Downstream costs ⁴	Green purchasing	188	
Management activity costs ⁵	Operation and promotion of environmental management (ISO 14001 certification, environmental education, LCA surveys, etc.)	85	
	Disclosure and administration of environmental information (Environmental and Social Report, environment-related advertising, environment-related exhibitions, etc.)	1,113	
R&D costs ⁶	Research and development activities related to environmental conservation	333	
Social contribution costs ⁷	Management and operation of Mt. Fuji <i>Manabi no Mori</i>	23	
	Management and operation of Forester House	13	
	Participation in other social contribution activities	2	
	Grants to the Keidanren Nature Conservation Fund, etc.	2	
Total			6,962

1 Pollution prevention costs: Expenditures on soil contamination inspections

2 Global environmental protection costs: Expenditures for preservation and management of Company-owned forests to foster sustainable forestry, and expenditures in Japan and overseas relating to the environmental business, overseas reforestation expenses for implementing carbon offset, and offset credit purchase expense.

- 3 Resource recycling costs: Expenditures on waste wood distribution operations and sorting, recycling, appropriate treatment, transportation and management of construction waste, as well as costs incurred in the potting mix business.
- 4 Upstream/Downstream costs: Expenditures for green purchasing.
- 5 Management activity costs: Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and the Environmental and Social Reports; expenditures relating to lectures on environmental education; and costs for life cycle assessment inspections.
- 6 R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute, and expenditures for outsourced research and development by each division.
- 7 Social contribution costs: Expenditures related to operating the Mt. Fuji *Manabi no Mori* natural forest restoration project; expenditures related to maintaining and operating Forester House; expenditures related to other social contribution activities; and grants to the Keidanren Nature Conservation Fund and other contributions.

■ Environmental Benefits

Category	Description	Results
1.Benefits from operations costs	Volume of recycled waste wood from distribution operations (converted into chip equivalents)	980,000 m ³
	Volume sold of potting mix using recycled sediment from water purification	29,000 tons
2.Benefits from management activity costs	Number of people attending Interactive Fair for Biodiversity	15,249 people
	Number of people attending "Sustainable Forest Gallery 2011-Kikorin's Forest"	5,000 people (approx.)
	Employees designated as internal environmental auditors	82 people
	Environmental and Social Report 2010 wins Environmental Report Awards' highest award	—
3.Benefits from research and development costs	Sustainable energy house (CO ₂ conservation type) was selected for "Model Project for Promoting CO ₂ Reduction in Housing and Buildings"	—
	Established technology for variety identification based on Cherry Blossom DNA, and completed DNA database of about 200 cultivated varieties	—
	Successful breeding of Yuten Cherry Tree using plant tissue culture techniques	—
4.Benefits of social contribution costs	Volunteers who participated in Mt. Fuji <i>Manabi no Mori</i> project	369 people
	Children participating in the Environmental Education Program at Mt. Fuji <i>Manabi no Mori</i> project	575 people
	Visitors to Forester House	3,696 people

 Environmental Data

▼ Group Companies in Japan

▶ Group Companies outside Japan

Group Companies in Japan

Sumitomo Forestry Crest Co., Ltd.

Item	Kashima Plant	Shizuoka Plant	Nagoya Plant	Niihama Plant	Kyushu Plant	No. 2 Kyushu Plant	Komatsushima Plant	Total
Energy input	29,377GJ	26,156GJ	32,389GJ	24,804GJ	30,032GJ	15,617GJ	125,303GJ	283,677GJ
Raw material input	7,186t	13,713t	6,281t	3,880t	6,681t	4,604t	—	42,345t
Water resource consumption								
Clean water	4,653t	4,920t	17,973t	9,665t	2,268t	245t	—	39,724t
Main water source	Lakes-Kasumigaura/Kitaura (Protected area: partly in Suigo-Tsukuba Quasi-National Park)	Groundwater-Oi River basin	Rivers-Kiso River basin (Protected areas: N/A)	Groundwater	Ponds-Tashiro Pond (partly in protected forest)	Reservoirs	—	—
Industrial water	—	—	—	—	26,280t	121,308t	—	147,588t
Main water source	—	—	—	—	Rivers-Arita River basin (partly in Kurokamizan Wildlife Preserve)	Rivers-Arita River basin (partly in Kurokamizan Wildlife Preserve)	—	—
Greenhouse gas emissions								
Overall emissions	1,230t-CO ₂	1,169t-CO ₂	1,382t-CO ₂	1,049t-CO ₂	1,279t-CO ₂	841t-CO ₂	5,404t-CO ₂	12,354t-CO ₂
Emissions per unit of production	107kg-CO ₂ /m ³	50kg-CO ₂ /t	1.7 kg-CO ₂ /sheets consumption m ²	271kg-CO ₂ /m ³	12 kg-CO ₂ /unit (Number of doors and cabinets)	78kg-CO ₂ /t	74kg-CO ₂ /m ³	—
Volume of waste	2,095t	1,432t	3,108t	952t	1,704t	215t	19,494t	29,001t

Item	Kashima Plant	Shizuoka Plant	Nagoya Plant	Niihama Plant	Kyushu Plant	No. 2 Kyushu Plant	Komatsushima Plant	Total
Total water discharge								
Sewage	2,101t	—	—	8,481t	—	—	—	10,581t
Ocean area	900t	—	10,315t	—	—	244t	—	11,459t
Rivers	—	3,045t	—	—	—	—	—	3,045t
Lakes	—	—	—	—	26,864t	112,307t	—	139,171t
Emissions into air								
SOx (Sulfur oxide)	—	—	—	540kg	67kg	2,892kg	—	3,499kg
NOx (Nitrogen oxide)	—	—	50kg	439kg	1,162kg	—	—	1,651kg
Dust	—	—	7,839kg	697kg	497kg	—	—	9,034kg

Sumirin Agro-Products Co., Ltd.

Item	Sakura Plant	Shinshiro Plant	Tobishima Plant	Total
Energy input	1,525GJ	2,746GJ	3,218GJ	7,489GJ
Raw material input	69t	37t	84t	190t
Water resource consumption				
Clean water	—	1,062t	1,100t	2,162t
Main water source	—	Rivers/Ure River basin(Protected area: partly in Tenryu-Okumikawa Quasi-National Park and Hourai Wildlife Preserve)	Rivers/Kiso River basin (Protected area: N/A)	—
Groundwater	— (groundwater, from Chiba Prefecture)	—	—	—
Greenhouse gas emissions				
Overall emissions	84t-CO ₂	168t-CO ₂	175t-CO ₂	427t-CO ₂
Emissions per unit of production	7.3kg-CO ₂ /t	40.6kg-CO ₂ /t	15.4kg-CO ₂ /t	—
Volume of waste	19t	15t	23t	57t
Total water discharge				
Ocean area	—	—	1,100t	1,100t
Rivers	—	1,062t	—	1,062t
Lakes	—	—	—	—


Environmental Data

▶ Group Companies in Japan

▼ Group Companies outside Japan

Group Companies outside Japan

Item	PT. Rimba Partikel Indonesia(RPI)	Alpine MDFIndustries(ALPINE MDF)	PT. AST Indonesia (ASTI)	PT. Kutai TimberIndonesia(KTI)	Nelson Pine Industries Ltd.(NPIL)
Energy input	124,265GJ	522,575GJ	68,310GJ	667,451GJ	1,016,740GJ
Raw material input	134,858t	274,969t	12,459t	376,012t	647,394t
Water resource consumption					
Clean water	—	108,957t	—	—	334,879t
Industrial water	—	—	22,521t	162,678t	—
Groundwater	266,319t	—	—	129,134t	—
Greenhouse gas emissions					
Overall emissions	8,642t-CO ₂	41,000t-CO ₂	5,132t-CO ₂	46,235t-CO ₂	16,407t-CO ₂
Emissions per unit of sales	3,461kg-CO ₂ /million yen	5,949kg-CO ₂ /million yen	1,505kg-CO ₂ /million yen	4,024kg-CO ₂ /million yen	1,283kg-CO ₂ /million yen
Emissions per unit of production	76kgCO ₂ /m ³	287kgCO ₂ /m ³	1505kg-CO ₂ /million yen	162kgCO ₂ /m ³	51kgCO ₂ /m ³
Volume of waste	28,907t	44,261t	16,27t	32,362t	4,247t
Total water discharge					
Sewage	—	67,399t	22,521t	—	293,594t
Ocean area	—	—	—	2,089t	—
Rivers	263,452t	—	—	—	—

Third Party Evaluation



Dr. Junichi Mizuo
Surugadai University, Faculty
of Economics, Professor
Tokyo Institute of
Technology, Interdisciplinary
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Career Synopsis

Positions held by Dr. Mizuo include Vice-chairman of the Japan Association for Performance Excellence, Standing Director of the Japan Society for Business Ethics Study, Director of the Nippon Academy of Management, and Senior Fellow at the Business Ethics Research Center. In 2010, he was a doctoral visiting fellow at the University of London (business administration) and he is an honorary former employee of Shiseido Co., Ltd. He has also authored several books, including *Gyakkyo Keiei Nanatsu no Housoku* (Seven Management Principles for Times of Adversity, Asahi Shinsho) and *CSR de Keieiryoku wo Takameru* (How CSR can Improve Business Performance, Toyo Keizai).

I visited the Tsukuba Research Institute to prepare to write this third party evaluation of Sumitomo Forestry (the “Company”)’s Environmental and Social Report 2011. In the report, the Company states that the goal of its CSR policy is to create “cycles of happiness,” based on the keywords of “utilization,” “development,” and “bringing together.” I had the opportunity to actually experience these activities and confirm that they are founded on a *Sangen Shugi* (“three actuals”) approach of going to the actual location (genba), confirming actual products and materials (genbutsu), and investigating the actual situation (genjitsu). Given this, I based my third-party evaluation of this report on the idea of promoting to the public the “integration of CSR in theory and practice.”

Positive Aspects of the CSR Report

- **The Company has fully demonstrated its ‘strategic CSR for both defense and attack’ from such perspectives as the continuous improvement of CSR and the disclosure of information to stakeholders.**

The report covers a wide variety of areas and incorporates detailed numerical data, including on its systems of governance, like compliance and risk management; on its social responsibilities, such as employment, procurement, and dealings with customers; and on its environmental responsibilities, including reducing CO₂ emissions and preserving forests and biodiversity. It also features a wealth of financial and economic data.

When I actually visited the Tsukuba Research Institute, I remember being surprised and impressed by the Company’s *Ryouonbou* design concept homes (cool in summer, warm in winter), which utilize solar power,

the wind, and greenery; and its tissue culturing initiatives to preserve the beautiful *Omurozakura* cherry trees and other precious (tree) species. These initiatives not only help to resolve issues of world-wide scale, like the global environment and biodiversity, but also point to the Company's core competence, the strength that it has built up over many years. So I think this report clearly demonstrates that through its activities, the Company is creating a win-win situation for society and for itself.

The Company has also made apparent the direction it intends to take by identifying four key issues, in line with the opinions of parties outside of the Company and its own business strategy. Also, it has shown itself to be a progressive company not only by its participation in the Global Compact, but also by referring to the Global Reporting Initiative (GRI), Environmental Reporting Guidelines, and ISO 26000 issued in 2010.

Moreover, the report compares the Company's CSR policy and plans to its actual results, clarifies issues for the next fiscal year and beyond, and then connects these to the PDCA management cycle. In these ways, the Company makes clear the strategic importance it places on CSR. The report also includes an abundance of comments from employees, customers, business partners, and other stakeholders, and I think that it has succeeded in improving the materiality, objectivity, and reliability of the report by basing it on a *Sangen Shugi* ("three actuals") approach, as stated earlier.

The Company has created an excellent report that is highly strategic, reliable, and transparent, and which demonstrates its commitment to continuously improving its CSR and disclosing information to its stakeholders. This report also embodies the Sumitomo Spirit ("We conduct business that is beneficial to society based on the principles of integrity and sound management"), and I sincerely hope that it will contribute to the Company's sustainable development.

| Hopes for the Future

■ Hopes for Dream Team 2040 (provisional name), a stakeholder participation-type CSR initiative

In the 2000s, employees in the Sumitomo Forestry Group worked in unison to consider the future of its CSR activities, giving it a pioneering role even among Japanese companies. The Great East Japan Earthquake has changed society's values and employees' work values, and so there is now a need for CSR that reflects these new realities. I expect the Company to revive such activities precisely because it is so progressive in its CSR. For instance, I am optimistic about the establishment of Dream Team 2040 (provisional name), a new project that considers CSR in the extremely long term. It will be centered on employees as they are the principal means by which CSR activities are progressed, and I hope it will promote the type of CSR in which many different stakeholders can participate.

■ Hopes for greater accessibility by utilizing both the Internet and printed media

I think the Company can enhance its corporate reputation by ensuring its report can be read by as many stakeholders as possible. Currently, the report is only available on the Company's website, which requires stakeholders to make an active decision to access it. On the other hand, I think that a printed version of the report might be more effective as it has an advantage in terms of accessibility (namely, printed matter is easier to read).

I believe that ideally a CSR report should be available both via a website and as a printed edition. But taking into account the need to reduce usage of paper resources to protect the global environment, then one approach the Company might take is to integrate this report with its other reports. For example, in

recent years integrating an annual report with a CSR report has become more prevalent. If we consider how to make this report easy to read and accessible, then I think publishing a combined Sumitomo Forestry corporate profile and CSR guidebook would be an effective way of achieving the goal of integrating the report with an enhanced corporate profile.

This report looks to the future of both the Company and its CSR activities, and as the Company is playing a progressive CSR role, I hope that it reconsiders its current approach and decides to make effective use of both a web edition and a printed edition.



Visiting an experimental-structure building and
a tropical greenhouse at the Tsukuba Research Institute

Reply to Third Party Evaluation

We asked Dr. Junichi Mizuo, a professor at the Faculty of Economics of Surugadai University to share his opinions as this year's third-party evaluator. We invited him to visit the Tsukuba Research Institute to deepen his understanding of wood, the starting point for all our businesses, and to provide him with an overview of every aspect of the Company, from basic through to practical research. There, he observed firsthand our tests on environmentally symbiotic housing, structural experimentation on our wooden housing and our plantation technology—our contributions to future prosperity.

Following the Great East Japan Earthquake, we see a dramatic transformation of people's values, opinions about energy-consumption issues, and ideas about the way we should live. Amid this change, we will take to heart Dr. Mizuo's advice that “there is a need for CSR that reflects the new realities,” and strive to push ahead with CSR activities tailored to the times, while always focusing on the medium-to-long-term perspective.

Ichiro Nakashima
General Manager, Corporate Communications Department


G3 Content Index

Activities below are in line with the 3rd edition of the GRI Guidelines on sustainability reporting including environmental, social and economic reports.

G3 Disclosure	Description	Location
1. Strategy and Analysis		
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	▶ Our Commitment (P.5)
1.2	Description of key impacts, risks, and opportunities.	▶ Sumitomo Forestry's Business and CSR (P.14) ▶ Annual Report (PDF: 8,832KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2010eng.pdf)
2. Organizational Profile		
2.1	Name of the organization.	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/)
2.2	Primary brands, products, and / or services.	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/)
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	▶ Sumitomo Forestry's Business and CSR (P.14) ▶ Our Business (http://sfc.jp/english/business/)
2.4	Location of organization's headquarters.	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/index.html)
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	▶ Our Business (http://sfc.jp/english/business/)
2.6	Nature of ownership and legal form.	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers / beneficiaries).	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/)
2.8	Scale of the reporting organization, including: <ul style="list-style-type: none"> • Number of employees; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided. 	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/) ▶ Performance Highlights (http://sfc.jp/english/ir/highlights/performance.html)
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none"> • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations). 	▶ Editorial Policy for Environmental and Social Report 2011 (P.3)
2.10	Awards received in the reporting period.	▶ Evaluation by Non-Group Third Parties (P.32)

G3 Disclosure	Description	Location
3. Report Parameters		
Report Profile		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	▶ Reporting Period (P.4)
3.2	Date of most recent previous report (if any).	▶ Publication Date (P.4)
3.3	Reporting cycle (annual, biennial, etc.)	▶ Publication Date (P.4)
3.4	Contact point for questions regarding the report or its contents.	▶ Publication Team (P.4)
Report Scope and Boundary		
3.5	Process for defining report content, including: <ul style="list-style-type: none"> • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report. 	▶ The Process for Determining the Material Issues (P.17)
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	▶ Companies Covered in the Report (P.4)
3.7	State any specific limitations on the scope or boundary of the report.	Not applicable
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Not applicable
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	▶ FY2010 Environmental Accounting (P.215) ▶ Environmental Impact of Business Activities (P.122)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	▶ Major Changes during Reporting Periods (P.4)
GRI content index		
3.12	Table identifying the location of the Standard Disclosures in the report.	▶ G3 Content Index (P.223)
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	▶ Reliability of Report Content (P.3)
4. Governance, Commitments, and Engagement		
Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	▶ Corporate Governance (P.35) ▶ Annual Report (PDF: 8,832KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2010eng.pdf)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	▶ Annual Report (PDF: 8,832KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2010eng.pdf)
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	▶ Annual Report (PDF: 8,832KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2010eng.pdf)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	▶ Corporate Governance (P.35)

G3 Disclosure	Description	Location
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	▶ Corporate Governance (P.35)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	-
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	-
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	▶ Corporate Philosophy (P.11)
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	▶ Environmental Management (P.191)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	▶ Corporate Governance (P.35)
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	▶ Compliance and Risk Management (P.37) ▶ Environmental Management (P.191)
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	▶ Global Compact (P.30)
4.13	Memberships in associations (such as industry associations) and / or national / international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. 	▶ Contributions to Public Policy (P.106)
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization.	▶ Relations with Stakeholders (P.28)
4.15	Basis for identification and selection of stakeholders with whom to engage.	-
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	▶ Relations with Stakeholders (P.28) ▶ The Process for Determining the Material Issues (P.17)
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	▶ Providing Timber Products and Materials from Sustainable Forests (P.19) ▶ Providing Environmentally Friendly Homes (P.22) ▶ Promoting Global Warming Countermeasures through Our Business (P.24) ▶ Promoting Family-Centric Employee Lifestyles (P.26)

G3 Disclosure	Description	Location
5. Management Approach and Performance Indicators		
Economic		
	Disclosure on Management Approach	<ul style="list-style-type: none"> ▶ Economic Report (P.42) ▶ Employee Hiring, Promotion, and Re-Employment Systems (P.77) ▶ Contributing to the Development of Communities Outside of Japan (P.99) ▶ Tackling Climate Change (P.127) ▶ Proactive Use of Domestic Timber (P.164) ▶ Annual Report (PDF: 8,832KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2010eng.pdf)
Aspect: Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	<ul style="list-style-type: none"> ▶ Financial Performance (P.43) ▶ Breakdown of Social Contribution Activities (P.102) ▶ Annual Report (PDF: 8,832KB)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	▶ Impact of Climate Change on the Business (P.127)
EC3	Coverage of the organization's defined benefit plan obligations.	▶ Annual Report (PDF: 8,832KB)
EC4	Significant financial assistance received from government.	-
Aspect: Market Presence		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	-
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	<ul style="list-style-type: none"> ▶ Contributing to Communities by Employment and Procurement (P.99) ▶ Proactive Use of Domestic Timber (P.164)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	▶ Employee Hiring, Promotion, and Re-Employment Systems (P.77)
Aspect: Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	<ul style="list-style-type: none"> ▶ Contributing to the Development of Communities Outside of Japan (P.99) ▶ Proactive Use of Domestic Timber (P.164)
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	-
Environmental		
	Disclosure on Management Approach	▶ Environmental Report (P.111)
Aspect: Materials		
EN1	Materials used by weight or volume.	▶ Balance of Input and Output (P.122)
EN2	Percentage of materials used that are recycled input materials.	-
Aspect: Energy		
EN3	Direct energy consumption by primary energy source.	▶ Balance of Input and Output (P.122)
EN4	Indirect energy consumption by primary source.	▶ Balance of Input and Output (P.122)
EN5	Energy saved due to conservation and efficiency improvements.	-

G3 Disclosure	Description	Location
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	<ul style="list-style-type: none"> ▶ Providing Environmentally Friendly Homes (P.22) ▶ Reducing Energy Consumption in Homes (P.138)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	<ul style="list-style-type: none"> ▶ Sumitomo Forestry Group CO₂ Emission Volume Reduction Targets (P.130) ▶ Reducing CO₂ Emissions from Offices (P.133)
Aspect: Water		
EN8	Total water withdrawal by source.	<ul style="list-style-type: none"> ▶ Balance of Input and Output (P.122) ▶ Environmental Data (P.217)
EN9	Water sources significantly affected by withdrawal of water.	<ul style="list-style-type: none"> ▶ Environmental Data (P.217)
EN10	Percentage and total volume of water recycled and reused.	<ul style="list-style-type: none"> ▶ Efficient Use of Water Resources (P.190)
Aspect: Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	<ul style="list-style-type: none"> ▶ Promoting Sustainable Forestry in Japan (P.158)
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	<ul style="list-style-type: none"> ▶ Policy and Plans for Biodiversity Preservation (P.175) ▶ Initiatives at Company-Owned Forests in Japan (P.176) ▶ Initiatives at Overseas Plantation Forests (P.179)
EN13	Habitats protected or restored.	<ul style="list-style-type: none"> ▶ Initiatives at Company-Owned Forests in Japan (P.176) ▶ Initiatives at Overseas Plantation Forests (P.179) ▶ Mt. Fuji <i>Manabi no Mori</i> Project (P.103) ▶ Launch of Large-Scale Commercial Forest Plantation Business (P.172)
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	<ul style="list-style-type: none"> ▶ Policy and Plans for Biodiversity Preservation (P.175) ▶ Initiatives at Company-Owned Forests in Japan (P.176)
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	<ul style="list-style-type: none"> ▶ Initiatives at Company-Owned Forests in Japan (P.176) ▶ Initiatives at Overseas Plantation Forests (P.179) ▶ Initiatives at Landscaping Business (P.180)
Aspect: Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	<ul style="list-style-type: none"> ▶ Sumitomo Forestry Group: FY2010 CO₂ Emission Results (P.129)
EN17	Other relevant indirect greenhouse gas emissions by weight.	<ul style="list-style-type: none"> ▶ Sumitomo Forestry Group: FY2010 CO₂ Emission Results (P.129)
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	<ul style="list-style-type: none"> ▶ Promoting Global Warming Countermeasures through Our Business (P.24) ▶ Tackling Climate Change (P.127)
EN19	Emissions of ozone-depleting substances by weight.	Not applicable

G3 Disclosure	Description	Location
EN20	NO, SO, and other significant air emissions by type and weight.	<ul style="list-style-type: none"> ▶ Management of Chemical Substances at Research Institute and Plants (P.186) ▶ Environmental Data (P.217)
EN21	Total water discharge by quality and destination.	<ul style="list-style-type: none"> ▶ Balance of Input and Output (P.122) ▶ Management of Chemical Substances at Research Institute and Plants (P.186) ▶ Environmental Data (P.217)
EN22	Total weight of waste by type and disposal method.	▶ Zero Emissions Initiatives (P.147)
EN23	Total number and volume of significant spills.	Not applicable
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	▶ Environmental Data (P.217)
Aspect: Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	<ul style="list-style-type: none"> ▶ Providing Timber Products and Materials from Sustainable Forests (P.19) ▶ Providing Environmentally Friendly Homes (P.22) ▶ Promoting Global Warming Countermeasures through Our Business (P.24)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	-
Aspect: Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	▶ Efforts to Reduce Environmental Risks (P.195)
Aspect: Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	<ul style="list-style-type: none"> ▶ Reducing CO₂ Emissions from Transportation (P.134) ▶ Environmental Activities in Offices (P.213)
Aspect: Overall		
EN30	Total environmental protection expenditures and investments by type.	▶ FY2010 Environmental Accounting (P.215)
Labor Practices and Decent Work		
	Disclosure on Management Approach	<ul style="list-style-type: none"> ▶ Together with Our Employees (P.76) ▶ Our Business Partners' Workplace Health and Safety Management (P.69) ▶ Promoting Environmental Education and Training (P.194)
Aspect: Employment		
LA1	Total workforce by employment type, employment contract, and region.	▶ Employee Hiring, Promotion, and Re-Employment Systems (P.77)
LA2	Total number and rate of employee turnover by age group, gender, and region.	<ul style="list-style-type: none"> ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.76) ▶ Employee Hiring, Promotion, and Re-Employment Systems (P.77)

G3 Disclosure	Description	Location
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.76)
Aspect: Labor / Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	▶ Relations with the Labor Union (P.88)
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	-
Aspect: Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management—worker health and safety committees that help monitor and advise on occupational health and safety programs.	-
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.	▶ Improving Quality and Workplace Safety at New Housing Construction Sites (P.69) ▶ Initiatives at Group Companies (P.109)
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	▶ Our Business Partners' Workplace Health and Safety Management (P.69) ▶ A Safe and Healthy Working Environment (P.84) ▶ Initiatives at Group Companies (P.109)
LA9	Health and safety topics covered in formal agreements with trade unions.	▶ Communication with Our Employees (P.88)
Aspect: Training and Education		
LA10	Average hours of training per year per employee by employee category.	▶ Human Resource Development (P.90) ▶ Promoting Environmental Education and Training (P.194) ▶ Initiatives at Group Companies (P.109)
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	▶ Human Resource Development (P.90)
LA12	Percentage of employees receiving regular performance and career development reviews.	▶ Human Resource Development (P.90)
Aspect: Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.76) ▶ Employee Hiring, Promotion, and Re-Employment Systems (P.77)
LA14	Ratio of basic salary of men to women by employee category.	-
Human Rights		
	Disclosure on Management Approach	▶ Our Values and Ideals (P.13) ▶ A Safe and Healthy Working Environment (P.84) ▶ Human Resource Development (P.90) ▶ Respect for Human Rights (P.98)
Aspect: Investment and Procurement Practices		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	-
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	-

G3 Disclosure	Description	Location
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	<ul style="list-style-type: none"> ▶ A Safe and Healthy Working Environment (P.84) ▶ Human Resource Development (P.90) ▶ Respect for Human Rights (P.98)
Aspect: Non-Discrimination		
HR4	Total number of incidents of discrimination and actions taken.	-
Aspect: Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	-
Aspect: Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	▶ Prevention of Child Labor and Forced Labor (P.98)
Aspect: Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	▶ Prevention of Child Labor and Forced Labor (P.98)
Aspect: Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	-
Aspect: Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not applicable
Society		
	Disclosure on Management Approach	<ul style="list-style-type: none"> ▶ Our Values and Ideals (P.13) ▶ Compliance and Risk Management (P.37) ▶ Building Long-Lasting Homes (P.47) ▶ Quality Control for Timber and Building Materials (P.65) ▶ Overseas Plantation Forest Operations and Sustainable Use (P.169)
Aspect: Community		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	<ul style="list-style-type: none"> ▶ Contributing to the Development of Communities Outside of Japan (P.99) ▶ Overseas Plantation Forest Operations and Sustainable Use (P.169)
Aspect: Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	▶ Compliance and Risk Management (P.37)
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	▶ Compliance and Risk Management (P.37)
SO4	Actions taken in response to incidents of corruption.	▶ Compliance and Risk Management (P.37)
Aspect: Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying.	▶ Contributions to Public Policy (P.106)
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	-

G3 Disclosure	Description	Location
Aspect: Anti-Competitive Behavior		
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Not applicable
Aspect: Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Not applicable
Product Responsibility		
	Disclosure on Management Approach	<ul style="list-style-type: none"> ▶ Compliance and Risk Management (P.37) ▶ Together with Our Customers (P.47) ▶ Together with Our Business Partners (P.65)
Aspect: Customer Health and Safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	<ul style="list-style-type: none"> ▶ Building Long-Lasting Homes (P.47) ▶ Quality Control for Timber and Building Materials (P.65)
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not applicable
Aspect: Product and Service Labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	<ul style="list-style-type: none"> ▶ Providing Timber Products and Materials from Sustainable Forests (P.19) ▶ Adherence to Housing Performance Indication System (P.48) ▶ Timber Used for Housing (P.52) ▶ Quality Control for Timber and Building Materials (P.65)
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not applicable
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	▶ Promoting Communication with Customers (P.57)
Aspect: Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	▶ Standards for Advertising (P.60)
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	▶ Standards for Advertising (P.60)
Aspect: Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	▶ Personal Information Protection Policy
Aspect: Compliance		
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Not applicable



ISO26000 Contents Index

For readers of this CSR report wishing to know how it relates to ISO26000, an international standard for social responsibility, the Index below lists activities corresponding to the topics covered in ISO26000.

Core subjects and issues of social responsibility		Section
6.2 Organizational governance		
		<ul style="list-style-type: none"> ▶ Corporate Philosophy (P.11) ▶ Our Commitment (P.5) ▶ CSR Management Based on Four Material Issues (P.17) ▶ Relations with Stakeholders (P.28) ▶ Global Compact (P.30) ▶ Corporate Governance (P.35) ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.76)
6.3 Human rights		
Issue 1:	Due diligence	<ul style="list-style-type: none"> ▶ Our Values and Ideals (P.13) ▶ Human Rights Training for Employees (P.87) ▶ Human Rights Policies (P.98)
Issue 2:	Human rights risk situations	<ul style="list-style-type: none"> ▶ Disaster Risk (P.38) ▶ Preventing Corruption (P.40) ▶ Respect for Human Rights (P.98) ▶ Contributing to the Development of Communities Outside of Japan (P.99)
Issue 3:	Avoidance of complicity	<ul style="list-style-type: none"> ▶ Rejection of Influence from Anti-Social Elements (P.41) ▶ Considering Human Rights in our Investments and Business Development (P.98) ▶ Procuring Sustainable Raw Materials through the Supply Chain (P.67) ▶ Our Business Partners' Workplace Health and Safety Management (P.69) ▶ Human Rights in the Supply Chain (P.98)
Issue 4:	Resolving grievances	<ul style="list-style-type: none"> ▶ A Safe and Healthy Working Environment (P.84)
Issue 5:	Discrimination and vulnerable groups	<ul style="list-style-type: none"> ▶ Providing Homes to International Students Studying in Japan (P.64) ▶ New Return to Work Application System (P.78) ▶ Hiring Locally at Group Companies outside Japan (P.78) ▶ Promoting Affirmative Action (P.82) ▶ Promoting the Employment of People with Disabilities (P.83) ▶ Initiatives at Group Companies in Japan (P.109)
Issue 6:	Civil and political rights	-

Core subjects and issues of social responsibility		Section
Issue 7:	Economic, social and cultural rights	▶ KTI Educational Foundation (P.100)
Issue 8:	Fundamental principles and rights at work	▶ Promoting Affirmative Action (P.82) ▶ Communication with Our Employees (P.88) ▶ Prevention of Child Labor and Forced Labor (P.98)
6.4 Labour practices		
Issue 1:	Employment and employment relationships	▶ Employee Hiring, Promotion, and Re-employment Systems (P.77)
Issue 2:	Conditions of work and social protection	▶ Promoting Family-Centric Employee Lifestyles (P.26) ▶ Helping Employees Achieve a Better Work-Life Balance (P.79) ▶ A Safe and Healthy Working Environment (P.84) ▶ Initiatives at Group Companies in Japan (P.109)
Issue 3:	Social dialogue	▶ Communication with Our Employees (P.88)
Issue 4:	Health and safety at work	▶ Traffic Safety (P.40) ▶ Our Business Partners' Workplace Health and Safety Management (P.69) ▶ A Safe and Healthy Working Environment (P.84) ▶ Initiatives at Group Companies in Japan (P.109)
Issue 5:	Human development and training in the workplace	▶ Human Resource Development (P.90) ▶ Communication with Our Employees (P.88) ▶ Initiatives at Group Companies in Japan (P.109)
6.5 The environment		
Issue 1:	Prevention of pollution	▶ Providing Environmentally Friendly Homes (P.22) ▶ Environmental Management (P.191) ▶ Life Cycle Assessments (P.124) ▶ Zero Emissions Initiatives (P.147) ▶ Management of Hazardous Materials (P.186) ▶ Environmental Data (P.217)
Issue 2:	Sustainable resource use	▶ Providing Timber Products and Materials from Sustainable Forests (P.19) ▶ Procuring Sustainable Raw Materials through the Supply Chain (P.67) ▶ Tackling Climate Change (P.127) ▶ Preserving Forests (P.156) ▶ Resource Recycling (P.146) ▶ Efficient Use of Water Resources (P.190) ▶ Environmental Data (P.217)

Core subjects and issues of social responsibility		Section
Issue 3:	Climate change mitigation and adaption	<ul style="list-style-type: none"> ▶ Countermeasures through Our Business (P.24) ▶ Tackling Climate Change (P.127) ▶ R&D for Environmentally Friendly Housing (P.203) ▶ CDM Business Using Wood Biomass Power Generation (P.209) ▶ Promoting Wood Biomass Power Generation (P.210) ▶ Environmental Activities in Offices (P.213) ▶ Environmental Data (P.217)
Issue 4:	Protection of the environment, biodiversity and restoration of natural, habitats	<ul style="list-style-type: none"> ▶ Social Contribution Activities for Environmental Conservation (P.103) ▶ Preserving Biodiversity (P.174)
6.6 Fair operating practices		
Issue 1:	Anti-corruption	▶ Preventing Corruption (P.40)
Issue 2:	Responsible political involvement	-
Issue 3:	Fair competition	▶ Fair competition (P.41)
Issue 4:	Promoting social responsibility in the value chain	<ul style="list-style-type: none"> ▶ Procuring Sustainable Raw Materials through the Supply Chain (P.67) ▶ Human Rights in the Supply Chain (P.98) ▶ Communication with Building Contractors (P.73)
Issue 5:	Respect for property rights	▶ Respect for Intellectual Property Rights (P.41)
6.7 Consumer issues		
Issue 1:	Fair marketing, factual and unbiased information and fair contractual practices	▶ Standards for Advertising (P.60)
Issue 2:	Protecting consumers' health and safety	<ul style="list-style-type: none"> ▶ Building Long-Lasting Homes (P.47) ▶ Quality Control for Timber and Building Materials (P.65)
Issue 3:	Sustainable consumption	<ul style="list-style-type: none"> ▶ Building Long-Lasting Homes (P.47) ▶ Reducing Energy Consumption in the Households (P.138)
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6.8 Community Involvement and development		
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Core subjects and issues of social responsibility		Section
Issue 3:	Employment creation and skills development	<ul style="list-style-type: none"> ▶ Hiring Locally at Group Companies outside Japan (P.78) ▶ Contributing to Communities by Employment and Procurement (P.99)
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Issue 5:	Wealth and income creation	<ul style="list-style-type: none"> ▶ Benefits of Business Development for Local Communities (P.99) ▶ Contributing to Communities by Employment and Procurement (P.99) ▶ Contribution of Social Forestry to Local Communities (P.170) ▶ Streamlining Management of Company-Owned Forests through Joint Operations (P.160)
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