

CSR Report 2012

Year ended March 31, 2012



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Editorial Policy for CSR Report 2012

Purpose of this Report

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

Sumitomo Forestry considers 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. Since fiscal 2008, Sumitomo Forestry gives priority to these four material issues in its initiatives, the results of which are presented in this report.

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

In addition to the CSR Report on its website, the Company provides content on the environment and forests on its CSR Information website in order to effectively convey to its various stakeholders the information that will be of most interest to them, based on their differing perspectives. It also actively uses its Corporate Profile, Annual Report, and other media to enhance its communication with stakeholders.

▶ **Internal Link:** "CSR Report 2012" (<http://sfc.jp/english/information/kankyo/index.html>)

The CSR 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>)

▶ **Link to Related Website:** "CSR" (<http://sfc.jp/english/csr/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 employing the PDCA (plan–do–check (corrective)-action) management method. However, the Future Plans section will not be included if only the same initiatives from the previous fiscal year are being continued.

Stakeholder Comment

- Those aspects of Sumitomo Forestry Group's efforts and its corporate spirit are repeatedly stressed and tend to stand out, while other parts involving data and materials based on facts remain hidden. Therefore, I think that there are probably a lot of people who find it hard to read in this regard. (Customer)

Reliability of Report Content

The respective departments of Sumitomo Forestry Group 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 Group 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 (Edition 3.1), Global Reporting Initiative (GRI)*
- *Environmental Reporting Guidelines (2012 Edition), Japanese Ministry of the Environment*
- *ISO 26000:2010 Guidance on Social Responsibility, Japanese Standards Association*

Reporting Period

April 2011 to March 2012

(The period also includes some activities from April 2012, 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 40 Group companies and 5 affiliates considered to have material significance for the sustainability of the entire Sumitomo Forestry Group's (47 consolidated subsidiaries, 23 affiliates) business in Japan and abroad.

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

Main Changes during the Reporting Period

On April 1, 2012, the Company completed an absorption merger of Sumirin Life Assist Co., Ltd.

Publication Date

The end of July 2012

(Previous: July 2011; Next: July 2013)

Publication Team

Sumitomo Forestry Co., Ltd.

Keidanren Kaikan, 1-3-2 Otemachi, Chiyoda-ku, Tokyo, Japan 100-8270

CSR Team, Corporate Communications Department

Environmental Management Department

Our Commitment

Chairman and
Representative Director

President and
Representative Director



Guided by the Sumitomo Spirit developed over more than 320 years, we are aiming to be the “world’s leading forestry company” as we contribute to the development of society and the global environment.

Ryo Ufano

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

Proactively tackling the challenges of the housing industry

Last year saw not only the occurrence of the Great East Japan Earthquake, but also a powerful typhoon, which struck the Japanese islands in September. The fury of nature, including earthquakes and flooding, also inflicted enormous damage on people’s lives and regional areas around the world. I would like to express my heartfelt condolences to all those who were affected by these natural disasters.

We continue to actively participate in the recovery efforts following the earthquake, and have been working tirelessly with our colleagues in the housing industry to construct emergency housing. There is a greater need than ever for safe and secure living environments that can also conserve energy, and the earthquake has acutely reminded us that homes form the basis both for people’s lives and social stability. I am convinced that the Group’s mission is to develop homes that are even more resilient to natural disasters, as well as being more secure and comfortable to live in. The earthquake highlighted issues including a lack of genuinely antiseismic housing, the liquefaction of housing foundations, and shortages of building materials when supply chains are disrupted. However, the housing industry as a whole is now reevaluating these issues and pushing forward to develop all possible countermeasures.

Working to realize prosperous and sustainable housing and lifestyles

We are having to respond not only to people's increasingly diverse needs for their living environments, but also to changes in social conditions, including the enactment of new environmental regulations and changes in population dynamics. In March 2010, for example, Japan revised its Basic Plan for Housing under the Basic Act for Housing.

The Sumitomo Forestry Group is utilizing all of its available resources to construct a wide range of high-quality wooden homes that are antiseismic, energy conserving, and long-lasting, allowing people to live comfortably in them for many years. Japan will soon have to confront the issue of how the nation can effectively utilize its existing stock of houses. Homes can be transformed by ensuring antiseismic and providing a comfortable living environment, and in this regard we are also actively involved in the remodeling and renovation market. Overseas, we are identifying the needs of each region and offering our customers new home lifestyles by combining the wooden construction technologies and housing culture we have nurtured in Japan.

Emboldened by the Power of Forests and the Sumitomo Sprit, we are aiming to be the "world's leading forestry company"

Forests are a renewable natural resource and have an important function in the global environment in that they absorb and sequester carbon dioxide. Sumitomo Forestry has consistently carried out our sustainable forestry, based on a process comprising the planting of trees, the cultivation of forests and their use as natural resources, and replanting. We continue to pursue the possibilities offered by wood and maximize these possibilities in our operations, so that wood plays a beneficial role both in the natural environment and the lives of people. Last fiscal year, we employed the cloning propagation technologies developed in our initiative to regenerate tropical rainforests in Indonesia to grow seedlings from the single pine tree in Rikuzentakata that survived the tsunami, bringing a ray of hope to people in the devastated area. We also launched a particle board manufacturing operation in Vietnam, employing technology to utilize timber that was previously discarded as waste wood. Going forward, we will further enhance the value of wood to achieve even deeper recognition in society of the excellence of wood as a resource and the crucial importance of forests. In turn, this recognition will help us to achieve sustainable management and further enhance our corporate value.

At the Sumitomo Forestry Group, we have been continually working to protect forests for over 320 years, guided by the Sumitomo Spirit of pursuing business to the benefit of society based on the principles of integrity and sound management. This spirit reflects the universal principles on human rights, labor, and the environment that are expressed in the United Nation's Global Compact, in which we have been a participant since 2007. We will continue to develop sustainable operations on a global scale as we cultivate forests and utilize the timber from these forests. Each and every one of the Group's 15,000 employees, both inside and outside of Japan, will work as one to contribute to the development of society and to the global environment, while earning the trust of our stakeholders as we strive to become the "world's leading forestry company."

Our Commitment

Chairman and
Representative Director

President and
Representative Director

We will continue to fulfill our corporate social responsibility by researching and pursuing the possibilities of wood to enhance the added value of timber as a resource.



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



Continuing to employ the entire strength of the Group to support the recovery of the disaster region

I would like to express my heartfelt condolences to all those who have suffered in the unprecedented damage caused by the Great East Japan Earthquake. As we look back at the turbulent days following the earthquake, the feelings of sadness and anger remain, but even in the face of great loss we are reminded of people's enormous strength and hope in the future. In contributing to the construction of emergency housing immediately after the earthquake as well as regional community-building projects, we have drawn courage from the smiling faces and strength of character shown by the local people. Going forward, we will continue to employ the collective efforts of the Group as we support the recovery effort and work to ensure that people in the devastated areas can live in security and comfort as soon as possible.

Cooperating with stakeholders based on a global vision and local action

The Sumitomo Forestry Group's business field is closely linked to wood. It encompasses a wide range of operations including reforestation, forestry management, building materials manufacturing, housing, distribution of timber and building materials, and wood biomass, which we are developing in 13 countries and 40 regions worldwide. The world shares many common problems, not least environmental issues, but people's homes and lifestyles differ according to the climate and culture of each region. In developing our operations, it is vital that we combine a global perspective with an understanding of how to conduct activities at the local level. With this goal in mind, on April 1, 2012, we restructured our business in order to maximize our management resources and quickly address shifts in the fast-changing global environment. Our organization is made up of employees with a common mission, who carry out their daily duties with enthusiasm and a sense of vocation based on our Group-wide Corporate Philosophy and Action Guidelines. I believe this enables us not only to contribute to society, but also to further enhance our corporate value.

In 2007, the Group formulated four material issues to be prioritized in our operations, three of which are closely connected with global environmental issues. In fiscal 2011, we made the following progress with these issues:

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

We achieved our fiscal 2012 target of 70% handling of timber from certified forests and plantation forests, one year ahead of schedule.

2. **Providing Environmentally Friendly Homes**

We have been focusing our efforts on the sale of energy-efficient homes. For example, in fiscal 2011 we increased the solar power installation rate to 36%, an 8% increase over the previous fiscal year.

3. **Promoting Global Warming Countermeasures through Our Business**

We achieved a 5.6% reduction in carbon dioxide emissions compared with the previous fiscal year, in part thanks to our electricity saving measures.

Going forward, the Group will maintain concerted efforts to reduce emissions.

Our fourth material issue – Promoting Family-Centric Employee Lifestyles – was designed so as to position our employees as key stakeholders.

In fiscal 2011, we conducted an employee satisfaction survey and provided all Group employees with an analysis of the survey results as well as a statement concerning the Group's initiatives. I myself have also been communicating as much as possible with our employees on a daily basis.

In fiscal 2012, we plan to launch the Power for the Future Project, a scheme in which employees can propose new business ideas, and we look forward to receiving a diverse range of ideas that transcend the boundaries between different business units.

Fulfilling the Group's mission while focusing on the renewable natural resource that is wood

Today, there is a pressing need to build a sustainable society, and in October 2010, the Tenth Conference of Parties to the Convention on Biological Diversity (COP 10) was held, followed in June 2012 by the Rio+20 Earth Summit.

The Sumitomo Forestry Group is developing a wide range of home and lifestyle-related businesses with a focus on timber, which is a renewable and environmentally sound natural resource. We have established a sustainable business cycle of planting, cultivating, logging, and replanting, and we have developed technologies that allow us to utilize each and every logged tree for the benefit of society. In this sense, the Sumitomo Forestry Group is uniquely positioned in being able to contribute to the global environment while also further enhancing our corporate value and achieving growth.

Last fiscal year, we formulated the Sumitomo Forestry Group Declaration of Biodiversity, in order to work even harder to preserve biodiversity. In the Declaration, long-term targets equivalent to the Aichi Targets, which are global targets set out at COP10, are further broken down to match actual business activities, and we have already launched initiatives toward achieving these targets. These activities have been positively received, and in May 2012 the Development Bank of Japan commended us as an Advanced Model Business, its highest ranking for environmental performance. This demonstrates that our initiatives promoting environmental management are also helping to further enhance our economic value, and this also serves as a great encouragement for our future business activities.

In recent years, the business potential of forests and timber has widened with the creation of new added value for wood as an environmental resource in areas such as carbon offset credits, wood biomass power generation, and reforestation consulting services. Our responsibility to global society is to provide more countries and regions with our expertise and technologies, in order to support the development of local

communities and create employment for local people. In short, I see this as the mission of the Sumitomo Forestry Group as we strive to become the “world’s leading forestry company.”

CSR Management

Corporate
Philosophy

Sumitomo Forestry's
Business and CSR

CSR Management
Based on Four
Material Issues

Participation in
the United Nations
Global Compact

Corporate Philosophy

The Sumitomo Forestry Group's corporate philosophy advocates utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to realizing 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 for what should be considered as 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 expertise on timber and housing, we intend to create "spiral 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
2. Utilize Forests
3. Utilize Traditions

Joy in Development

1. Nurture Families
2. Develop Homes
3. Foster Communities

Joy in Bringing People Together

1. Bring Employees Together
2. Bring Society Together
3. Bring the World Together

▶ Internal Link: [Our Work and CSR \(http://sfc.jp/english/corporate/policies/csr.html\)](http://sfc.jp/english/corporate/policies/csr.html)

Code of Conducts

Our Values and Ideals

We have thoroughly reviewed our Ethical Charter and Ethical Action Guidelines and following discussions among Group employees, we have reformulated the Action Guidelines into three pillars, which constitute our ethical core, and created 15 priority items.

1. Inspire Emotion

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

2. Blaze a Trail to the Future

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

3. Act with Dignity

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

▶ Internal Link: [Our Values and Ideals \(http://sfc.jp/english/corporate/policies/values.html\)](http://sfc.jp/english/corporate/policies/values.html)

Stakeholder Comment

- Sumitomo Forestry has a global scope and vision and is a leading Japanese company that I am proud of. (Customer)

CSR Management

Corporate Philosophy	Sumitomo Forestry's Business and CSR	CSR Management Based on Four Material Issues	Participation in the United Nations Global Compact
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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

✕ Close

Timber and Building Materials Business

Sumitomo Forestry makes use of the global network that 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

✕ Close

Overseas Business

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 is developing its businesses in a broad range of fields, from its leading brand in custom-built wooden housing, Sumitomo Forestry Home houses through to its stock housing business, including renovation. 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

Stakeholder Comment

- I would like the Company to further use its operations to fulfill corporate social responsibilities. (Shareholder and investor)
- I think that it is wonderful that your business helps to preserve our country's environment. It is quick to lose our forests and reforestation doesn't happen overnight, so I hope you continue to develop as a company and preserve forests for future generations. (Other stakeholder)

CSR Management

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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. Keeping a close watch on changes in society and reassessing the current situation, 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-Centered Employee Lifestyles" \(P.27\)](#)

Stakeholder Comment

- 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 CSR Report, and opinions received through employee workshops, a total of 27 issues were identified as Sumitomo Forestry should tackle.

2. Understanding the issues that are important to our stakeholders

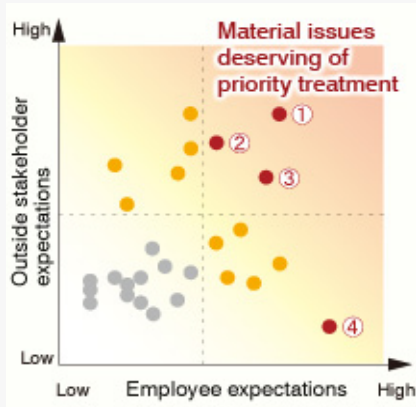
Total of 143 customers, business partners, analysts, investors, members of the press, employees, and relevant experts were surveyed for these 27 issues, which allowed us to prioritize various expectations held by stakeholders towards Sumitomo Forestry.

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 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.



CSR Management

Corporate
Philosophy

Sumitomo Forestry's
Business and CSR

CSR Management
Based on Four
Material Issues

Participation in
the United Nations
Global Compact

Participation in the United Nations Global Compact

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

The ten principles of the UN Global Compact are based on globally established agreements, including the Universal Declaration of Human Rights, and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. They incorporate support of and respect for the protection of human rights and the eradication of forced labor and child labor.

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.

Labour

- 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 labour;
- 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: Businesses should work against corruption in all its forms, including extortion and bribery.



■ The UN 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.11) • Communication with our Business Partners (P.87) • Procuring Sustainable Raw Materials through the Supply Chain (P.82) • A Safe and Healthy Workplace (P.101) • Respect for Human Rights (P.120) • Communications with Society (P.116) • Human Rights Training for Employees (P.105)
	Principle 2	The refusal to participate or condone human rights abuses.	<ul style="list-style-type: none"> • Our Values and Ideals (P.11) • Respect for Human Rights (P.120)
Labor	Principle 3	The support of freedom of association and the recognition of the right to collective bargaining	<ul style="list-style-type: none"> • Communication with Our Employees (P.107)
	Principle 4	The abolition of compulsory labor.	<ul style="list-style-type: none"> • Prevention of Child Labor and Forced Labor (P.121)
	Principle 5	The abolition of child labor;	<ul style="list-style-type: none"> • Prevention of Child Labor and Forced Labor (P.121)
	Principle 6	The elimination of discrimination in employment and occupation.	<ul style="list-style-type: none"> • Creating a Workplace in which a Diverse Range of Employees can Work Together (P.93) • Human Rights Training for Employees (P.105) • Respect for Human Rights (P.120)
Environment	Principle 7	The implementation of a precautionary and effective program to environmental issues.	<ul style="list-style-type: none"> • Environmental Report (P.131)
	Principle 8	Initiatives that demonstrate environmental responsibility.	<ul style="list-style-type: none"> • Environmental Report (P.131)
	Principle 9	The promotion of the diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> • Environmental Report (P.131)
Anti-Corruption	Principle 10	The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.	<ul style="list-style-type: none"> • Our Values and Ideals (P.11) • Compliance (P.46)

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 hectares¹ 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 direct overseas suppliers was completed, as was the domestic timber used for the Housing Division's properties in fiscal 2011. In addition to legal compliance, from fiscal 2010 the Company has promoted the use of environmentally friendly timber in accordance with its Action Plan and is aiming to achieve the plan's targets by fiscal 2012. As part of verification activities, since fiscal 2012 it has also been carrying out CSR surveys at all its suppliers to confirm that they are observing human rights and maintaining appropriate labor conditions.

In addition, the economic development of regional society and enhancement of people's living standards are crucial elements in resolving issues such as forest degradation and reduction caused by illegal logging and slash-and-burn farming. In its overseas plantation forestry business, the Company has therefore promoted social forestry 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

	FY2007	FY2008	FY2009	FY2010	FY2011
Percentage of certified timber and plantation timber ²	—	—	64%	60%	70%
Overseas plantation land area ³	3,077ha	3,312ha	4,313ha	5,046ha	13,905ha
Company-owned forests in Japan, land area	40,567ha	41,532ha	42,642ha	42,636ha	42,868ha

1 FAO "Global Forest Resources Assessment 2010"

2 Results after enactment of Action Plan for timber procurement

3 Land area under plantation forestry management for each fiscal year

■ Policy & Plans

Sumitomo Forestry continues to advance initiatives based on the Action Plan for Timber Procurement, which sets targets for fiscal 2012.

Action Plan for Timber Procurement

Segment	Division	Action Plan・FY2012 Target
Group-wide		With the objective of contributing to the global environment, expand the use and handling of timber from forests certified as legally compliant and sustainable (FSC®, PEFC, SGEC); timber from sustainable plantation forests; and 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 & Environmental Business Department of Forestry and Environment Division	Maintain 100% certification of Company-owned forests (SGEC certification).
		Preserve and protect biodiversity in Company-owned forests.
	Sumitomo Forestry Wood Products Co., Ltd.	Promote handling of Japanese timber / Increase by 75% of volume handled from FY2009.
Timber Distribution	Timber & Building Materials Division International Marketing Department	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.	Promote use of timber from certified forests (FSC®, PEFC, SGEC), plantation forests, and domestic timber. Increase to 5% of total volume handled.
Housing	Housing Division	Promote and expand use of timber produced in Japan. Maintain 70% share of Japanese domestic 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 Legitimate Timber and Timber Products

- ▶ Green Procurement Guidelines and Timber Procurement Standards (P.82)
- ▶ Preservation and sustainable use of forest resources (P.189)

Increasing the Handling of Timber from Certified Forests, Plantation Forests and Japanese Domestic Timber

- ▶ Promoting sustainable forestry in Japan (P.191)
- ▶ Initiatives for efficient and labour-saving harvesting of trees (P.193)
- ▶ Using tree shelters for low density cedar reforestation in Tokushima Prefecture (P.193)
- ▶ Building a forest management model utilizing airborne Laser Imaging Detection and Ranging (LIDAR) Technology (P.194)
- ▶ Streamlining management of company-owned forests through joint operations (P.194)
- ▶ Proactive use of Japanese domestic timber (P.198)
- ▶ Using Japanese domestic timber in homes (P.199)
- ▶ Using Japanese domestic timber in products (P.200)
- ▶ Development of efficient timber drying technology (P.201)
- ▶ Promoting the plantation forestry business overseas (P.202)
- ▶ Increasing the handling of timber from certified forests and plantation forests (P.204)
- ▶ Implementing a large-scale commercial forest plantation (P.207)

CSR Procurement

- ▶ Procuring sustainable raw materials through the supply chain (P.82)
- ▶ Communication with our business partners (P.87)

Related Pages in Previous Reports

- ▶ (2010) KIKORIN-PLYWOOD: Creating 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 fiscal 2012 at the same time as formulating its Action Plan for fiscal 2013 and beyond.

Stakeholder Comment

- I felt that the Company communicates its position of cultivating forests while continuing to use Japanese domestic timber. (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
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Four Material Issues

2. Providing Environmentally Friendly Homes

Given that the household sector accounts for 14.4%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, solar power generation systems, and fuel cell units. 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.

¹ From the Greenhouse Gas Inventory Office of Japan's data on greenhouse gas emissions in Japan, which details the distribution of CO₂ emission in fiscal 2010 per sector (totals for indirect emissions)

Major Performance Data²

	FY2007	FY2008	FY2009	FY2010	FY2011
Domestic timber as % of principal structural members ²	51%	70%	70%	70%	70%
Number of native trees planted	—	—	17,753	18,075	22,246
Solar power installation rate	—	4%	22%	28%	36%
Percentage certified under the Excellent Long-term Housing Promotion Act	—	—	—	83.5%	85.1%

² Survey target: homes constructed using the Multi-Balance Construction Method, the Company's principal method

Policy & Plans

- Strengthen provision of environmentally sound housing
- Strengthen environmental landscaping operations
- Expand renovation operations

■ Results

Strengthen Development of Environmentally Sound Housing

- ▶ Policy for long-lasting homes (P.60)
- ▶ Developing of Life Cycle Carbon Minus (LCCM) homes (P.171)
- ▶ Reducing energy use through the *Ryouonbou* design concept (P.174)
- ▶ Growing use of solar energy in houses (P.176)
- ▶ Solar hot water system Developed (P.177)
- ▶ Adoption Rate of Next-Generation Energy Conservation Standards (P.178)
- ▶ Providing environmentally sound homes in Australia (P.179)
- ▶ Waste reduction at new housing construction sites (P.181)
- ▶ Using Japanese timber in homes (P.199)

Strengthen Environmental Landscaping Operations

- ▶ Landscaping operations that help to preserve biodiversity (P.217)

Expand Renovation Operations

- ▶ Developing earthquake-resistant renovation technologies (P.67)
- ▶ Promoting environmentally friendly, energy-saving renovation (P.178)

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 provision of environmentally sound housing
- Promote residential greening operations
- Expand renovation operations

Stakeholder Comment

- I think the provision of environmentally sound homes is extremely important for everyone, whether people, other living creatures, or even the earth itself. (Customer)
- The Company's consistent environmental philosophy, from construction through to demolition, really resonates with me. (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 Durban Platform was adopted in 2011 at the 17th session of the Conference of the Parties (COP17) at the United Nations Framework Convention on Climate Change (UNFCCC). It set the goal of holding down the increase in the global average temperature to below 2 °C, or 1.5 °C above pre-industrial levels. Japan declared it would not participate in the platform until the completion of the Kyoto Protocol's second commitment period, but it seems inevitable it will have to reconsider the international commitment it made at a 2009 summit of cutting total 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.

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.

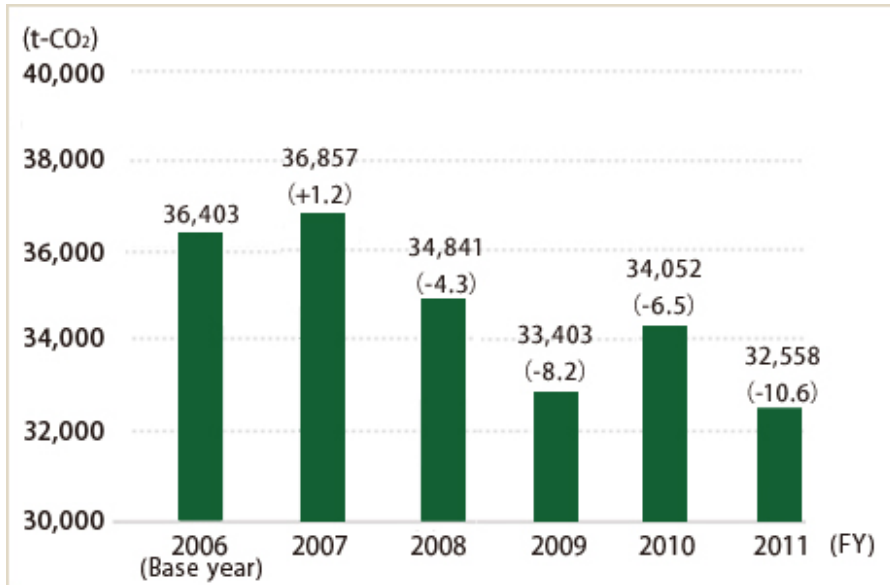
New CO₂ Emission Volume Reduction Targets

- | | |
|---|--|
| Offices | : By FY2010, achieve a 12% reduction in overall emissions compared with FY2006, and maintain this level to FY2014 |
| Subsidiaries in manufacturing businesses in Japan ¹ | : By FY2014, achieve an 8% reduction in emissions per unit sold compared with FY2006 (all Group companies, including offices) |
| Overseas subsidiaries in manufacturing businesses 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 Each plant set its own basic unit targets. In addition, reduction rates for combined CO₂ emissions compared to FY2006 levels serve as a progress benchmark.

■ Results

CO₂ emissions (at Offices)



Note: Figures in brackets indicate the percentage change compared with FY2006, the benchmark year.

Note: Numeric values for CO₂ emissions by administrative departments are figures used for management of progress on an organization-wide basis for the base year (2006).

Note: In fiscal 2011, Sumitomo Forestry offset its CO₂ emissions from offices, by utilizing the forest-absorption credits issued under the J-VER System; 1,590 tons in FY2010 and 2,542 tons in FY2011 respectively.

- ▶ CO₂ emissions for the entire Group are given in the section “[Actual amount of CO₂ emissions in fiscal 2011 \(P.160\)](#)” in this report.
- ▶ Results for plants in Japan and plants outside Japan are reported under “[Sumitomo Forestry Group CO₂ Emission Volume Reduction Targets \(P.161\)](#)” in this report.
- ▶ The results of CO₂ emissions per output unit by plants in Japan and outside Japan are listed in “[Environmental Data. \(P.239\)](#)”

Activities at Offices, Factories and Distribution

- ▶ Life cycle assessments (P.153)
- ▶ Sumitomo Forestry Group CO₂ emission volume reduction targets (P.161)
- ▶ Reducing CO₂ emissions from offices (P.163)
- ▶ Implementing Power-saving measures in response to the Great East Japan Earthquake (P.164)
- ▶ Reducing CO₂ emissions from plants (P.165)
- ▶ Reducing CO₂ emissions from transportation (P.167)
- ▶ Participating in Japan's Trial Integrated Emissions Trading Market (P.170)
- ▶ CDM business using wood biomass power generation (P.232)
- ▶ Promoting wood biomass power generation (P.233)

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.169)
- ▶ Developing Life Cycle Carbon Minus (LCCM) homes (P.171)
- ▶ Reducing energy use through the *Ryouonbou* design concept (P.174)
- ▶ Growing use of solar energy in houses (P.176)
- ▶ Solar hot water system developed (P.177)
- ▶ Adoption rate of Next-Generation Energy Conservation Standards (P.178)
- ▶ Promoting environmentally friendly, energy-saving renovation (P.178)
- ▶ Providing environmentally sound homes in Australia (P.179)

Future Plans

The Company is working to achieve the targets for reducing overall CO₂ emissions set out in its Medium-Term Environmental Management Plan. In addition to continuing with initiatives to reduce electricity consumption in offices, it is also carrying out initiatives to further reduce its use of gasoline and other fossil fuels.

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
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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, the Company considers it to be important for its employees themselves to value their time with their families and achieve an appropriate work-life balance. In addition, employee diversity is the basis for creating new values for the Company.

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, the Company has made various improvements through establishing systems and enhancing communication with its employees. In fiscal 2011, the Company focused on maintaining a workplace environment that supports employees raising children and reducing overtime.

Major Performance Data

	FY2007	FY2008	FY2009	FY2010	FY2011
Utilization of refresh vacation program	52%	45%	61%	59%	42%
Utilization of childcare leave (women who gave birth)	100%	100%	100%	100%	100%
Ratio of disabled employees	1.67%	1.54%	1.83%	2.04%	1.93%

Policy & Plans

- Act for Measures to Support the Development of the Next Generation: Setting the 4th Action Plan
- Arranging a supportive workplace environment for employees on raising children / encouraging male employees to take childcare leave
- Implementation of measures to reduce overtime
- Promotion of utilization of paid holidays

Results

- [Appropriate control over working hours and reduction of overtime \(P.101\)](#)
- [Creating a workplace in which a diverse range of employees can work together \(P.93\)](#)
- Maintenance of various personnel-related regulations
- [Developing human resources \(P.110\)](#)

■ Future Plans

- Promoting the use of the child care and nursing system
- Holding meetings for male employees with children to share ideas on child raising
- Continuing to hold the Women's Forum
- Implementing trial work reforms toward reducing overtime work
- Promoting the use of the career support desk
- Implementing the five year human resources development plan

Stakeholder Comment

- I get the good impression that you are a company that cares about its employees. (Customer)
- It is great that you place the happiness of your employees' families as one of your top priorities. (Investor)

Relations with Stakeholders

Sumitomo Forestry Stakeholders

Sumitomo Forestry Group's businesses are founded on its relations with its customers, business partners, local communities, employees, and other stakeholders. The Group 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 Group 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. 	<p>► Communication with Customers (P.69)</p>
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, evaluation of suppliers in our housing business, etc. 	<p>► Communication with Our Business Partners (P.87)</p>
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. 	<p>► Communication with Our Shareholders and Investors (P.91)</p>
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. 	<p>► Communication with Our Employees (P.107)</p>
Local communities	<p>We value events and other opportunities for the Company to communicate its corporate stance.</p> <ul style="list-style-type: none"> Events to communicate the value of wood and trees, discussions with local people involved in plantation work, etc. 	<p>► Communication with Society (P.116)</p>

Dialogues with stakeholders held up to the present time

Theme	Year held
▶ Exchanging Opinions on the Long Term Goals Set in the Declaration of Biodiversity (P.30)	2012
▶ Expanding Opportunities for People with Disabilities to Improve Corporate Value (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2010_01.pdf) (PDF : 238KB)	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) (PDF : 546KB)	2009
▶ Imparting Ideas for Sustainable Homes to Society (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2007_01.pdf) (PDF : 660KB)	2007
▶ Incorporating NGO Ideas into a Unique Timber Procurement Policy (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2007_02.pdf) (PDF : 1.8MB)	2007
▶ Sumitomo Forestry's Role in the Creation of a Sustainable Society (http://sfc.jp/english/information/kankyo/stakeholder/pdf/2006_01.pdf) (PDF : 460KB)	2006

Exchanging Opinions on the Group's Plan for Biodiversity and its Long-term Targets

On March 27, 2012, the Company held a stakeholder meeting to ask the opinions of various NGOs who are experts in the field of biodiversity. The meeting was part of the measures outlined in the Sumitomo Forestry Group's Declaration of Biodiversity, Action Guidelines, and Long-term Targets that it formulated earlier in the same month. Discussions took place on the three operational areas of upstream, midstream, and downstream and the participants engaged in a frank exchange of opinions over the course of the two-hour meeting.



▶ [Internal link: Policy and Plans for Biodiversity Preservation \(P.209\)](#)

Opinions Expressed at the Meeting

Upstream (forestry business, forest management)

- The majority of the forests for which you have set targets in [No.3 of your individual long-term biodiversity targets \(P.210\)](#) are in Japan and I think you should set individual targets equally for domestic and overseas forests.
- I think it's wonderful that all the forests you own within Japan are SGEC certified. I hope you are also aiming to acquire certification for your overseas forests.
- I know you are carrying out initiatives to preserve the peat wetlands in your industrial tree plantations in the peat wetland forests of Indonesia, but I hope this is something you continue to pay the closest attention to.
- I would like you to implement additional measures to preserve areas with degraded natural wood and to regenerate tropical forests.

Midstream (distribution business, manufacturing business)

- Problems can occur even at certified forests, so when you audit your business partners I think it is a good idea to confirm conditions while also listening to the voices of local people and members of NGOs.
- There is no law for private-sector organizations prohibiting the use of illegally logged timber, so I want the forestry industry to form a group to pressure the government to create such a law.
- Even if we manage to return nature to its former state, I hope that you will aim to achieve timber processing that has a low environmental footprint and that helps to preserve biodiversity.
- While illegal logging of import of timber from overseas thus far been called into question, we are now in the stage to question whether timber is being produced in a sustainable manner. I would like you to more clearly communicate the message of proactively using timber produced with the next generation in mind.

Downstream (other housing-related businesses)

- It is not easy for home owners to get information about the wood used in their homes, so I would like you to have more communication with the home owner to provide them with information such as on the carbon footprint generated by the wood used for their home.
- When developing land for housing, I would like you to create a green zone plan and aim at preserving biodiversity in urban areas.

The opinions of other stakeholders

- I think that in your Declaration of Biodiversity, you should also mention your history of procuring timber from overseas.
- I hope that you utilize the expertise you have accumulated in more than 300 years in your main forestry business and contribute to society by helping to realize a sustainable society.
- No other company has created long-term biodiversity targets equivalent to the Aichi Targets, so I hope you release the details of your targets for other companies to refer to and encourage them to follow your lead.
- People are once again realizing the real value that forests have and the important roles they play; for example, their roles in trapping CO₂, preserving the soil system, and recharging water sources. I hope that you are aware of this new perspective as going forward, I believe that a worldwide trend will be incorporating the value of natural capital into economic value.

■ Participants (titles, division/departments, etc. were correct at the time the meeting was held)

Participants from NGOs



Sayoko Inuma
Planning and Research
Global Environmental Forum



Teppei Dohke
International Affairs,
Conservation Research
Division,
The Nature Conservation
Society of Japan/
Secretary of Japan
Committee for IUCN



Kenichi Nakazawa
Forest Program
Friends of the Earth Japan



Yasushi Hibi
Vice president, Conservation
International/
Managing Director,
Conservation International
Japan

Participants from the Sumitomo Forestry Group

Toshiro Mitsuyoshi

Managing Executive Officer, Divisional Manager of the Overseas Business Division

Akito Kataoka

Executive Officer, Divisional Manager of the Forestry & Environment Division

Naoteru Umesaki

General Manager of the Tsukuba Research Institute

Akira Sekimoto

General Manager of the Forest Products Trading Department, Timber and Building Materials Division

Koji Shida

Timber Group Manager of the Building Materials Procurement & Logistics Department, Housing Division

Jiro Kuramitsu

President and Director Sumitomo Forestry Wood Products Co., Ltd.

Toshiya Ito

Technology Manager Sumitomo Forestry Landscaping Co., Ltd. Environmental Greenification
Headquarters, Tokyo Marketing Department

■ Responding to the Opinions Expressed

Toshihiro Komatsu, General Manager of the Environmental Management Department

It has been extremely instructive to hear the opinions on biodiversity of so many people, both from inside and outside of the Group, and I would once again like to say thank you to all participants.

At Sumitomo Forestry, our business is deeply involved in forests, timber, and housing, so today's discussions have served to reinforce us with the importance of tackling the issue of biodiversity head on. In order to help to realize a sustainable society, from now on we must broaden the scope of our vision of forests beyond trees and other plants. We need to concern all living organisms, whether insects, birds, small animals, large mammals, or even microorganisms and fungi, and must reconsider the roles and relationship between all of these living organisms in the natural environment; namely the way that they mutually affect each other. I feel that doing this will provide us with an excellent opportunity to re-evaluate their importance within our business activities. Just as we are responding to the risk posed by climate change as one of the most important issues of the environment, all of the relevant divisions and departments within the Sumitomo Forestry Group will actively work as one to carry out initiatives to help preserve biodiversity as an inseparable pair element of the environment.

CSR Highlight 2011

In this section, we introduce the initiatives that the Sumitomo Forestry Group carried out in fiscal 2011 to help realize a sustainable society

Preserving Biodiversity

Formulating the Declaration of Biodiversity

Following the establishment in 2010 of the Aichi Targets, which are part of the international convention on biodiversity, in March 2012, the Sumitomo Forestry Group formulated its Declaration of Biodiversity, Biodiversity Action Guidelines, and Biodiversity Long-term Targets. They reflect the importance that we place on biodiversity and indicate how we will act to preserve it.

- ▶ [Policy and Plans for Biodiversity Preservation \(P.208\)](#)

Pushing Ahead with Our Greening Initiatives



Sumitomo Forestry and Sumitomo Forestry Landscaping Co., Ltd. have named biodiversity-sound plants and trees to be used in

landscaping "Harmonic Plants®" and have been actively promoting them through its exterior landscaping services. In addition, Sumitomo Forestry Landscaping Co., Ltd. is providing an increasing number of customers with consulting services on how to preserve biodiversity in their corporate green zones.

- ▶ [Initiatives at Landscaping Business \(P.217\)](#)
- ▶ [Expanding the Scope of the Company's Biodiversity Greening Business \(P.227\)](#)

Opening Dialogues with NGOs



In March 2012, the Company held a stakeholder meeting to discuss the Sumitomo Forestry Group Declaration of

Biodiversity, Action Guidelines, and Long-term Targets. Honest and frank opinions were exchanged among members of NGOs and the Group on biodiversity issue and the Group's efforts to preserve it.

- ▶ [A Meeting to Exchange Opinions on Our Biodiversity Long-Term Targets \(P.30\)](#)

Success in Growing Saplings from the "Pine Tree of Hope"



Researchers from our Tsukuba Research Institute successfully germinated saplings from the seeds of the "Pine Tree of Hope," which,

despite being severely damaged, was the only tree in Takata Matsubara to survive the tsunami caused by the Great East Japan Earthquake.

- ▶ [Social Contribution Activities for Disaster Support \(P.125\)](#)

Expanding the Possibilities of Wood

■ Promoting MOCCA (Wood Use Integration)



In 2011, the Company established MOCCA (Wood Use Integration) Department in order to expand the possible uses of timber through

promoting wood construction and the use of timber resource. It has launched its business within Tokyo's 23 wards with the construction of a wooden, fire-resistant, three-story building to function as a private-pay care facility for the elderly. This environmentally sound building makes plentiful use of Japanese timber, both for the interior and exterior walling.

- ▶ [Property Development Compatible with an Aging Society \(P.75\)](#)

■ Biomass Power Generation Project

A Group company in Indonesia, PT. Rimba Partikel Indonesia (RPI), has adopted a system for generating power from wood biomass, using the offcuts generated by sawmills adjacent to its plant as fuel. Moreover, this wood biomass business has been registered as a Clean Development Mechanism (CDM) business and some of the credits it generates in the CDM scheme are being sold to companies within Indonesia.

- ▶ [Reducing CO₂ Emissions from Plants: Wood Biomass Power Generation Facility Installed at RPI \(P.165\)](#)
- ▶ [CDM Business Using Wood Biomass Power Generation \(P.232\)](#)

■ Launching *Smart Solabo*



In February 2012, the Company launched the *Smart Solabo*, which combines the energy-conserving functions of

wooden homes with the technologies of smart house. It minimizes electricity consumption and CO₂ emissions to provide a home that realizes both economic efficiency and reduction of an environmental impact.

- ▶ [Developing Life Cycle Carbon Minus \(LCCM\) homes \(P.171\)](#)

■ Environmentally Sound *KIKORIN-PLYWOOD*



KIKORIN-PLYWOOD, which we launched in 2009, is made from timber from sustainably managed forests, with more than 50% of its

raw material coming from FSC® and PEFC certified forests, and from timber from plantations with sustainable production.

- ▶ [Increased Handling of Timber from Certified Forests and Plantation Forests \(P.204\)](#)

Contributing to Society through Our Businesses Overseas

■ Collaborating with a University in China to Recruit Local Students



We are developing our businesses overseas and in doing so we pursue initiatives to create employment by recruiting locally. For

example, one of our Group companies in China, Dalian ITS, is collaborating with a local university on a program for training and recruiting local students and the university has great hopes for the program.

- ▶ Initiatives at Group Companies Outside of Japan (P.114)
- ▶ Hiring Locally at Group Companies Outside of Japan (P.99)

■ A Zero-Emissions Home in Australia



Since April 2010, the Henley Properties Group of Australia, which is a member of the Sumitomo Forestry Group, has been exhibiting its

zero-emissions demonstration house, which includes technologies to conserve energy and water.

- ▶ Providing Environmentally Sound Homes in Australia (P.179)

■ Receiving an Honourable Mention Award for Our Indonesia Plantation



Sumitomo Forestry is pressing ahead with its initiative to use the carbon offset credits created from its new plantation in Indonesia to offset the CO₂

emissions generated by its construction of detached houses. In March 2012, the Company received the honourable mention award for this initiative in the Ministry of the Environment-sponsored Carbon Offset Awards.

- ▶ Evaluation by Non-Group Third Parties (P.40)

■ Acquiring FSC Certification in Papua New Guinea



In September 2011, Open Bay Timber (OBT), a Group company in Papua New Guinea, acquired FSC®FM / CoC certification for 11,770 hectares of the 31,260

hectares of plantation forest that it manages. This certifies that it is managing this forest in an environmentally sound manner.

- ▶ Increased Handling of Timber from Certified Forests and Plantation Forests (P.204)

Other Initiatives

■ Acquiring the Highest Rank in the DBJ's Environmental Rating



In April 2012, Sumitomo Forestry was commended by the Development Bank of Japan its highest rank in its DBJ Environmental Ratings. With this

rank, the DJB recognized the merits of the Company's sustainability initiatives, which include the Declaration of Biodiversity, Action Guidelines, and Long-term Targets; its thorough efforts to confirm the legal compliance of the timber it procures and to actively promote the use of sustainable timber; and or proposals for environmentally sound housing.

▶ [Evaluation by Non-Group Third Parties \(P.40\)](#)

■ Reviewing Our Disaster Prevention and Response and BCP Countermeasures

In the report entitled Disaster Countermeasures and Verification of and Issues for the Business Continuity Plan (BCP), the Group compiled the verification results from its initial response to the March 2011 earthquake and employee hopes and concerns taken from a survey. The Group then instructed the Risk Management Committee to implement initiatives that reflected these hopes and concerns and also implemented disaster prevention measures.

▶ [Reviewing Our Disaster Prevention and Response and BCP Countermeasures \(P.50\)](#)

■ Developing Renovation Technologies

Sumitomo Forestry Group is using its renovation technologies for existing homes to reduce the financial burden on customers. In addition to earthquake-resistant renovation that makes use of traditional construction methods, the Group is developing renovation technologies in such areas as energy-conservation retrofitting to help realize optimized living environments.

▶ [Developing Earthquake-Resistant Renovation Technologies \(P.67\)](#)

■ Holding a Study Meeting on Human Rights

In February 2012, the Company held a study meeting on the themes of ISO26000 and human rights. Twenty people attended, including the Head of the Personnel Department, and the participants were able to deepen their understanding of those issues in our business that may involve human rights.

▶ [Human Rights Training for Employees \(P.105\)](#)

Contributing to the Recovery after the Great East Japan Earthquake

Since the Great East Japan Earthquake struck over one year ago, the Sumitomo Forestry Group has contributed to the recovery in the following ways.



Emergency housing construction sites

The Sumitomo Forestry Group's main initiatives up to March 2012


2011	
March	<ul style="list-style-type: none"> • Occurrence of the Great East Japan Earthquake on March 11 (at 14:46) • Established "The Tohoku Area Pacific Ocean Earthquake Disaster Countermeasures Headquarters" (evening of March 11) (From April 11, renamed as "The Great East Japan Earthquake Countermeasures Headquarters"). • Confirmed subsequently the safety of customers. (from March 11) • Posted a message on the Sumitomo Forestry website to all those in the disaster region. (March 11) • Transported materials to victims by securing routes to the disaster zone. (March 12) • The Mokujukyo Association passed a resolution on the construction of emergency housing. Sumitomo Forestry also commenced preparations for the construction of emergency housing. (March 17) • Announced that the Sumitomo Forestry Group will donate 100 million yen to the recovery effort. (March 22)
April	<ul style="list-style-type: none"> • Established the Great East Japan Earthquake Recovery Headquarters within the Quality Control & Customer Information Department in the Housing Division of Sumitomo Forestry Establishment of the Sendai Center and the Fukushima Center under the direct control of the Headquarters (April 1) • Announced that the Group has established a special disaster region quota for the employment of new graduates. (April 14) • Started the construction of emergency housing in Miyagi Prefecture (April 14)
May	<ul style="list-style-type: none"> • Introduced a system for employees to take leave for volunteer work, supporting their efforts to assist in the recovery
June	<ul style="list-style-type: none"> • Delivery of 118 completed emergency houses in Fukushima Prefecture
July	<ul style="list-style-type: none"> • Launched the Cheer Up Japan! Support Tohoku! Project that positively utilizes timber from Tohoku (P.126)


2011	
August	<ul style="list-style-type: none"> • Delivery of a total of 386 emergency houses in Miyagi Prefecture. • Established Mito Center under the direct control of the Great East Japan Earthquake Recovery Headquarters. (August 1) • Established a home loan program specifically for homes that actively utilize timber from Tohoku
November	<ul style="list-style-type: none"> • Established recovery support centers in Miyagi Prefecture in Ishinomaki City and Rifu Town (Rikuzenhamada)
December	<ul style="list-style-type: none"> • Succeeded in germinating sapling from the “Pine Tree of Hope” in Rikuzentakata (P.126)

2012	
January	<ul style="list-style-type: none"> • Opening of a café constructed by Sumitomo Forestry as a temporary facility in Rikuzentakata City (P.127)
February	<ul style="list-style-type: none"> • Established Recovery Support Office in the Corporate Planning Department
March	<ul style="list-style-type: none"> • Company's “Sustainable Energy House (Support Tohoku)” was selected 3rd Project for Promoting CO₂ Reduction in the House and Building by the Ministry of Land, Infrastructure and Transport (category: specified disaster areas) (P.173)

Evaluation by Non-Group Third Parties

Awards and Evaluation by Non-Group Third Parties

Awards	Evaluation	Scope of Evaluation
Commendations in two categories in the 5th Kids Design Award (2011) July, 2011, organized by the Kids Design Association	<p>“<i>mamato</i>,” a lifestyle proposal type home building product in the Social Kids Products category.</p> <p>Third consecutive year Sumitomo Forestry has won the prize in the Future Action category, for the research into the effects of wood interiors on children’s levels of relaxation and concentration.</p>	Sumitomo Forestry
The 23rd Commendations by the Director-General of the Housing Bureau, announced during the Home Lifestyle Month October 2011, organized by the Home Lifestyle Month Events Central Executive Committee	Sumitomo Forestry and its two employees dispatched to Miyagi Prefecture’s Construction Headquarters, which was responsible for constructing emergency housing, were commended for their contribution to the construction of emergency housing following the Great East Japan Earthquake	Sumitomo Forestry
<p>▶ 2011 Good Design Awards November, 2011, organized by the Japan Institute of Design Promotion http://sfc.jp/english/pdf/20111003.pdf</p>	Big-Frame construction method, seismic energy absorbing panels, and its Komazawa Second Model Home in Setagaya Ward, Tokyo were awarded the Good Design Awards 2011	Sumitomo Forestry
Carbon Offset Grand Prize February 2012, organized by the Carbon Offset Network, sponsored by the Ministry of the Environment 	Incentive prize for an initiative to offset CO ₂ emissions from the construction of detached housing through reforestation in Indonesia.	Sumitomo Forestry
Letter of appreciation from the Director of the Forestry Agency March 2012	For the activities for the International Year of Forests	Sumitomo Forestry

Awards	Evaluation	Scope of Evaluation
<p>▶ Achieved the highest rank in the DBJ's Environmental Rating and received a special commendation as a model company Development Bank of Japan (http://sfc.jp/english/pdf/20120427.pdf) April 2012</p> 	<p>Highly evaluated through such initiatives as below; The formulation of the Declaration of Biodiversity, Action Guidelines and Long-term Targets (P.209) Forest certification and active promotion of the sustainable use of wood (P.204) Integrated sustainability measures, including proposals for environmentally sound housing (P.171)</p>	Sumitomo Forestry
<p>Commendation from the Head of the Aichi Bureau of Labor Ministry of Health, Labour and Welfare for “Zero Accidents“ during the entire construction period April 2011</p>	<p>Achieved a record of zero accidents during construction work for the development of the headquarters of the Nagoya Port Authority</p>	Joint venture between Sumitomo Forestry and Chuo Denki
<p>Commendation from the Head of the Aichi Bureau of Labor for excellence in workplace health and safety practices July 2011</p>	<p>Received a commendation from the head of the Work Safety and Health Bureau for construction work for the redevelopment of the headquarters of the Nagoya Port Authority</p>	Joint venture between Sumitomo Forestry and Chuo Denki
<p>▶ 41st WorldSkills Competition -London, United Kingdom (http://sfc.jp/english/pdf/20111013.pdf) October 2011</p>	<p>Silver prize, following a gold medal in 2010</p>	An employee of Sumitomo Forestry Home Engineering Co., Ltd.
<p>49th WorldSkills Competition (Shizuoka City, Shizuoka Prefecture) December 2011</p>	<p>Silver medal and fighting spirit medal in the Construction and Carpentry section</p>	Employees of Sumitomo Forestry Home Engineering Co., Ltd.
<p>28th Housing Renovation Competition January, 2012 , held by the Center for Housing Renovation and Dispute Settlement Support</p>	<p>Grand prize A case study where a former supermarket is converted into a detached residential housing complex with various barrier-free functions added for the elderly and those with disabilities</p>	Sumitomo Forestry Home Tech Co., Ltd.
<p>New Zealand EECA Awards 2012 May, 2012, held by New Zealand Energy Efficiency and Conservation Authority (P.165)</p>	<p>Highly commended in two categories, “EcoInsulation Large Business Award” and “Contact Energy – Energy Management Award” for reducing the use of wood for fuel and in the amount of electricity used, respectively.</p>	Nelson Pine Industries (NPIL)

Selection for Model Projects

Awards	Evaluation	Scope of Evaluation
<p>▶ Adopted to the 3rd “Home and Buildings with Reduced CO₂ Guide for Businesses” (Specified Disaster Area Section), fiscal 2011. Ministry of Land, Infrastructure and Transport (P.171) March, 2012</p>	<p>Adopted with a holistic approach to promote and raise awareness of energy conservation among residents by adopting energy conservation technology and energy creating technology in a balanced manner.</p>	<p>Sumitomo Forestry</p>
<p>Adopted to the “Businesses of Cutting-edge Technologies Development for the regeneration of food producing regions” Ministry of Agriculture, Forestry and Fisheries Reconstruction Agency April 2012</p>	<p>Adopted with the development of high-quality tomato cultivation system in order to develop and promote of ‘bag culture’ applied technologies, utilizing unused organic resources</p>	<p>Joint research between Sumitomo Forestry Tsukuba Research Institute, Sumirin Nousan Co., Ltd., the University of Chiba Department of Horticulture, and the National Agriculture and Food Research Organization</p>
<p>▶ Adopted in fiscal 2011; promotion of the distribution and renovation of existing housing (Existing housing distribution type) Ministry of Land, Infrastructure and Transport (http://sfc.jp/english/pdf/20110729.pdf) July, 2011</p>	<p>Adopted as an ‘existing homes distribution type’ initiative, targeting detached homes and flats and condominiums. Part of costs is subsidized in inspections by the Association of Housing Warranty Insurance, subscriptions for warranty insurance and the recording and accumulation of historical information, when trading existing housing or applying major renovation work on joint-development housing.</p>	<p>Sumitomo Forestry Home Tech Co., Ltd.</p>

SRI Indices

- ▶ Internal Link: “Inclusion in Socially Responsible Investment Indexes” (P.92)

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.

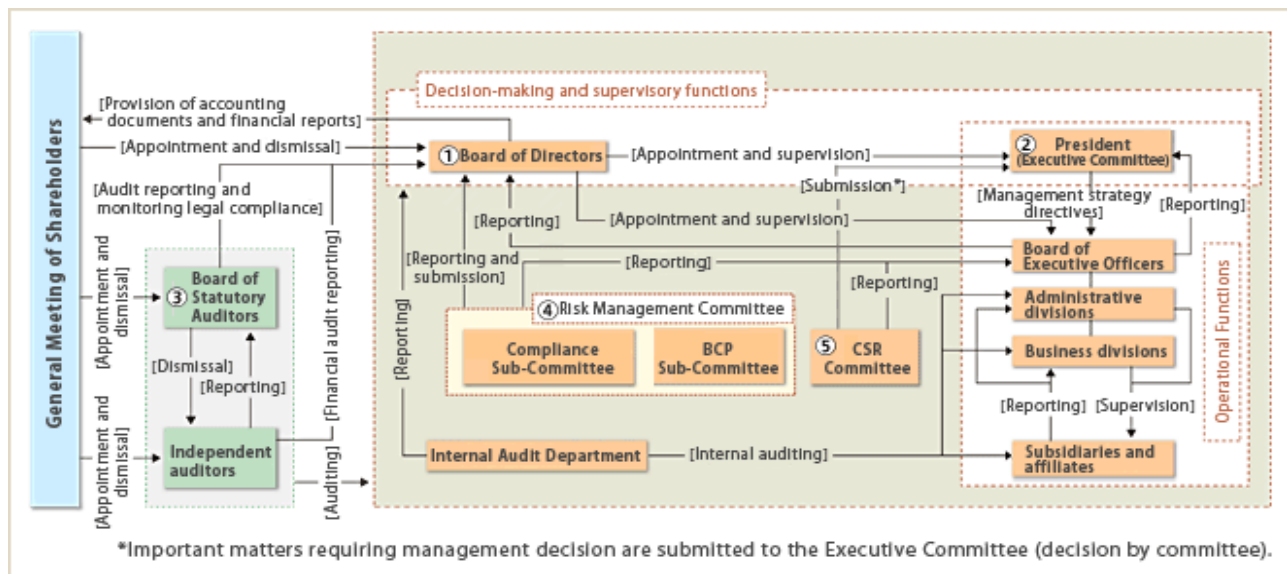
Corporate Governance

Corporate Governance Guidelines

The Sumitomo Forestry Group's corporate philosophy is "to utilize timber as a renewable, healthy, and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services." In addition, one of its Action Guidelines is that "we conduct business that is beneficial to society based on the principles of integrity and sound management," and reflecting this it works to ensure transparency in management, that its operations are appropriate and comply with laws, and to carry out quick decision-making and execution of operations. Through these efforts, the Group is further strengthening its corporate governance and continuously increasing its corporate value while conducting management that lives up to the expectations that its many stakeholders have for the Group.

Corporate Governance and Internal Control

Corporate Governance Structure (as of April 30, 2012)



The Company introduced the executive officer system to separate decision making and management oversight from operational execution functions, enabling the seven directors comprising the Board of Directors to take quick decisions. Moreover, in April 2010, the oversight function of the Board of Directors was strengthened and the lines of operational responsibility further clarified, as from this point the Chairman of the Board of Directors was no longer to serve as an Executive Officer. Established as a company with auditors, Sumitomo Forestry has five auditors, including three external auditors. In addition to attending important meetings within the Company, the auditors carrying out their auditing duties by sharing information and opinions with auditors at Group companies and the staff in the Internal Audit Division, and by supervising staff assisting auditing operations; in these ways it is strengthening the oversight function for our directors' execution of operations.

As of April 1, 2012, we have 7 directors, 15 executive officers, and 5 auditors (of whom 3 are external auditors).

■ 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. Fundamentally speaking, in addition to making decisions on all important items and confirming business results, it supervises the directors' execution of their duties. The Executive Committee, which is a consultary body for the President, holds meetings 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 2011, the Board of Directors met 18 times and the Executive Committee 27 times, and there was 100% attendance by all directors at Board of Directors meetings.

Based on the opinions of investors and social trends relating to the Companies Act, the Company selects and appoints external directors with a view to further strengthening and supplementing its corporate governance. Going forward, we will continue to investigate candidates for external directors so as to be ready to make the appointment when the need arises.

■ 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 2011. The Board of Statutory Auditors' meeting for the Group is held once every two months.

■ Risk Management Committee (④)

In order to establish a system for managing business risk that encompassed Group companies, the Group created the Risk Management Basic Regulations and the Company President was appointed as the person who is the highest authority on risk management within the Company and Group companies.

The Group then established the Risk Management Committee to appropriately and smoothly manage risk based on these regulations and under its supervision we established permanent compliance and BCP subcommittees, staffed by working-level managers. These committees create measures to effectively manage risk to be implemented horizontally across the Group and regularly report to the Board of Directors and the auditors on these measures.

During fiscal 2011, the Risk Management Committee met twice, the Compliance Subcommittee four times, and the BCP Subcommittee three times.

■ CSR Committee (⑤)

The Group established the CSR Committee and created a system to promote CSR to strengthen links between departments and divisions and make activities more closely reflect those at work sites. During 2011, it appointed CSR managers and carried out a CSR survey at Group companies.

Based on a resolution of the CSR Committee, during fiscal 2012 the Group appointed a CSR manager in every business department and Group company to clarify the way employees can report on CSR-related matters. The business activities of the Group are very broad and encompass forestry, manufacturing, sales and marketing, and services, and for this reason it conducted the CSR survey throughout the Group so we could precisely ascertain the CSR situation and create a plan for promoting CSR management based on the results of the survey. The questions in the survey covered a wide range of topics, including human rights, labor practices, health and safety, personnel training, and intellectual property rights.

■ Officer Remuneration

In accordance with the law, we disclose in our business reports the total remuneration paid to officers (directors and auditors, internal and external) in each fiscal year.

In fiscal 2011, remuneration of 394 million yen was paid to the nine directors, of which 299 million yen was paid as their basic salary and 95 million yen was paid as bonuses.

- ▶ [Link to Related Website: "Annual Report 2012"](http://sfc.jp/information/ir/library/pdf/annual/ar2012eng.pdf)
(<http://sfc.jp/information/ir/library/pdf/annual/ar2012eng.pdf>) (PDF : 9,702KB)

Stakeholder Comment

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

Compliance

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 "

Compliance Promotion System

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 so that it may fully understand and manage the compliance situation and to increase awareness about it throughout the Group to ensure compliance with relevant laws in those of its businesses that require official approval.

Also, some parts of the Company's businesses require that it enters into contracts with multiple external specialists, such as from the construction industry, and we thoroughly manage the various approvals required by outsourcers.

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. The Group's e-learning program is a required training course for all Group employees. Also, whether within Japan or overseas, all employees complete a training course on starting work at a Group company and then as required throughout the careers.

■ Sponsoring Seminars for Compliance Managers

The Group held seminars for the compliance managers of all Group companies led by external specialist instructors. In fiscal 2011, the Group organized seminars on such topics as the Revised Waste Management Law and on the practise of using product accident risk maps. The Revised Waste Management Law seminar was held in April 2011 and attendees were taught about their responsibilities following the revisions to this law, which pertain to the integration of the responsibilities of the main contractor for construction-related waste and also the processing of industrial waste. 50 working-level managers whose responsibilities include industrial waste attended the seminar and through quizzes, an explanation of the most important aspects of the law, and lectures from lawyers specializing in this field, they were able to deepen their understanding of this law and thereby better comply with it.

In the practical seminar on product accident risk map, the R-map method, which is used as a reference for the recall judgment by the Ministry of Economy, Trade and Industry and also complies with international standards, was introduced to learn how to ensure customer safety for the Group's core business of detached housing. The detached housing is composed of many products and parts that are procured from outside the Group and attendees learned the visualization process of risks so as not to put customers through defective products. 52 employees attended this seminar, including from the Materials Procurement Department and from the Quality Control & Customer Information Department.

Compliance Counter

In 2002, the Sumitomo Forestry Group established the Compliance Counter to improve our ability to regulate our own day-to-day business activities through rapidly detecting illegalities and other difficult-to-resolve forms of misconduct and nipping them in the bud before they develop into serious issues. The Group has two compliance counters, one within the Group and one outside it, and has in place a framework to enable those who contact the counters for advice or to report a compliance violation to consult the relevant regulations and a user manual and to ensure that their interests will not be harmed.

The Group revised this manual in fiscal 2011 and it distributes it to all of its approximately 12,500 Group employees, including non-full time employees, and has been carrying out a range of initiatives to enable as many people as possible to easily get advice and report a suspected violation. These initiatives including using the Intranet to increased awareness about the compliance windows, creating an email address only for use for contacting the compliance counters, and including in the user manual the photographs of the male and female lawyers who are available for consultations on the external compliance counter. As a result of these efforts, in fiscal 2011 the Compliance Counter was contacted 25 times, a substantial increase on the 12 times during the previous fiscal year.

Responding to Compliance Violations

When a compliance violation occurs, Sumitomo Forestry first aims to fully understand what actually occurred. The Company then formulates measures to prevent its reoccurrence and to ensure compliance in the future, while also appropriately disclosing information relating to the violation.

After establishing precisely what occurred, we punish the employee responsible for the violation in accordance with the relevant laws and Company regulations.

Internal Audits

The Group periodically holds study meetings for the compliance managers that it appoints to conduct oversight within Group companies. In addition, internal auditors, members of the Internal Audit Department, and risk and compliance managers meet every month to report to share information on managing risk at every level within the Group.

Preventing Corruption

The Group places the highest importance on a corporate spirit that earns it the trust of society and it instructs its employees never to engage in behavior for personal gain that would damage this trust, to always obey society's rules and laws, and to compete in a fair and dignified manner.

- ▶ [Link to Related Website: "Our Values and Ideals - Legal Compliance"](http://sfc.jp/english/corporate/policies/values_03.html#cont02)
(http://sfc.jp/english/corporate/policies/values_03.html#cont02)

Fair Competition

Policy & Plans

Securing healthy profits in an environment of free and fair competition

- ▶ [Link to Related Website: "Our Values and Ideals - Legal Compliance"](http://sfc.jp/english/corporate/policies/values_03.html#cont02)
(http://sfc.jp/english/corporate/policies/values_03.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

The Group's basic policy is to protect the intellectual property that it creates and to deal decisively with any violations to its intellectual property rights.

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

Rejection of Influence from Anti-Social Elements

Sumitomo Forestry sets 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 accordance with this policy, all contracts that the Group enters into include a clause to exclude anti-social elements.

Risk Management

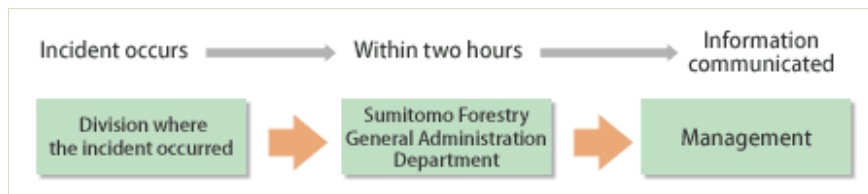
The Company considers risk management measures to be one method by which it can strengthen its corporate structure and it continuously implement reforms to improve its ability to manage risks.

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



Reconfirming Risk Items

Based on the results of our 2008 survey conducted among 5,742 employees, the Company created a risk map and then linked this map to the activities of the Risk Management Committee.

In the March 2012 meeting of the Risk Management Committee, committee members reconfirmed and reevaluated for their respective departments the degree of connection and the relative levels of importance of the business risks defined in the Risk Management Basic Regulations and the Securities Report. In addition, they reported on the measures that were carried out in fiscal 2011 to manage these risks. The details of the meetings were reported to the Board of Directors and were used in promoting risk management based on the PDCA cycle.

Responding to Disasters and Emergencies

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

Reviewing Systems for Preventing and Responding to Disasters and Emergencies

The Company discussed measures for disasters and BCP through the report titled Disaster Countermeasures and Verification of Issues in the Business Continuity Plan (BCP). The report was completed through survey to the wishes and concerns that it discovered in its efforts to verify conditions on the ground immediately after the March 11th 2011 earthquake and also in the results of survey it conducted for all employees in the Tohoku and Kanto areas. Based on this document, it instructed the Risk Management Committee (the Great East Japan Earthquake Disaster Restoration Countermeasures Division) to examine possible response measures, and as a result of their recommendations we formulated our disaster countermeasures, whose main goals are to strengthening our ability to prevent and respond to disasters in order to protect lives and our assets. They constitute those measures to be carried out as standard throughout the Group and include checking the levels of safety at all of the Group's business sites within Japan; implementing measures to ensure safety within work sites, such as to prevent work equipment falling over; and selecting standardized disaster-preparation goods and ensuring that at the least the minimal necessary level of these goods are stored at all sites. The disaster-preparation goods to be stored at business sites in the Tokyo metropolitan area, Osaka, and Nagoya should be sufficient for three days of supplies for staff who are unable to return home due to a disaster and are already being stores at all Group business sites.

In reformulating the BCP, based on the issues extrapolated from the BCP training described below, we reviewed the plan to ensure that we would be able to carry out all of our priority operations in the event of a disaster, including paying employees who are at home or in other remote locations and paying the bills of our business partners. Also, while maintaining the highest levels of security we decided to move to a thin-client setup for our emergency-use computers.

In addition, all Group companies within Japan were required to review and reformulate their BCP in accordance with the Business Continuity Guidelines and Checklist released by the Cabinet Office.

Implementation of BCP Training (fiscal 2011)

December 2011: BCP Large Scale Earthquake Countermeasures Simulation Training

This training was carried out for managers responsible for disaster prevention and response and BCP in each business division and Group company; 55 people participated from 25 Group companies in Japan. The simulation training was conducted so that the participants could get a sense of how ready they were to respond to an emergency and to acquire the awareness necessary for them to create effective countermeasures and maintain a system to carry them out. The Group will continue to conduct this training in the future based on a long-term perspective and for a wider range of employees.

February 2012: Training in Tokyo for Countermeasures for Those Unable to Return Home after a Disaster

The Group policy for its Tokyo employees is for them to avoid moving around the city after a major earthquake and so it instructs its Tokyo business sites to always have stored three days worth of provisions for employees. In this training, the Group envisaged that employees would be able to start returning to their homes on the fourth day after the earthquake, and the 10 designated individuals practiced guiding employees out of each floor of our main building and through the imagined disaster area (from Tokyo Station to Tokyo International Forum, and then to Hibiya Park). In conjunction with this training, the Company carried out training for employees in the Head Office building to reconfirm the location of their emergency exits.



Training as for those unable to return home after a disaster

Training in Chiyoda Ward for Employees Unable to Return Home after a Disaster

This training was conducted for the third consecutive year. In addition to the members of the fire-safety team in the Head Office, 19 members of BCP subcommittees from 4 companies participated in this training, including those from an affiliated company with a business site in Chiyoda Ward, Tokyo Japan.

The Company also carried out rescue and first aid training for the Injured. Participants practiced using a bar to rescue trapped victims, transporting them on a stretcher, and carrying out emergency first aid and artificial respiration using an AED device.

Previous BCP measures (formulated in 2008) for an earthquake with an epicenter in the capital area

Year	Measures
2009	<ul style="list-style-type: none"> ① Maintaining a BCP-based system for an earthquake with an epicenter in the capital area (selecting alternative sites, preparing and installing infrastructure equipment, preparing a response manual, etc.) ② BCP training <ul style="list-style-type: none"> ▪ October 2009: Initial-response training (securing lines of decision-making for each level of management) ▪ October 2009: Safety-confirmation training (confirming the safety of employees living in the capital area and the three nearby prefectures) ▪ November 2009: Training for executing priority operations after the disaster (confirming the presence of key personnel in the Countermeasures Division within the temporary headquarters) ▪ January 2010: Training in Chiyoda Ward, Tokyo Japan, for employees unable to return home after a disaster
2010	<ul style="list-style-type: none"> ① Introducing a Group-wide system for confirming the safety of employees ② BCP training <ul style="list-style-type: none"> ▪ From August to October 2010: Safety-confirmation training (all Group companies) ▪ September 2010: Training for executing priority operations after the disaster (reconfirming the presence of key personnel in the Countermeasures Division) ▪ January 2011: Training in Chiyoda Ward for employees unable to return home after a disaster ▪ January 2011: Experiencing disaster prevention at the Life Safety Learning Center, Tokyo Fire Department ▪ January 2011: Training for emergency communication among management members

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.

Measures to Deal with Disaster Risks Overseas

Eight overseas Group companies have prepared a crisis management, which is regularly reviewed and updated. Each Group company also formulates their own BCP for a time of emergency, such as an earthquake or other natural disaster.

The Group also uses assistance companies¹ to supplement its own framework for providing medical treatment and crisis management for employees overseas.

¹ It uses the services of two assistance companies, AXA Assistance Japan and Beijing Forestry Management Consultancy Co., Ltd.

Stakeholder Comment

- It is great that you have a system in place for confirming the safety of your employees and I am impressed with your track record of effectively utilizing stockpiles, especially after the Great East Japan Earthquake. (Customer)
- I would have liked you to describe your measures for dealing with disaster-related risks in a little more detail. (Stakeholder)

Traffic Safety

Policy & Plans

Group companies in Japan, including Sumitomo Forestry have a total fleet of around 6,100 vehicles (as of the end of March 2012) for using for work and for commuting. Due to the size of this fleet, it maintains the system for managing these vehicles and provide employees with training so that it may eliminate as much traffic accidents and violations as possible.

Results

Introducing the Safe Driving Management System

The Company has independently developed an integrated system to manage driving-related information, such as data on when employees last updated their driving licenses and any violations they have committed, on car inspection, and on insurance. In addition, since 2007 every branch has been required to submit a monthly report detailing its safe driving performance. This system helps to prevent employees from forgetting to renew their licenses, car inspection certification, or insurance. Moreover, employees that use vehicles for work or for commuting must immediately report traffic accidents and administrative measures to be taken against them, and once a year they must acquire and submit a Certified Driving Record. These regulations are playing a useful role in preventing accidents from reoccurring and educating employees on the importance of safe driving.

Adoption as an Employee Evaluation Item

Almost all of the vehicles managed by the Company are used at branches of Housing Division. Therefore, from fiscal 2011 we included among the evaluation item we use for branch managers an attempt on to what extent they have been able to eliminate traffic accidents among their branch's employees.

Constructing a Traffic Safety Management System for All Group Companies in Japan

Through the efforts of the Compliance Sub-committee, in fiscal 2011 the Group was able to standardize and deploy throughout Group companies in Japan a traffic safety management system, which had already been in use by some Group companies. This system includes regulations for the periodic updating of Certified Driving Records and on reporting traffic accidents and violations. In addition, the Group identified which types of accidents were occurring relatively frequently and created a poster showing practical steps that should be taken to eliminate these accidents. These posters have been distributed throughout the Group.

Future Plans

Going forward, the Company will further strengthen its traffic safety management to improve traffic safety among its employees.

Information Security

■ Improving the Precision of Information Security in the Sumitomo Forestry Group

In fiscal 2011, the Company provided a range of guidance on information security policies. Through the Affiliated Companies IT Managers Council, the Company widely disseminated to Group companies in Japan the revised content of the Sumitomo Forestry Group Information Asset Protection Guidelines. It also distributed a checklist to enable each company to identify any differences between the guidelines and their own situation.

The Company also initiated an information security e-learning course for employees in Group companies in Japan.

■ Upgrading Web Foundations and Strengthening IT Governance

The Sumitomo Forestry Group has used the cloud computing service provided by Internet Initiative Japan Inc. (IIJ) to integrate the websites of Group companies. The management of the system began in September 2010 and the shift to a cloud service is enabling the company to strengthen its IT governance, based on the Group-wide strategy.

■ Future Plans

In fiscal 2012, the Company will issue guidelines for Group companies outside of Japan and plans to establish a system for information security for the Sumitomo Forestry Group throughout the world, not just domestically.

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

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, it reviewed and updated the plan's numerical targets in response to the significant changes in its business environment.

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 transforming the revenue structure and promoting a new mindset among employees. With a strong commitment to sustainable business practices, the plan designates wood as having a central role in enriching people's lives and contributing to the community.

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

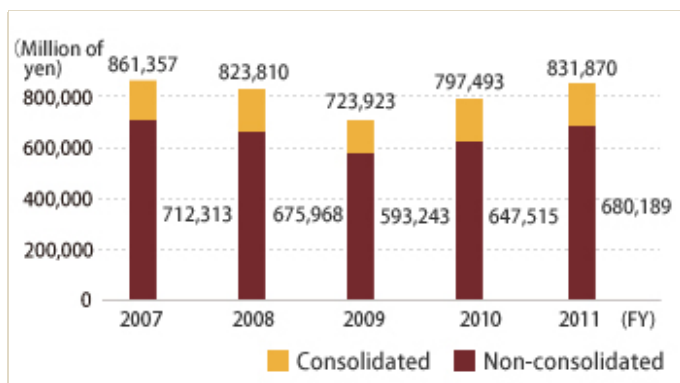
Promotion of the Project
SPEED, Long-Term
Management Plan

Financial Performance

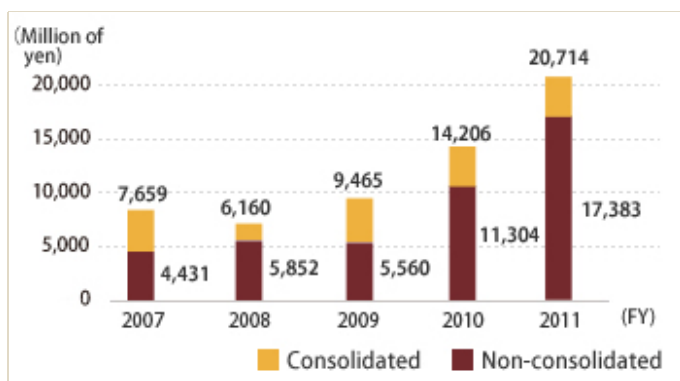
Financial Performance

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

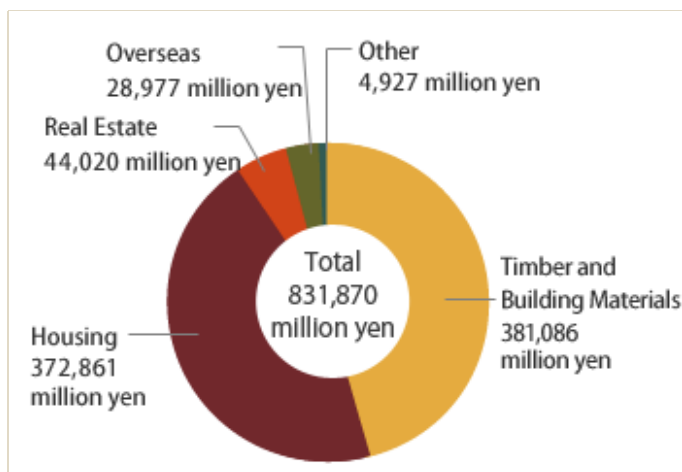
Net Sales (Fiscal 2007 to 2011)



Recurring Income (Fiscal 2007 to 2011)



Consolidated Net Sales by Segment (Fiscal 2011)



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

Major Initiatives in Fiscal 2011

Together with Our Customers

Priority Areas	CSR Initiatives	FY 2011 Results	FY 2012 Plan	Division
Provision of high-quality houses with excellent overall balance	Build long-lasting homes	<ul style="list-style-type: none"> Achieved 85.1% certification rate under the Excellent Long-term Housing Promotion Act (P.60) 	<ul style="list-style-type: none"> Promote excellent long term housing 	Housing Division
	Promote energy-saving homes	<ul style="list-style-type: none"> Launched <i>Smart Salabo</i>, which is installed with a household rechargeable battery system (P.172) Achieved 36% of solar power installation rate (P.176) 	<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 'distribution and renovation of existing homes section' (P.42) Launched <i>Smart Reforest</i>, which is installed with the latest equipment toward achieving zero fuel and lighting costs (P.172) 	<ul style="list-style-type: none"> 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"> Launched sales of emergency supplies at on-line store in the Club Forest, a special website for owners of <i>Sumitomo Forestry Home</i> houses (P.72) Enhanced 24-hour, 365-day support service (P.69) 	<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	FY 2011 Results	FY 2012 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.84) 	<ul style="list-style-type: none"> Additional implementation of the CSR survey at overseas business partners 	Timber & Building Materials Division Sumitomo Forestry Wood Products Co., Ltd.
	Enhance communication with the timber and building materials business partners communication with building contractors	<ul style="list-style-type: none"> Published the <i>Building Materials Monthly</i> informational magazine (P.88) 	<ul style="list-style-type: none"> Provide information regarding renovation market and zero-energy homes 	Timber & Building Materials Division
		<ul style="list-style-type: none"> Conducted a Survey on Production Systems and CSR (P.89) Revised the Supplier Evaluation Standards (P.89) 	<ul style="list-style-type: none"> Reflect survey results in collaborative relationships in FY2012 and beyond 	Housing Division

Together with Our Shareholders and Investors

Priority Areas	CSR Initiatives	FY 2011 Results	FY 2012 Plan	Division
Communication with shareholders and investors	Improve information disclosure	<ul style="list-style-type: none"> Held 145 individual meetings for institutional investors (P.91) Hosted IR meetings for individual investors, attended by about 360 people (P.91) 	<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	FY 2011 Results	FY 2012 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"> Promoted the use of childcare- and family care-related programs (P.95) 	<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 15 male employees taking childcare leave (P.96) 	<ul style="list-style-type: none"> Hold meetings for male employees taking childcare leave to exchange opinions and information 	
	Promote affirmative action	<ul style="list-style-type: none"> Achieved a 24.1% share for women among newly hired graduates (P.97) Held the Housing Sales Women Job Forum (P.98) 	<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"> Launched initiatives to keep overtime work down at a model branch (P.101) 	<ul style="list-style-type: none"> Implement a trial working hours scheme to keep down overtime work 	
	Implement an anti-smoking program	<ul style="list-style-type: none"> Maintained the 'no smoking anywhere during working hours' program (P.101) 	—	
Human resource development	Provide employee career consultation and support	<ul style="list-style-type: none"> Implemented measures in the five-year human resource development plan (FY2011 to FY2015) (P.110) 	<ul style="list-style-type: none"> Promote the use of the Career Support Desk Implement the first year of the five-year human resource development plan 	

Together with Society

Priority Areas	CSR Initiatives	FY 2011 Results	FY 2012 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 539 children and students participated in environmental education programs (P.127) 	<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 310 ha in protected forests and neighboring degraded areas (P.128) 	<ul style="list-style-type: none"> Expand the reforestation area while nurturing the trees already planted 	Forestry and Environmental Department
Social contribution activities outside core businesses	KTI Educational Foundation	<ul style="list-style-type: none"> Provided scholarships for 46 recipients in Indonesia (P.122) 	<ul style="list-style-type: none"> Continue implementation 	Overseas Business Division
	Contribute to public policy	<ul style="list-style-type: none"> Collaborated with and offered suggestions to the government, local government, and industry (P.129) 	<ul style="list-style-type: none"> Continue offering suggestions 	Division responsible
	Social contribution activities for disaster support	<ul style="list-style-type: none"> Provided support for employees' volunteer activities for the recovery from the Great East Japan Earthquake (P.124) Succeeded in growing saplings from the "Pine Tree of Hope," in Rikuzentakata City (P.126) Set up the <i>Riku Café</i>, etc. (P.127) 	<ul style="list-style-type: none"> Continue with these measures 	Personnel Department

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

Housing Distribution and Renovation Initiatives

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

Stakeholder Comment

- I think it's really wonderful that you are building homes in which people can live for many years.
(Company employee)

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 2011, 85.1% of all houses constructed were granted excellent long-term housing certification.

Future Plans

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

Stakeholder Comment

- 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)

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: 98.2% implementation²

Construction Performance Evaluation, which is recommended to customers to acquire along with Design Performance Evaluation: 87.6% 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 years¹ 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.

- 1 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.

Stakeholder Comment

- I appreciate that the Company is working on the universal design and an improvement the durability of its houses. (Customer)

Development of a Differential Settlement Correction Method for Housing

Sumitomo Forestry has collaborated with Nisshin Steel Co., Ltd. and Nisshin Kokan Co., Ltd. to develop the Differential Settlement Correction Method for Housing. In regions with soft ground, this method lifts up each of the home's foundation blocks to correct the problem of differential settlement when it occurs. The three companies began jointly developing this method in 2006, and it has a number of advantages over other methods. For example, it is kinder to the environment than the conventional method that involves injecting chemicals into the foundation, while it also offers superior corrosion resistance and lower costs than the method that uses hydraulic jacks to lift the house. A patent application is pending.

- ▶ [Link to News Release: Development of a construction method for correcting unequal settling of homes \(http://sfc.jp/english/pdf/20111004.pdf\)](http://sfc.jp/english/pdf/20111004.pdf)

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 changes that occur in future life stages.

Results

Strengthening Sales of the Big-Frame Construction Method

In fiscal 2011, the Company took orders for 2,517 homes—around a 160% 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 offers 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 among the recommended specifications of Government Regulated Semi-Fireproof Construction Houses by the Japan Housing Finance Agency.

■ Results

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

In April 2011, Sumitomo Forestry developed a technology that allows a traditional *Shinkabe*¹ interior to be constructed in wooden buildings, such as a three-story wooden house, in semi-fireproof 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

- It was reported that homes were swept away by the tsunami caused by the earthquake, so shouldn't you have thought more deeply about safety in this region? (Company employee)

Houses Designed to Prevent Crime

■ Policy & Plans

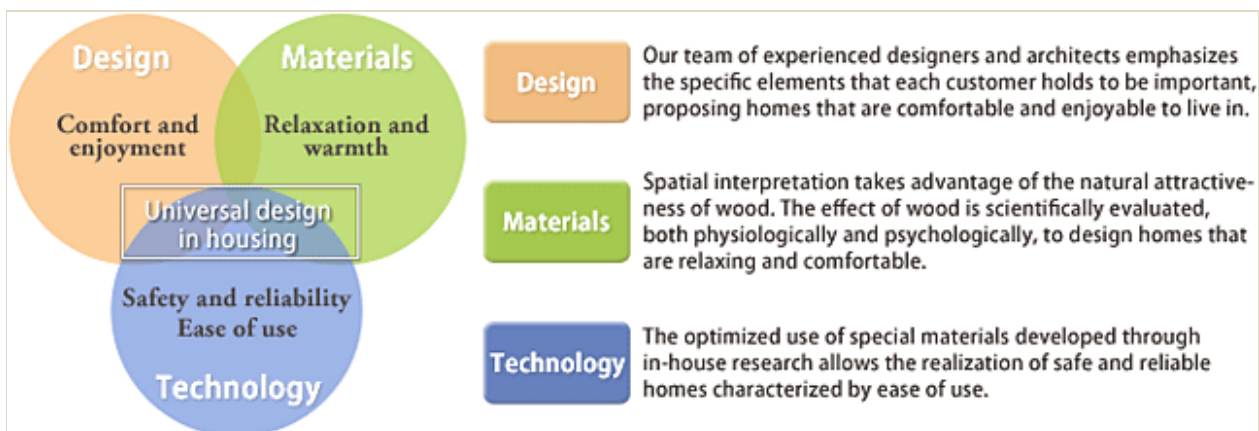
In its scrupulous attention to the details of its custom-built houses, Sumitomo Forestry proposes crime prevention measures from the site survey and design stage.

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 Sumitomo Forestry's 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 positioning and movements, as well as handrails and other materials to prevent accidents.

Employees 'Experience' the Universal Design House

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

Publication of a Building Materials Catalogue for Housing for Senior Citizens

In December 2011, Sumitomo Forestry Crest Co., Ltd. published a building materials catalogue for housing for senior citizens. It features beautiful wood-grained furniture and fittings and large doorways with plenty of space for a wheelchair to pass, providing residents with homes that give them feelings of safety and comfort and also enable nurses to carry out their duties more easily. Not only the furniture and the fittings, but also the floors and the walls are made of wood and designed always with the resident in mind, providing a range of functions and a sense of refinement.

Launch of the *ikiki* Two-Family Homes that Strengthens Family Bonds

In October 2011, we launched the *ikiki* two-family home for young working couples and their still active parents. The homes are designed to facilitate intergenerational communication while also ensuring the residents have private time, with spaces both for independent and communal living. Moreover, these homes meet the Sound Insulation 60 Specification, as we used a newly developed method of constructing floors with highly efficient sound insulation, helping to provide a comfortable, stress-free living environment.

▶ [Link to the news release: Launch of the *ikiki* two-family homes that strengthens family bonds](http://sfc.jp/english/pdf/20111014.pdf)
(<http://sfc.jp/english/pdf/20111014.pdf>)

Launch of the *mamato* Home that Helps Mothers Raise Their Children

In June 2011, we launched the lifestyle proposal-type *mamato* home, based on the concept of "creating homes where both mothers and their families can be happy." The homes were developed mainly via consulting with our female employees who were raising children or had done so in the past, and their ideas and concerns were reflected in the home's specifications. For example, we use traffic-flow planning to improve housework efficiency and also fully utilize the results of the research that won us a Kid's Design Award.

■ 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 of SGEC¹.

This enables the Company to display the SGEC 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.



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SGEC認証番号: JAFTA-W03B

SGEC-Certified Timber Used in Housing

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 \(P.199\)"](#)

Confirming the Legality of the Timber Being Used

The Company confirms the legality of all the timber it uses for home construction, whether Japanese timber or imported timber.

▶ [Internal Link: Green Procurement Guidelines and Timber Procurement Standards \(P.82\)](#)

▶ [Internal Link: Preventing the handling of illegally logged timber \(P.146\)](#)

■ Future Plans

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

▶ [Internal Link: "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 third-party organizations to certify that separation and labeling is being carried out appropriately by operators during storage, processing, and distribution of timber from certified forests.

Multi-Unit Residential Building Initiatives

Policy & Plans

In its rental properties business, Sumitomo Forestry supplies wooden rental housing under the Forest Maison brand name, built with the Company's original Two-by-Four and Big-Frame Construction Methods. By building structures with excellent seismic resistance and durability while also taking into consideration the surrounding environment and addressing various other requirements, Sumitomo Forestry provides homes in which people can live for a long time with peace of mind.

Results

Launch of Forest Plus Rental Homes that Make Full Use of the Land

In July 2011, the Company launched Forest Plus rental homes that are designed to be considerate to their surrounding environment. It can flexibly provide Forest Plus proposals tailored to the site conditions, such as the land formation and local road network, while also addressing the legislative environment including regulations on the plot ratio and the degree of slant. A feature of these homes is that they address a wide range of customer needs, from the freedom to decide the home layout to the option to add to the equipment specifications, through to the ability to create life plans, such as for asset utilization and tax strategies.

▶ [Link to the News Release: Launch of Forest Plus \(http://sfc.jp/english/pdf/20110708.pdf\)](http://sfc.jp/english/pdf/20110708.pdf)

Stakeholder Comment

- I wanted to know about the interchanges between House Kohoku Tsunashima and Minamiboso City in more concrete detail. (Other stakeholder)

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 Repair Savings and Dedicated Renovation Loan Schemes

In February 2011, Sumitomo Forestry launched repair savings and renovation loan 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 the news release: "New Loan and Savings Services for Renovation and Repair of Sumitomo Forestry Home Houses"](http://sfc.jp/english/pdf/20110120.pdf) (<http://sfc.jp/english/pdf/20110120.pdf>)

Stakeholder Comment

- The information about the Long-Term Support System, the renovation of traditional Japanese-style houses and renovation system for improving earthquake resistance was easy to understand even for ordinary people. (Other stakeholder)
- It's great that support is available for many decades after a house has been built. (Company employee)

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. Sumitomo Forestry Home Tech Co., Ltd. is developing earthquake-resistant renovation technologies that alleviate the burden for customers while making the most of existing houses.

■ Results

Development of a Shear Wall that can be Positioned at Low Cost in a Traditional Shinkabe Wall in a Japanese-Style Room

The Company has developed a new construction method that can easily convert a traditional Japanese shinkabe wall into a shear wall. The method entails positioning a rigid-joint beam shear between the pillars without having to remove the nageshi beams or ceiling.

The beam incorporates the Company's original T-shaped rigid metal fittings to strengthen the supporting walls. In comparison to the conventional construction method, which requires removing the nageshi beams and ceiling to construct the shear wall, this method reduces the extent of the construction required and its costs.

The Company has applied for a technological evaluation by the Japan Building Disaster Prevention Association (DPA -47) and is awaiting patent approval

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 Sumitomo Forestry's 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

Introducing some Examples of How Traditional Construction Methods have been Utilized to Improve Existing Homes

In April 2011, the TV program *Hyakunen Meika* (100-Year-Old-Historical-Homes), introduced some case studies of Sumitomo Forestry Home Tech's renovations of traditional homes. Then in September 2011, *Renovations Bringing Wisdom from the Past to Tomorrow: Rehabilitation of Traditional Japanese Houses to Meet the Needs of the People who Live in Them* was released to bookstores nationwide, which is the third in its series of books introducing examples of the Group's renovation of traditional homes. These examples highlight how the Group is renovating traditional homes to improve their anti seismic and energy conservation while leaving untouched their unique historical features, thereby communicating to the world the appeal of Japan's existing stock of traditional homes.

■ Future Plans

Sumitomo Forestry's Tsukuba Research Institute and Sumitomo Forestry Home Tech Co., Ltd. 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

Housing Distribution and Renovation Initiatives

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

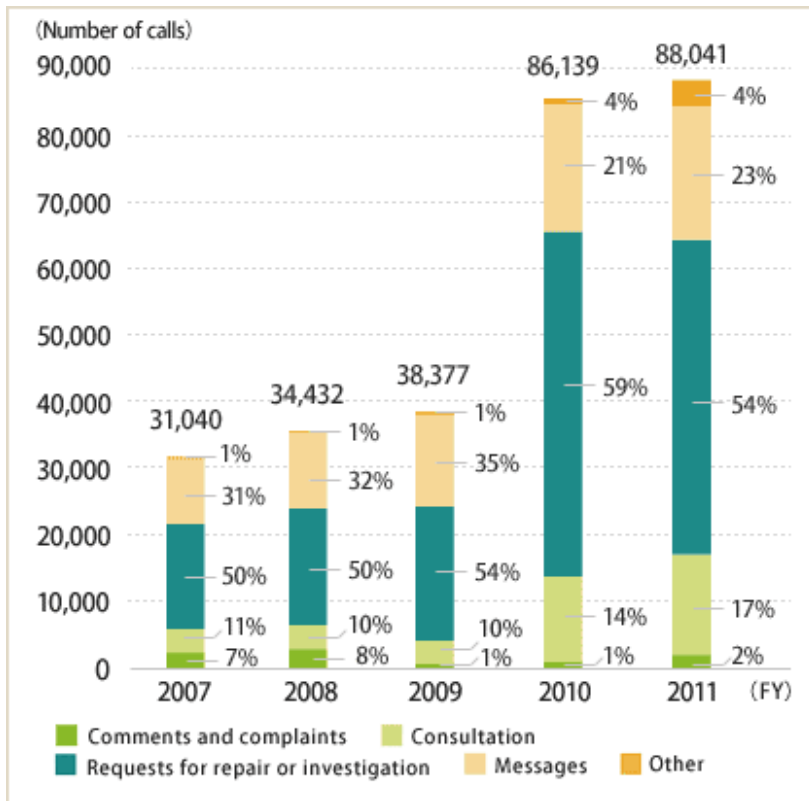
Sumitomo Forestry places strong emphasis on its after-sales support after a house has been handed over to its new owners in order to ensure that its customers are secure and comfortable in their homes.

Results

Enhancing our 24-Hour, 365-Day Support Service

The Company accepts requests for consultation after delivery and for repairs and maintenance. The customer support system is comprised of customer centers, for customer support within branches nationwide, and the Sumitomo Forestry Call Center, which is a 24-hour 365-day toll-free call center dedicated to accepting requests for repairs and maintenance from customers throughout the country. The Company has clarified these centers' separate roles and communicated them as widely as possible to customers. The Toll-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 lifestyle magazine. Customer Centers in different areas are even responding to enquiries from customers in disaster-hit regions following the Great East Japan Earthquake.

Number of Call Center Consultations



Regular Survey Implementation

To accurately assess its customers' views, Sumitomo Forestry administers surveys 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 putting-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. It also uses the intranet to share information that can help improve employee skills including collecting stories on employee experiences and recognizing employees who have gone out of their way to provide outstanding customer service.



The Customer Satisfaction Pavilion
Intranet

Satisfaction No.1 Working Group Activities

The Satisfaction No.1 Working Group within Sumitomo Forestry 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 2011, in order to further improve customer satisfaction, we began distributing to employees *Customer Satisfaction News – Building Homes that Inspire Emotion*, which introduces case studies of proposals that resulted in satisfied customers.

Measures to Restore Housing in the Disaster Region

The Sumitomo Forestry Group opened three centers to support the restoration of its customers' homes, in Sendai, Miyagi Prefecture, and Fukushima, Fukushima Prefecture, from April 2011 and in Mito, Ibaraki Prefecture, from August. Among the first tasks each center carried out were confirming whether or not the customer was safe and the damage to their homes, deciding on the level of danger, and then making arrangements for repair work. In many cases, it was the roof of the home that was damaged and the sheer volume of repairs required could not be dealt with solely by local roofing repair shops. The Company therefore recruited a large number of workers with the necessary skills from both Sumitomo Forestry Group companies and its cooperating companies throughout Japan and dispatched them to the disaster region, and with their help it was able to press ahead with the repairs.

Going forward, Sumitomo Forestry Group will continue to focus its energies into the recovery, such as through following up with customers who requested repairs.

Opening Recovery Support Centers in Two Locations: Ishinomaki City and Rifu Town (Rikuzen Hamada)

In November 2011, Sumitomo Forestry opened recovery support centers in Ishinomaki City and Rifu Town (Rikuzen Hamada) to function as consultation sites for its new homes business and renovations business. The support centers form part of its framework for providing safe and secure housing in the disaster region. In addition to consultations on the homes themselves, staff at the support centers provide advice on a wide variety of other topics, such as how to acquire disaster victim certification and how to receive earthquake-related financing and public donations. In this way, the services of the Group these are being utilized on a much broader scale than in the past.

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

Offering Emergency Supplies at the On-Line Store in the Club Forest, a Special Website for Owners of Sumitomo Forestry Home Houses

On the Club Forest, a special website for owners of *Sumitomo Forestry Home* houses, the Company is aiming to substantially increase the scope of its online sales and add to the lineup of products available. Against the backdrop of customers' greater awareness of the need for disaster prevention and response measures, in 2011 it expanded its lineup of online products to emergency supplies and foodstuffs. The Company also created a framework to securely deliver the products and also to offer the interiors lineup of products sold by Dinos in its online catalogue. The site currently has around 45,000 members and it is aiming to support their eco activities with the newly added "Eco-encyclopedia" content, which introduces eco-related ideas and feedback from customers.



「clubforest」

Suteki-na Kazoku home and lifestyle magazine

Suteki-na Kazoku (Lovely 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 remodelling and utilization of land. The print runs for each issue were about 240,000 in fiscal 2011.

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 website's role as a venue for home-owners to exchange information.

Housing-related business for those stationed overseas

The Company launched this service in 2008 to enable even those working overseas to have a one-stop service to meet their Japanese housing needs. The service incorporates such areas as custom-built detached housing, spec homes, renovations, land brokerage, rental brokerage, and monthly apartment homes. In 2011, it launched a new service, *A Home Web Bulletin Board for When You Return to Japan*, for those stationed overseas who frequently have home-related difficulties on returning to Japan. Through this service, they can experience a *Sumitomo Forestry home* even when overseas. While observing the layout of rooms on their computer screens, they can virtually experience over the Internet a tour around the home, which is useful for them when considering home building proposals.

Using Tablet to View Images of a Completed Ordered Home while still at the Planning Stage

In January 2012, the Company became the first in its industry to launch an application for exclusive use on Android OS tablet devices. Using this application's various functions, customers can observe on a tablet a completed image of their yet-to-be-constructed home, search for plans, and simulate a financing plan. Tablets have been distributed to Group sites throughout Japan, which is helping Sumitomo Forestry provide its customers with home proposals that are both easy to understand and fun.

■ Future Plans

In the future, we plan to add contents that reflect the wishes of customers, such as adding a function to enable them to virtually experience testing that replicates being in a home during a large-scale earthquake and other types of testing.

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 2011.

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

Housing Distribution and Renovation Initiatives

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 children healthily. 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

The First Ever Customer Appreciation Event at the Forest Garden Keio Horinouchi (Hachioji City, Tokyo)

In view of the increasing number of new tenants in this complex and the growing sense of community, the Company planned this event to encourage further interaction among the residents. On the day, it held a seasonal festivity event and a barbecue lunch, which were attended by about 100 people. Going forward, the Company intends to continue holding events that help foster a spirit of community, such as consultation meetings on home maintenance and events held in collaboration with the police or fire services regarding accident/fire prevention and traffic safety. Sumitomo Forestry will continue working to improve the local environment in a way that strengthens the bonds between people.



Forest Garden Keio Horinouchi

▶ [Internal Link: "Using Japanese Timber in Homes" \(P.199\)](#)

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 Ryouonbou 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 *Palm Springs* (Inzai City, Chiba Prefecture) and *Palm Hills* (Isogo Ward, Yokohama City), as well as *Forest Garden Wakabadai* (Inagi City). 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

- As a property development initiative, I felt that I wanted to visit *Forest Garden Keio Horinouchi*, where you are aiming to realize a safe and aesthetically pleasing environment by actively using regionally sourced timber, and by laying electricity cables underground, thereby eliminating the need for utility poles. (Customer)
- 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

Completing *Granda Tamagawa Ota*, the first wood-construction, fire-resistant, three-story private-pay elderly care facility in Tokyo's 23 Wards

Elderly care facilities were selected by the Ministry of Land, Infrastructure and Transport for inclusion in its fiscal 2009 project, the first Project to Promote the Establishment of Towns with Wooden Houses. As part of the project, the Company was contracted by Marushuku Ltd. to design and construct a facility, which would ultimately be managed by Benesse Style Care Co., Ltd., which manages many excellent elderly care facilities throughout the country.

On its completion in April 2011, this facility became the first property for which the MOCCA (Wood Use Integration) Department had been responsible for the design and construction. While achieving high levels of fire resistance within the facility to protect the residents, MOCCA has created a building that achieves an abundant feeling of wood by developing and using a new wooden material that utilizes Japanese timber in an environmentally sound manner, both on the interior and exterior of the building.



Granda Tamagawa Ota

Operating Private-Pay Elderly Care Facilities

Fill Care Co., Ltd., a Group company, works under its motto of Care with a Human Touch. It now operates a total of 10 private-pay elderly care facilities nationwide (three facilities in Tokyo, five in Kanagawa Prefecture, one in Shizuoka Prefecture, and one in Hyogo Prefecture).

Stakeholder Comment

- I read you built a wooden elderly care facility. As I believe that the demand for facility for elderly people would increase, I would like you to build comfortable and anti-seismic facilities where elderly people can feel at home (Customer)

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.

Next, in February 2012, the convenience store and plaza were completed on the site of the former hall building. In consideration of the global environment, the Company has aimed to save energy by installing rooftop solar panels and LED lights for illuminating the store and the plaza at night.

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

Future Plans

In a part of the former Harbor Hall building lot, a spec condominium will be completed within fiscal 2012, and a complex building comprising a private-pay elderly facility and rental apartments will be completed in fiscal 2013. The Company will continue to play a central role in contributing to the improvement of harbor administration services and the revitalization of the local community.

Overseas Property Development Initiatives

Company's Design Used For A Spec Home Development In China

China's Shanghai Industrial Investment Corporation is pressing ahead with a detached spec-home development plan in Zhujiajiao, Qingpu District, Shanghai City, and of the project's total of 90 buildings, construction is underway for 60. Sumitomo Forestry Landscaping Co., Ltd. has participated in the design of this project since the master plan stage, with the goal of designing an environmentally symbiotic community where the natural and manmade landscapes are in harmony.



The overall design theme incorporates the Company's design, which makes full use of the unique qualities of wood, a renewable resource.

Expanding a Residential Lot Business in Australia

In collaboration with the Australian subsidiary of NTT Urban Development Co., the Company established a residential lot development company and acquired 47.57 hectares of residential lot land in the suburbs of Melbourne, with the plan being to sell 367 lots from 2012 to 2016. The land is located approximately 45 kilometers south east of the center of Melbourne in the Casey Cardinia area, which in the medium-to-long term is considered to be a promising area to capture potential housing demand.

▶ [Internal link: Providing environmental housing in Australia \(P.179\)](#)

■ Launching New Brands in the United States

In the outskirts of Seattle (Washington State) in the United States, the Company has started sales of spec homes that feature a new type of design by a designer from the Henley Group of Australia, which is a member of the Sumitomo Forestry Group. Compared to conventional North American homes designed in the traditional way, these homes have larger windows to create a sense of openness, an outdoor room, and various other novel features not seen before in the northwestern United States.

Together with Our Customers

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Building Long-Lasting Homes

Communication with Customers

Property Development Programs

Housing Distribution and Renovation Initiatives

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.

Stakeholder Comment

- The impression I am left with is that today, we need to think seriously about the issue of the mobility of the working population and the provision of housing. (Customer)

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. Since 2008, Sumitomo Forestry Residential Co., Ltd. has been managing halls of residence that enable international students to enjoy safe and comfortable lifestyles in Japan. They are providing supports for students who are studying in Japan with different languages and cultures.

Results

The Company has expanded its services to facilities in Tokyo, Saitama, Kanagawa, Osaka, Fukuoka, and Oita, and currently, students from China and eight other countries and regions use this service.

Providing a Combined Pre-Owned Home Purchasing and Renovation Service

Responding to the recent increase in demand for a service for both the purchase and renovation of pre-owned homes, the Company has developed a one-stop service by strengthening the collaboration between Sumitomo Forestry Home Service Co., Ltd., which is responsible for brokering real estate sales and purchases, and Sumitomo Forestry Home Tech Co., Ltd., which undertakes the Group's Remodeling and Renovation Business. In fiscal 2011, it completed renovation construction on 37 properties.

Launch of the Delivery Plan for Condominium Renovation

In 2011, Sumitomo Forestry Home Tech Co., Ltd. launched its new Delivery Plan service. The applicant provides only information on the address of the condominium and the nature of the renovation they want, and Sumitomo Forestry Home Tech Co., Ltd. creates a plan without the need for an on-site survey and delivers it to the applicant free of charge. In the planning process, it uses materials such as the blueprint created at the point of sales in order to quickly provide the customer with a proposal.

Launch of Reforest Fire Insurance, Providing Home Owners with Peace of Mind

Sumitomo Forestry Home Tech Co., Ltd. has started accepting applications for its all-risk¹ type Reforest Fire Insurance product, with Mitsui Sumitomo Insurance as the underwriting insurance company. This is the first such product in the renovation industry and its premiums are about 10% lower than usual². If the customer pays for the renovation using a loan from the financial institution with which the Company has a business partnership, they will then be eligible for a discount as part of group-loan agreement³.

1 In addition to payments for the incidents conventionally covered by insurance, such as fire, lightning, explosions, wind damage, hail and snow damage, indemnity payments are also made for incidents not conventionally covered, including water leaks, theft, water damage, breakages, and spoilage

2 According to a survey by the Company and Mitsui Sumitomo Marine and Fire Insurance

3 The Mortgage Corporation of Japan and Jaccs Co. Ltd.

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. They maintain systems for improving quality based on the Company President's quality policy and manufacture high quality products while using a strict system of process controls. 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 Group promotes the acquisition of certification that guarantees timber quality, such as JIS, JAS, and ISO, and is 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
Sumitomo Forestry Landscaping Co., Ltd Environmental Greenification Division	Japan	ISO9001	September 2002
Sumitomo Forestry Home Engineering Co., Ltd.	Japan	ISO9001 JISQ9001	March 2006
Alpine MDF Industries Pty Ltd. (ALPINE MDF)	Australia	New JIS certification	September 2008
		CARB certification ²	January 2009
Nelson Pine Industries Ltd. (NPIL)	New Zealand	JIS certification for fiberboard	March 2003
		New JIS certification	May 2008
		CARB certification	October 2008
		ISO9001	September 2011
PT. Kutai Timber Indonesia (KTI)	Indonesia	CARB certification	November 2009
PT. Rimba Partikel Indonesia (RPI)	Indonesia	JIS certification	March 2007
		CARB certification	February 2009
PT. Sinar Rimba Pasifik (SRP)	Indonesia	JAS	March 2012
PT. AST Indonesia (AST)	Indonesia	ISO9001	October 2002
Fuxin Sumirin Wood Products Co., Ltd.	China	Plywood for general use JAS	July 2010
		CARB certification	August 2010
		LVL certification	December 2010
		Minister-level certification	February 2012

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 2012, Sumitomo Forestry Crest carried out quality-improvement initiatives in each of its production divisions to reduce by 25% 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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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 economic 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.

As defined in these standards, Sumitomo Forestry will continue to strengthen the system for verifying its business partners in terms of their compliance with legislation and with environmental and social standards, based on a “company evaluation,” of their environmental preservation initiatives, and a “product evaluation” based on evaluation standards for each product.

Green Procurement Guidelines (Summary)

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

Timber Procurement Philosophy

Timber is a renewable, natural resource. Sumitomo Forestry considers forest ecosystems and the blessings from nature provided by forests to be precious assets shared by all of humanity, and in order to realize a sustainable society in which people and forests can live in harmony, it cooperates with its business partners to procure timber that is considerate to the environment and to society.

Timber Procurement Policy

1. To procure legal and sustainable wood

- Observe all relevant laws and regulations and maintain a system for confirming that the timber is legal
- Procure timber from forests that are managed to be sustainable
- While promoting the use of plantation timber, carry out plantation activities that contribute to the maintenance of forest resources

2. To build a highly reliable supplychain

- Cooperate with business partners and work to improve the reliability of traceability measures
- Confirm with business partners that High Conservation Value Forests are being managed appropriately
- Appropriately disclose information to ensure procurement transparency
- Maintain dialogues with business partners to ensure that human rights and the fundamental rights of workers are being protected and to prevent corruption

3. To reduce the environmental burden and effectively use timber resources during their lifecycle

- To contribute to land conservation and the revitalization of the forestry industry by actively using domestic timber
- Utilize thinnings and wood waste, reuse and recycle wood, and develop the technologies to facilitate these actions
- Reduce the environmental impact of procurement, such as by increasing distribution efficiency

4. Together with our stakeholders

- Carry out continuous reforms in cooperation with stakeholders
- Respect biodiversity and the culture, traditions, and economies of regions that live in harmony with forests
- Communicate to stakeholders the importance of timber procurement that is considerate to the environment and society

■ 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. Since fiscal 2010, in line with the New Action Plan based on Timber

Procurement Philosophy and Policy, the Company has continued to conduct a study of all its suppliers, including new suppliers, into their methods of confirming legal compliance) to ensure that 100% of the directly imported timber and timber products handled by the Group is legally compliant.

In addition, in fiscal 2011, the Company confirmed the legality not only of its directly imported timber, but also Japanese domestic timber sold to the market and Japanese domestic and imported timber used for properties constructed by the Housing Division.

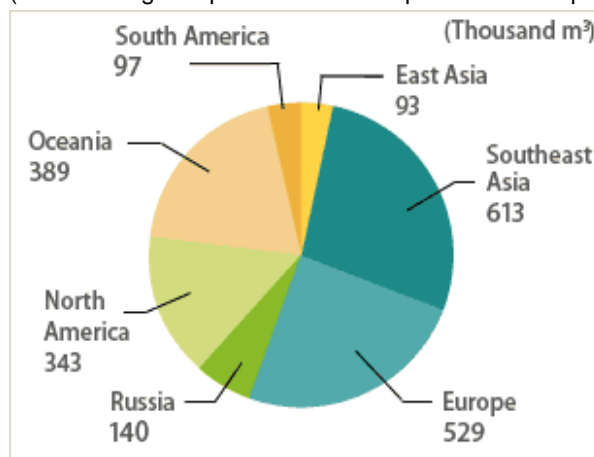
From fiscal 2012, it conducts a CSR survey at all overseas business partners on issues such as human rights and labor practices. Also from fiscal 2012, following requests from paper companies the Company will launch an independent initiative to ensure the legality of the wood chip it handles domestically. In addition to Japanese domestic timber, these chips include industrial waste and non-Japanese timber as their raw material.

▶ [Internal Link: "Action Plan for Timber Procurement" \(P.20\)](#)

Evaluation of Supplier in Housing Business

To optimize and enhance the stability of our materials procurement system, the Housing Division operates its own supplier evaluation standards in addition to the Group's overall procurement standards. The Housing Division evaluated its main suppliers based on 16 assessment items including "management," "cost," "transportation," "quality," and "environment", making a 5-tier evaluation after visiting the suppliers' plants. Feedback was then provided to the suppliers for the future improvement of their operations. In fiscal 2011, the evaluation method was revised so as to be more useful for suppliers in implementing specific improvements.

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

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

Improving Quality and Workplace Safety at New Housing Construction Sites

Policy & Plans

Sumitomo Forestry runs a membership organization, the Association of Sumitomo Forestry Safe Building Contractors, in order to maintain and develop sound relationships of trust and cooperation with its partner building contractors. This organization shares information among members toward improving safety at work sites, levels of workmanship, and construction management. It also investigates any work-related problems and awards commendations to contractors and carpenters who demonstrate excellence in their work. 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) Prevention of industrial accidents
- (3) Comprehensive self-management

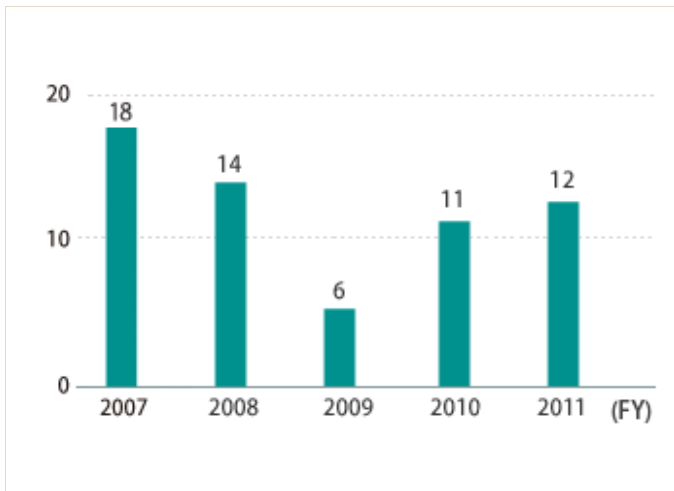
Strengthening Direction and Education in Workplaces

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.

Holding Monthly Meetings to Improve Safety and Quality

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

Work-Related Accidents at Building Contractor Locations



■ 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.

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, etc.

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Quality Control for Timber and Building Materials

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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

Department	Name / scale	Description
Timber & Building Materials Division	The Sumirin-kai • 837 people nationwide (as of February 2012)	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. The training sessions are held in each region two or three times a year and email newsletters are sent to registered members.
	Precut Forum 21 • Nationwide network of precut ¹ businesses industry organization • Established in 1997 1 A construction-production system in which timber undergoes high precision processing before being transported to the work site, employing the latest CAD/CAM technologies to replace the carpentry techniques from the past, and selecting wood that is resistant to external force through structural design verification.	Established with the goals of improving quality and productivity and developing the businesses of all member companies. As the managing company, the Company is involved with operation and training, organizes visits to other companies in the sector to improve quality levels among member companies, cooperates on the development of high quality PFWOOD, and holds training sessions on applying for excellent long-term housing status, as well as seminars on business opportunities utilizing Japanese timber.
	INOS Group • 252 companies nationwide (as of March 2012) • Established 1994	In order to provide reliable and safe housing for its customers, Sumitomo Forestry established the INOS Group to share its extensive expertise developed over many years, including in computerized structural calculations and estimates, and to implement its warrantee system. A general meeting is held once a year to further communication between members and share objectives. During fiscal 2011, the INOS Group constructed 577 houses.

Department	Name / scale	Description
	Publication of <i>Building Materials Monthly</i> <ul style="list-style-type: none"> Monthly print run of approximately 5,000 copies Launched in 1964 	For Suppliers and Purchasers of Timber and Building Materials, this is a distinctive informational magazine with a history spanning nearly half a century. It aims to “inspire everyone involved in the timber and building materials industry” through the timely publishing of related news and topics. During 2011, it provided its readers with information on such topics as incentives for home acquisitions and the home energy revolution.
Sumitomo Forestry Crest Co., Ltd.	Crest Association <ul style="list-style-type: none"> 65 member companies (as of April 2011) 	Activities and results for fiscal 2011 were as follows. April: Board of Governors meeting, September: General Meeting, November: plant visit, January: New Year Party. The Company shares information with its key production partners to identify industry-wide trends and develop technologies to their mutual benefit.
	Conduct a customer satisfaction survey <ul style="list-style-type: none"> Once a year (some plants conduct it twice) 	Five plants conduct a survey of business operators and building contractors concerning issues such as product quality and telephone support, and solicit their evaluations, opinions, and wishes. This feedback is then used to improve the quality of products and services in the future.
	The 19th Environmental Municipal Meeting (Niihama Conference) and the 5th Subcommittee Fieldwork <ul style="list-style-type: none"> 45 people participated (held in May 2011) 	The Niihama plant organized a briefing to give an overview of the company and its environmental initiatives, as well as a plant visit, attended by the secretary general of the Niihama City Hall Environmental Department, the mayor and others from the administration of the local government of Ikoma City Nara Prefecture, and other general participants.

Launch of YORISOI for INOS Group members

In March 2012, the Company launched a home with open spaces and rooms incorporated into the building design to facilitate communication between generations. One characteristic of the home is that unlike the Company’s communal, two-family home for parents and their children, the generations live near to each other but within a reasonable distance, and the home environment can be easily adapted to address any future changes in the family structure.



Communication with Sumitomo Forestry’s Business Partners

Policy & Plans

The Company’s housing-business worksites are found in every region of the country, and they rely on the support of the many companies that the Group collaborates with. The Company considers communication with these companies to be vital in order to share with them its philosophy of improving the quality of homes while protecting the environment.

■ Results

Division / Department	Name / scale	Description
Housing Division	Conduct the Survey on Production Systems and CSR every year <ul style="list-style-type: none"> ▪ A response rate of 86% from all building contractors 	To gain an accurate understanding of the issues and problems faced by building contractors, each year Sumitomo Forestry Housing Division conducts the Survey on Production Systems and CSR. 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.
Housing Division Sumitomo Forestry Home Engineering Co., Ltd. Sumitomo Forestry School of Professional Building Techniques	Outsourcer training from building contractors <ul style="list-style-type: none"> ▪ Curriculum of 5 to 10 days for the beginners class and intermediate class 	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 two such courses in fiscal 2010.
Housing Division	Evaluation and feedback based on the Supplier Evaluation Standards	Each year, evaluations of the housing business's main business partners are conducted following visits to their plants, and feedback is then provided so as to help them implement future improvements
Sumitomo Forestry Landscaping Co., Ltd.	Timber Storage and Delivery Safety Conference <ul style="list-style-type: none"> ▪ 90 people from 70 timber storage and delivery-related companies participated (2011) Master building constructor evaluation system <ul style="list-style-type: none"> ▪ Residential Landscaping Division Of the 440 building contractors nationwide, 31 have obtained this certification (as of 2011) 	Based on the action guideline of "Putting Customers First," this event introduced complaint case studies in order to widely disseminate information aimed at realizing even safer timber storage and delivery operations and higher quality in the future. This system is for designating building contractors as being of a "master" level and to position them as models for others based on their building quality, safety management, customer services, maintenance of compliance, and other factors. There are four evaluation items; building capabilities, quality inspections, financial foundations, and the CSR survey, and the results for all building contractors evaluated are announced. In addition to contributing to improved customer satisfaction and quality levels, the goal of the evaluation is to help achieve the stable management of building contractors through priority ordering.

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.

■ Results

Overseas Initiatives

Canyon Creek Cabinet Company, which manufactures and sells cabinets, frequently meets and reports to suppliers on customer feedback and its own evaluations, enabling it to manage the procurement process in a timely manner.

In addition, SFC Homes stays in continuous communication with suppliers in order to share information on matters including methods of product manufacturing with low environmental impact and best practices to promote recycling.

Together with Our Shareholders and Investors

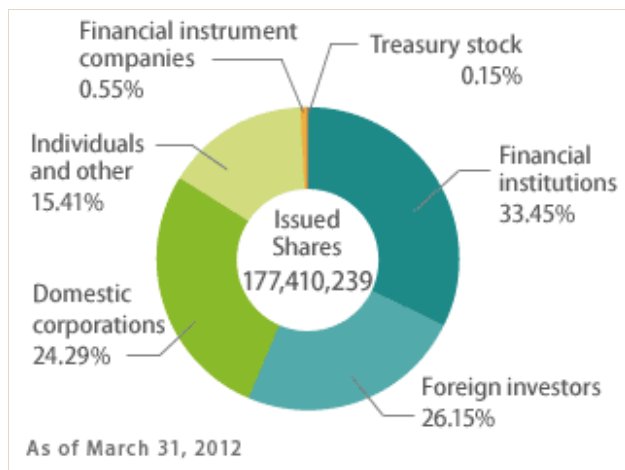
Sumitomo Forestry works to increase its opportunities to proactively disclose information so it can build trust with its stakeholders.

Information Disclosure

Policy & Plans

In the interest of greater management transparency, Sumitomo Forestry takes a proactive approach to information disclosure. At the Ordinary 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. It also discloses a range of other IR information on its English and Japanese websites, including financial information such as the *tanshin* short financial statements, summary of financial results and forecasts, and also information on monthly orders. (Japanese website: <http://sfc.jp/information/ir/> English website: <http://sfc.jp/english/ir/>). Moreover, the Company publishes notifications of its Ordinary General Meeting of Shareholders in both English and Japanese, in these and other ways 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 2011, the Company held 145 of these individual meetings both inside and outside of Japan.

Hosting IR Meetings for Individual Investors

In addition to holding 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 360 such investors. The Company presented both the Group's financial results and its efforts to preserve and protect the environment.

Improving the Voting Environment

The Company is meeting investor needs for an improved voting environment and established a platform on which institutional investors can vote digitally, while individual investors can now vote online or via their mobile phones.

■ 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 Indexes (Asia Pacific) in the home construction section
- Awarded the Silver Class ranking in the Sustainability Yearbook 2012
- The FTSE4 Good Global Index for eight consecutive years
- The Morningstar SRI Index for four 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 Sumitomo Forestry aims to be a truly “excellent company” in housing-related businesses, it shall make efforts to put in place effective personnel systems, carry out appropriate and efficient placement of human assets and human resources development and training, and build a group of “strong and independent” individuals who are always willing to take up challenges, all in accordance with its Corporate Philosophy, which states, “Respect for Humanity—We work to create an open and inclusive corporate culture that values diversity.”

Progress Made in Top Priority Initiatives in Fiscal 2011

In fiscal 2010, the Company’s four top priority initiatives were a Group-wide effort to reduce overtime work, promotion of diversity in its human resources, establishment of various personnel-related regulations, and personnel training.

Employment Breakdown (As of March 31, 2012)

	Sumitomo Forestry Co., Ltd.
Management level	2,285
Non-management level	2,423
Contract employees (interior coordinators)	17
Contract employees (non-interior coordinators)	128
Hosted from other companies	22
Average years of service	13 years 6 months
Average annual salary	8,038,717 yen
Ratio of disabled employees	1.93%

Number of Employees (As of March 31)

	Non-consolidated	Consolidated
2009	4,547	12,629
2010	4,539	13,601
2011	4,470	13,778
2012	4,452	14,736

Employee Hiring, Promotion, and Re-Employment Systems

Policy & Plans

Excellent 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 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 2011, the Company launched work experience events for different job categories in order to deepen the interns' understanding of housing sales, housing engineering, and general management positions.

Recruiting Results (Number of people)

	FY2009			FY2010			FY2011			FY2012		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Housing sales	98	19	117	71	16	87	56	15	71	55	15	70
Housing engineering	22	14	36	22	7	29	16	4	20	19	6	25
General management	27	7	34	21	9	30	20	5	25	14	6	20
Total	147	40	187	114	32	146	92	24	116	88	27	115

Re-Employment of Retired Employees

Employees who are interested in re-employment can work as contract employees (non-interior coordinator) until age 65 on condition that he/she meets certain requirements such as working record for more than ten years and possessing specific skills and experience. Sumitomo Forestry actively promotes the re-employment of workers, re-employing 22 people in fiscal 2009, 28 in fiscal 2010, and 27 in fiscal 2011.

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 leaving are able to return to the same grade as their former position. As of April 30, 2012, 49 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 April 2011 the Company decided to change the status of its dispatched employees to directly employed, fixed-term employees ("Partner Employees").

Future Plans

Sumitomo Forestry seeks people with mental toughness and people-skills.

Helping Employees Achieve a Better Work-Life Balance

Policy & Plans

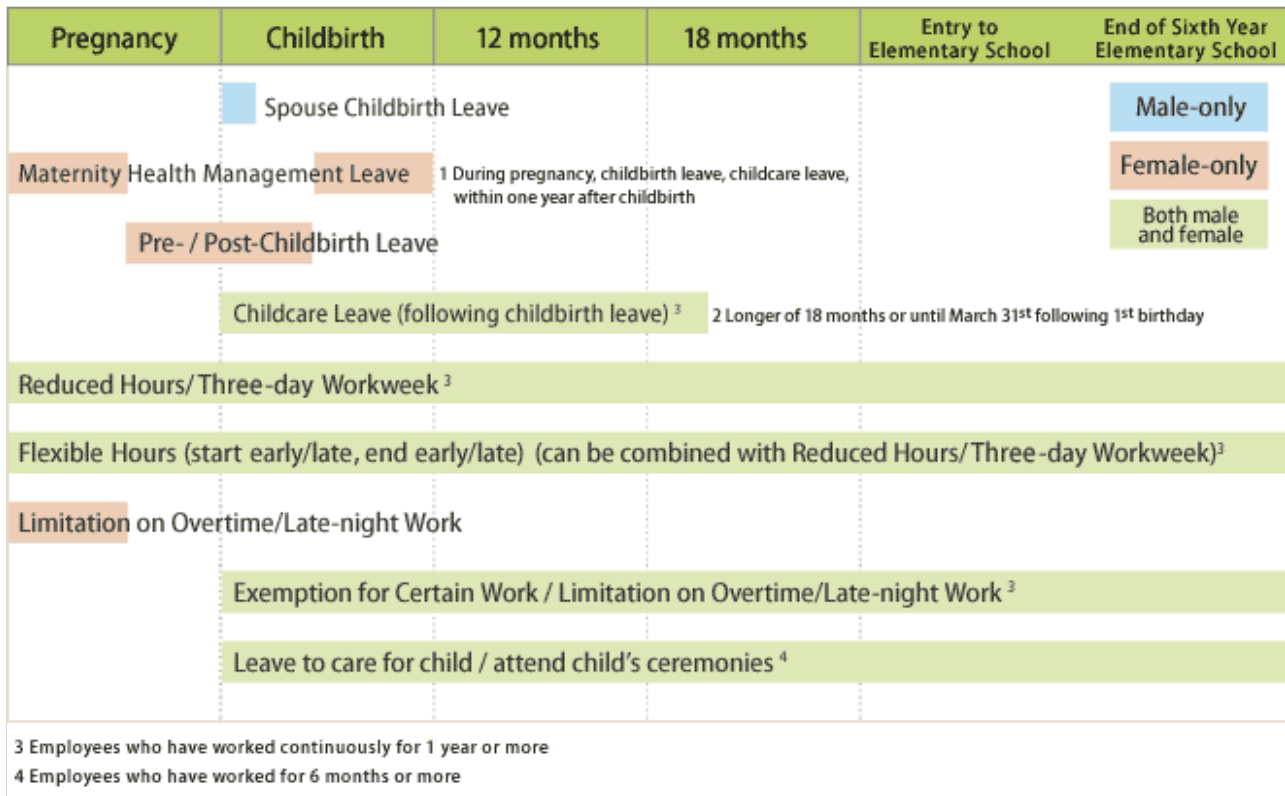
As a company involved in housing and lifestyles, Sumitomo Forestry recognizes the diversity of its employees' work-styles and strives to provide them with work they find worthwhile. At the same time, it aims to create a workplace where employees can enjoy fulfilling family life. Toward this, it established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

Results

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

Program	Objective and Description	FY 2011 Results
Refresh Vacation	<ul style="list-style-type: none"> This system encourages 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 who have been continuously employed by the company for at least one year are eligible. 	42%
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. 15 male employees took childcare leave.
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"> No employees took family care leave.

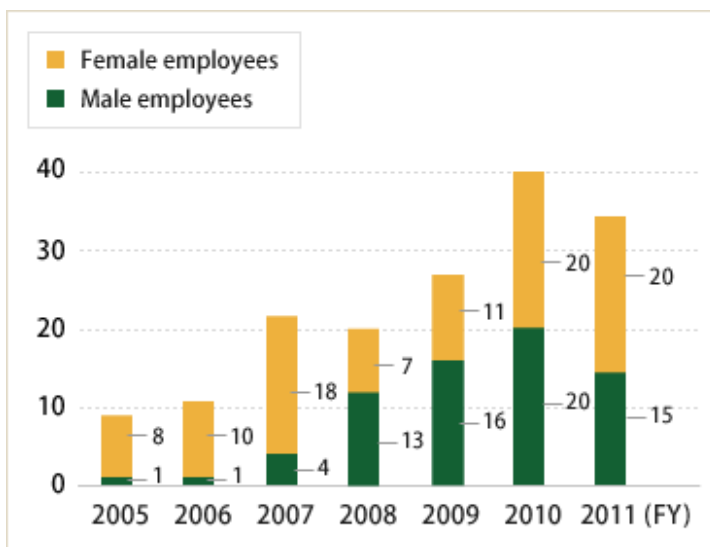
Childcare-Related Programs



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 recounting the experiences of employees who have taken childcare leave. In these and other ways, the Company is working to encourage male employees to take childcare leave.

Employees Taking Childcare Leave (Number of people)



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 2011, 12 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, 10 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 of the Japanese Government, 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

Promoting Affirmative Action

Policy & Plans

Sumitomo Forestry is committed to a workplace environment where employees can fulfil 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	FY12
Female employees including contract employees	15.8	16.4	16.4	16.9	16.8	17.2
Female employees in management positions	0.9	0.9	1.3	1.3	1.4	1.5
Newly hired female university graduates	25.0	21.0	21.0	22.4	24.6	24.1

Sponsoring the 9th Housing Sales Women Job Forum

In November 2011, the Company sponsored the 9th Housing Sales Women Job Forum, at which 20 female employees working in housing sales and four supervisors engaged in a lively exchange of information. Group discussions were held on methods of working to carry out marketing activities even when working hours are restricted due to such reasons as childcare and nursing responsibilities.

■ Future Plans

The opinions given in the fiscal 2011 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.

Promoting the Employment of People with Disabilities

■ Policy & Plans

Sumitomo Forestry is promoting the employment of people with disabilities while considering possible challenges people with disabilities working in companies encounter and the ways of working lead to increased corporate value.

■ Results

Ratio of Disabled Employees(%)

FY08	FY09	FY10	FY11
1.54	1.83	2.04	1.93

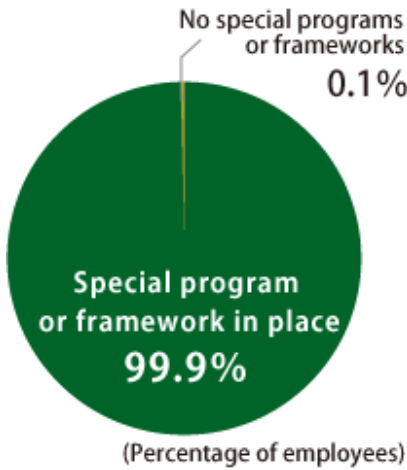
Stakeholder Comment

- 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)

Initiatives at Group Companies

The Company conducted a survey in March 2012 in order to understand CSR conditions and initiatives at Group companies both within Japan and overseas.

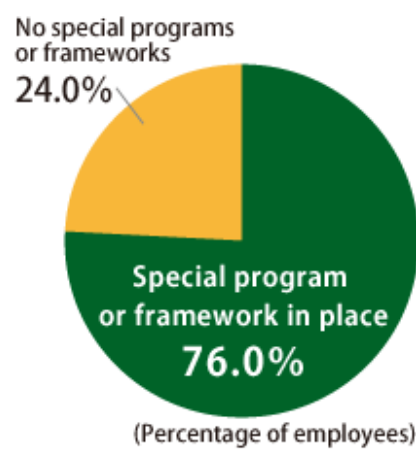
Initiatives to Employ Senior Citizens



Main Initiatives

- Introduction of a system to re-employ retired employees

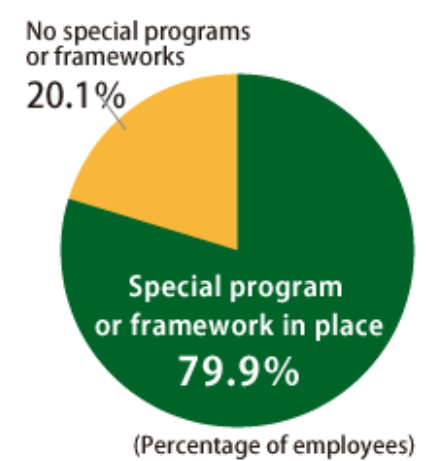
Initiatives for Non-permanent Employees



Main Initiatives

- Promotion of part-time employees as permanent employees
- Launch of an employment placement dispatching program
- When employing permanent employees, prioritizing the employment of current non-permanent employees

Initiatives to Employ and Fully Utilize People with Disabilities (Japan)



Main Initiatives

- Achieving and maintaining the legally designated employment rate for people with disabilities
- Offering opportunities for work-training for students with disabilities

Note: As laws and regulations differ in each country, graphs marked (Japan) refer only to data for Japan.

Hiring Locally at Group Companies outside of 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 (%)

(As of December 31, 2011)

Country	Australia	Papua New Guinea	Indonesia	New Zealand	China	The United States	South Korea	Vietnam	10 Group companies
Local employment rate	100.0%	99.5%	99.9%	99.0%	95.8%	94.8%	94.1%	99.9%	99.9%

Note: The principal 14 companies from within the 19 Group companies outside of Japan

■ Support for People with Disabilities in Overseas Group Companies

Initiatives by Nelson Pine Industries Ltd. (NPIL)

NPIL provides its employees with disabilities with special facilities that are easier for them to use. Also, it has created a rehabilitation policy for the speedy return to work of employees who are temporarily or partially disabled due to an injury or illness. This policy includes counseling when required, special assistance, and allowing employees to make a gradual return to work.

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, demonstrates the Company's commitment to its Rules for Safety and Health Management.

Results

Appropriate Control over Working Hours and Reduction of Overtime

In fiscal 2011, the Company established a model branch to test measures to reduce overtime work, including initiatives to improve operational efficiency and to automatically shut down computers 30 minutes in advance of the previous shutdown time. Going forward, while continuing to verify the results of these measures it will investigate how to implement effective reforms horizontally across the Group. In addition, from fiscal 2012 toward appropriately managing work time, the Company has changed the method of calculating work hours, which are now calculated from when the employee enters and leaves the workplace. These changes will not only enable the Company to better manage employee working hours, but also to improve its employee health management programs.

Smoking Cessation Program

With the growing interest in quitting smoking, the Company has been implementing and strengthening its smoking cessation programs since fiscal 2008. In fiscal 2011, it continued its No Smoking Anywhere during Working Hours smoking cessation program and carried out the initiatives described below based on this program. As a result, the number of employees who have successfully quit smoking has increased.

Four initiatives in the Smoking Cessation Program

1. Smoking is forbidden both inside and outside workplaces, from the start to the end of working hours (except during breaks).
2. A space for employees to smoke during renovation or construction work is no longer provided.
3. A counseling service has been established (advice on quitting smoking at the Mental Health Counseling Office).
4. Nicotine gum is available for employees at offices at cost.

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, nine Group companies provide this service to their employees.

Regular Health Checkups and Comprehensive Examinations for 100% of Employees

For the fourth consecutive year, 100%¹ of Sumitomo Forestry's employees in fiscal 2011 received both a regular health checkup and a comprehensive examination, thanks to monthly progress checks by each business establishment. In addition, since fiscal 2009 a follow-up system has been in place 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. 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 power harassment through clearly stated rules and disciplinary standards. The Company has set up the Sexual Harassment and Power Harassment 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 Power Harassment 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.

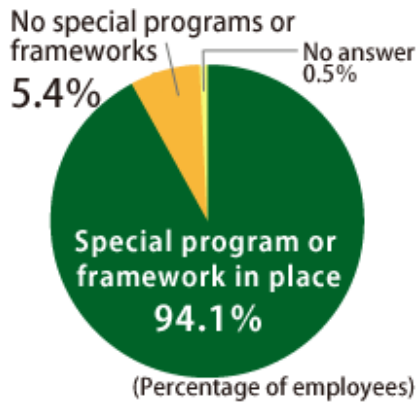
Stakeholder Comment

- You have put restricting overtime work at the top of your list of key policies, but you do not tell us the results you have achieved. (Customer)

Initiatives at Group Companies

The Company conducted a survey in March 2012 in order to understand CSR conditions and initiatives at Group companies within Japan.

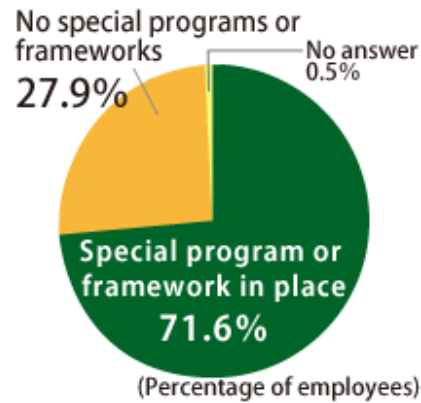
Initiatives for Workplace Safety and Health



Main Initiatives

- Establishing the Safety and Health Committee
- Providing safety training

Initiatives for Mental Health



Main Initiatives

- Checkups with an industrial doctor
- Mental health training

Workplace Safety and Health at Plants

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.

Cultivating High Levels of Awareness about Workplace Safety and Health through External Study Courses

Sumitomo Forestry Crest Co., Ltd. has created a program for employees to acquire a range of qualifications from public institutions so that they themselves can acquire the knowledge to oversee safety and health conditions at their workplaces.

Course Name	Number of employees newly acquiring qualification (FY2011)	Total number of employees with qualifications
OHSAS18001 internal auditor	3	6
RST trainer ¹	6	8

¹ Based on the directive from the Ministry of Health, Labor and Welfare, this is an official qualification provided by the Japan Industrial Safety & Health Association that certifies the ability of the recipient to instruct forepersons at work sites on workplace safety and health.

■ Future Plans

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. It also carries out emergency evacuation training and during which, without fail, the time its employees actually need for evacuation is measured so as to facilitate a rapid response if such an event does occur.

Also, unlike its other plants the 2nd Kyushu Plant handles chemical products, so once a year it carries out training for measures to prevent the leakage of poisonous materials.

Together with Our Employees

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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.

Also, the Company publishes English and Chinese language versions of "Our Values and Ideals" on its homepage and is working to communicate its policies and philosophy to as many stakeholders as possible.

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

Results

Holding Study Meetings on Human Rights

In February 2012, Sumitomo Forestry held a study meeting on ISO26000 and human rights. More than 20 people participated, including the Head of the Personnel Department, and they left the meeting with a deeper understanding of human rights-related issues that could potentially affect the Group's businesses.

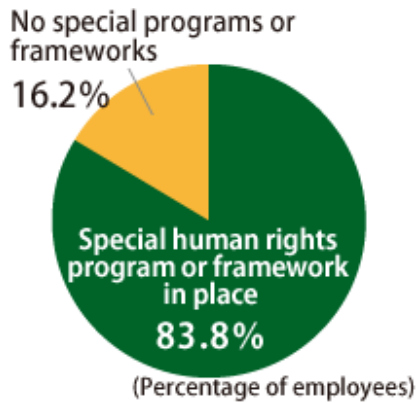


A study meeting on human rights

Initiatives at Group Companies

Initiatives for Human Rights

The Company conducted a survey in March 2012 in order to understand CSR conditions and initiatives at Group companies within Japan.



Main Initiatives

- Implementing human rights training
- Establishing the Compliance Hotline
- Conducting educational activities to increase understanding of the labor agreement

In fiscal 2011, the Company launched e-learning training courses for employees of Group companies in Japan and currently is confirming how many people took part in these courses. Moreover, through the survey, it confirmed that "Respect for Humanity" which is expressed in its Corporate Philosophy is being communicated to the employees of overseas Group companies during various training.

Together with Our Employees

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Communication with Our Employees

Policy & Plans

Sumitomo Forestry conducts regular employee satisfaction surveys since 2002.

It pursues a mutually beneficial relationship with its labor union to achieve healthy business development together.

Results

In July 2011, Sumitomo Forestry conducted its 5th Employee Satisfaction Survey among 4,880 employees, of whom 90% responded. The level of employee satisfaction increased by 2-points to 76%, compared to the last survey conducted in fiscal 2008. The results of the survey were released within a report that also included a message from the President and a breakdown of the responses to each survey question.

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.

Results

Among the winning proposals in the Power for the Future Projects since fiscal 2006, the following four have been commercialized.

Commercialized Projects

Proposal	Business
Housing business for workers stationed overseas	<p>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.</p> <p>▶ Internal Link: "Keeping Customers Informed" (P.72)</p>
'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	<p>The Special Wood Construction Development Team 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.</p> <p>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.* It will encourage greater use of timber, communicate its appeal, and contribute to the revitalization of the forestry business.</p> <p>▶ Internal Link: "Responding to the Needs of an Aging Society" (P.75)</p>
Distribution business utilizing the Housing Division's relay centers	<p>In 2010, Home Eco Logistics Co., Ltd. was established to promote the Company's unique expertise in efficient distribution systems and their effectiveness in reducing CO₂ emissions</p> <p>▶ Internal Link: "Reducing CO₂ Emissions from Transportation (P.167)</p>
Online sales business for past customers	<p>In 2010, the Company launched an online store in the Club Forest, a special website for Sumitomo Forestry homeowners. Customers can order home maintenance products and services 24 hours a day.</p> <p>▶ Internal Link: "Keeping Customers Informed" (P.72)</p>

■ Future Plans

The first Power for the Future Project was held in fiscal 2006, and subsequently it is held once every two years. It has been held three times to date, with the fourth project scheduled for fiscal 2012.

Relations with the Labor Union

As of April 30, 2012, 100% of Sumitomo Forestry employees who were eligible to join the labor union had done so. Within the labor agreement completed between the Company and the Sumitomo Forestry Labor Union, the Company recognizes the Labor Union's right to freely engage in activities and to collective bargaining, to guarantee the safety of labor-union members during their work activities, and to constantly strive to the best of its ability to maintain and improve labor conditions.

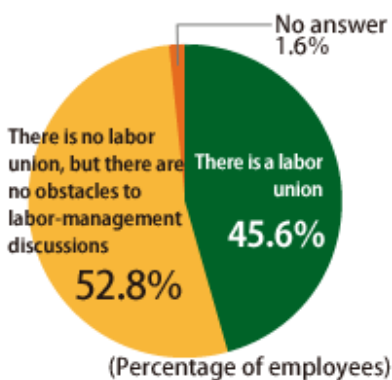
The Company arranges regular opportunities for labor and management to exchange views. In addition to informal labor-management discussions attended by the President and other members of management, there are performance review meetings several times a year and regular meetings with the Personnel Department. In addition, meetings are held between the Company and the Labor Union on specific topics and the opinions expressed in these meetings are reflected in policies. Representatives of the Labor Union are members of the Safety and Health Committee, the establishment of which is compulsory under the Industrial Safety and Health Act of Japan, and the opinions expressed at these Committee meetings are reflected in health and safety policies.

During 2011, the Company continued to reform 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.

Initiatives at Group Companies

The Company conducted a survey in March 2012 in order to understand CSR conditions and initiatives at Group companies within Japan.

■ Labor-management related initiatives



Main initiatives

- Discussions at meetings with employees

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

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

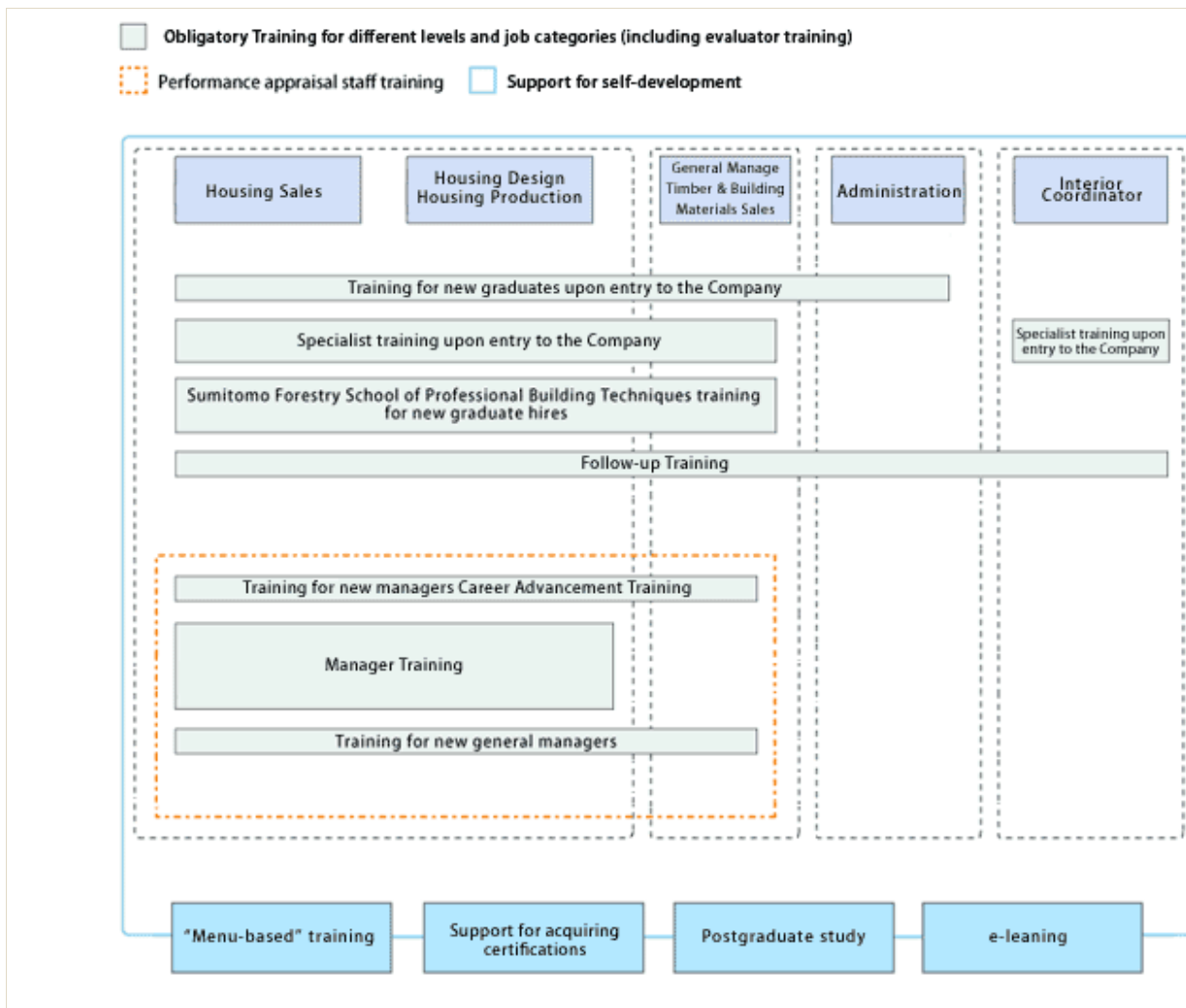
Formulating a Five Year Plan, from Fiscal 2011 to Fiscal 2015

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 (a Japanese 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.

A Special Training Department and Multifaceted Training

In order to proactively develop human resources throughout the Group, in April 2011 the Company established the Sumitomo Forestry Business Institute within the Personnel Department to plan and manage a range of training programs.

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 individual career 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 (45 courses, as of December 31, 2012), "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 2011, the Company invested 95,000 yen per employee on training and each employee spent an average of 2.15 days on training. 45% of all Group employees undertook training at some point during the fiscal year.

Multifaceted Training

Training Programs	Description	FY2011 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.	1,179
Training for differing needs	Provided training for those who have changed job categories, staff development management, 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.	898
Selective training	Provided training for management strategy, female manager training, and MBA programs to acquire highly specialized knowledge concerning management and problem solving methodology.	22
"Menu-based" training	Subsidy available for training programs at external institutions to acquire certifications and enhance business skills.	128

Note: A total of 10,500 group employees are registered for e-learning courses

Future Plans

In fiscal 2012, the Company plans to add self-development type training to its training program in order to meet the need of motivated employees to learn.

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)

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

In order to leverage its intellectual property for all its businesses, in 2011 the Company once again released onto the Intranet its Intellectual Property White Paper. In April 2012, it updated its in-Group website so that fundamental information on intellectual property, such as on the trademarks used in marketing activities, and various other types of information, are communicated to Group employees in an easy-to-understand manner.

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. Five Group companies in Japan and eight overseas are independently conducting training on the protection of intellectual property rights.

In conjunction with this training, the Company has also initiated patent proposal and award programs with monetary incentives awarded to employees who submit ideas for outstanding inventions. In fiscal 2011, 329 proposals were submitted from employees outside of the Company's R&D Department alone. On a Group-wide basis, it has stopped collecting proposals relating to the Great East Japan Earthquake, but on an individual-company basis three Group companies are conducting contests for ideas.

■ Future Plans

The Company will continue to improve its training programs to raise employee awareness throughout the Group, including through e-learning programs.

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 2012, 27 people graduated from the School, for a total of 911 graduates since its establishment. In fiscal 2012, 40 students were admitted and are currently engaged in training.

Sumitomo-trained technicians perform at the WorldSkills Competition

In October 2011, the 41st WorldSkills Competition was held in London, the UK. and a carpentry employee of Sumitomo Forestry Home Engineering Co., Ltd., who had graduated from the Sumitomo Forestry training school and won the gold medal in the previous year's National Skills Competition, won the silver medal. In addition, in December 2011, five graduates of the School and current employees of Sumitomo Forestry Home Engineering Co., Ltd. participated in the 49th Annual National Skills Competition in Shizuoka City, Shizuoka Prefecture, winning the silver medal and one "fighting spirit" awards. This means that every year since the 39th nationwide competition the School's students/graduates have come home with awards.

- ▶ [Link to the News Release: "Silver Medal in Carpentry Category of 41st WorldSkills Competition"](http://sfc.jp/english/pdf/20111013.pdf)
(<http://sfc.jp/english/pdf/20111013.pdf>)

A Training Venue for the Sumitomo Forestry Group

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

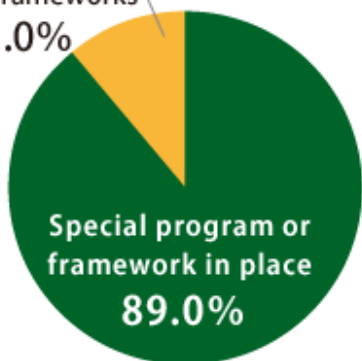
- ▶ [Internal Link: Communication with Suppliers in the Housing Business \(P.89\)](#)

Initiatives at Group Companies

The Company conducted a survey in March 2012 in order to understand CSR conditions and initiatives at Group companies within Japan.

Initiatives for human resources development

No special programs
or frameworks
11.0%



(Percentage of employees)

Main Initiatives

- An in-Group training system
- An in-Group system to certify employee skills
- A system to subsidize the cost of acquiring qualifications

Initiatives at Group companies Outside of Japan

Policy & Plans

Communicating with local employees and improving their skills are vital for business development overseas. The Company is pursuing initiatives tailored to the specific situation and business in each country where it is developing its businesses.

Results

Launched a Training and Commendation Program at Dalian ITS, China

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.



A lecture in a university

Recruitment through a Collaboration with a University in China

Since March 2012, the Company has been collaborating with a Chinese local university to launch an internship and recruitment program. While at university, participants in the program will attend lectures on the Company's business activities and may be recruited as full-time employees on completing an internship. Today in China, many new graduates have difficulty in finding employment to the extent that it has become a society-wide problem and the university is very optimistic that this program will provide its students with both educational and work opportunities. From the Company's perspective, it is thought that being able to reliably recruit personnel who have studied the fundamentals of wooden housing will help it to develop its business in China, as it will enable it to stably increase employee numbers and also increase opportunities to promote its employees in China to management positions.

Dialogue between Employees and Management in Indonesia

PT. AST Indonesia (AST) is carrying out a human resources development program in order to improve employee skills and increase their motivation. It is providing them with training on topics such as reporting, contacting, and consultation; safety management; and various types of reforms. In addition, once a month it selects an outstanding employee for a commendation. AST is also creating opportunities for employees to directly communicate with management. For example, employees commended for their outstanding performance are invited to a lunch meeting with a member of management (the Japanese representative), where they can convey what they think AST might improve and their requests for management.

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.

Communication
with Society

Respect for
Human Rights

Contributing to the
Development of
Communities Outside
of Japan

Social Contribution
Activities

Communication with Society

Policy

Sumitomo Forestry believes that ongoing communication with society is essential to a company's sustainable development. The Company facilitates communications with local communities and people in the regions in which it conducts businesses and presents its corporate stance in newspapers, magazines, television, the Internet, and other media. It also participates directly in special events to give the public a more accurate and deeper understanding about Sumitomo Forestry.

- ▶ [Link in this report: "Improving Social Infrastructure in Papua New Guinea" \(P.122\)](#)
- ▶ [Link in this report: "Contribution of Social Forestry to Local Communities" \(P.203\)](#)
- ▶ [Link in this report: "Consideration in Communities Outside of Japan and Communication" \(P.90\)](#)

Communication with NGOs and NPOs

Permanent exhibition on the renovation of a historic home, the Fujioka family residence	As in fiscal 2010, Sumitomo Forestry Home Tech Co., Ltd. held a permanent exhibit showcasing its renovation of a historic house, the Fujioka family residence, which is registered as a tangible cultural property in Gojo City, Nara Prefecture. It is collaborating with the NPO <i>Uchino no Yakata</i> on measures to help preserve and revitalize Japan's historic homes.
A meeting to exchange opinions with members of NGOs and NPOs	<p>In March 2012, the Company formulated the Sumitomo Forestry Group Declaration of Biodiversity, Action Guidelines, and Long-term Targets, and it invited experts from NGOs, NPOs, and other organizations to a discussion meeting to hear their views and advice.</p> <ul style="list-style-type: none"> ▶ Link in this Report: "Exchanging opinions on the Group's Plan for Biodiversity and its Long-term Targets" (P.30) ▶ Link in this Report: "Policy and Plans for Preserving Biodiversity" (P.208)

Stakeholder Comment

- I want the Company to provide technological guidance in the forest management field, particularly for forest thinning and plantation timber. (Customer)
- In using timber, I think the Company has a duty to carry out research and publicize information concerning the link between the use of timber and environmental issues. (Customer)
- I learned many things I never knew before, so I hope that the Company publicizes its activities even more widely and increases the opportunities for contact with local people. (Customer)

Disseminating Information at Symposia and Other Events

■ Exhibiting at an International Environment Trade Fair Jointly Held by Japanese and Chinese Economic Organizations

The Company exhibited at the China-Japan Green Expo 2011 held in Beijing, China, in June 2011. It showcased the Sumitomo Forestry Group's environmentally sound technologies and products and also its diverse range of business activities. At the Company's booth, its subsidiaries in China; Sumitomo Forestry Dalian Trading Ltd., Paragon Wood Product (Shanghai) Co., Ltd., Dalian Sumirin Information Technology Service Co., Ltd. (Dalian ITS), and Fuxin Sumirin Wood Products Co., Ltd. used display panels to introduce their businesses, while staff from these companies were also present to explain their business activities to visitors. Around 90 companies and organizations from Japan and China exhibited at the event, which had approximately 20,000 visitors.



The China-Japan Green Expo 2011

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

■ Independently Holding Events to Communicate the Appeal of Wood and Forests during the International Year of Forests

In November 2011, the Company opened its *Sustainable Forest Gallery 2011 Autumn "The power of forests empowers the future"* exhibition in Roppongi Hills, Tokyo.

This event communicated the value of wood and the importance of forests by giving visitors the opportunity to actually touch and experience different types of trees, thereby raise awareness of the importance of forests in conjunction with the International Year of Forests.



Sustainable Forest Gallery 2011 Autumn

Stakeholder Comment

- I'd like the Company to communicate to the world the importance of forests and the importance of environments that protect forests in future years. I also hope that it contributes to environmental protection through its work in forests. (Shareholder, investor)

Disseminating Information through Symposia and Seminars

Name of the Symposium / Seminar	Contents
<p>Jointly held by the Forestry Agency Ministry of Agriculture, Forestry and Fisheries of Japan and the Ministry of Forestry, the Republic of Indonesia</p> <p>International seminar on the Challenge of Sustainable Forestry Management</p> <p>March 2011</p>	<p>Lecture on “The Management by Sumitomo Forestry Co., Ltd. of Forest Certified Company-owned Forests in Hokkaido and their Characteristics”</p>
<p>Study meeting held by the All Japan Timber Building Materials and Distribution Council</p> <p>May 2011</p>	<p>Lecture on “Company-owned Forests and Japan’s Current Forestry Policy”</p>
<p>Held by JICA</p> <p>Training for the Asia and Latin America Forestry Certification Course</p> <p>June 2011</p>	<p>Lecture on “Sumitomo Forestry Measures For Forest Management with ISO certification and SGEC Forestry Certification” and a Training Case Study based on Forestry Management carried out in Monbetsu Forest in Hokkaido</p>
<p>Held by the Ministry of the Environment</p> <p>Carbon Offset EXPO (market)</p> <p>Tokyo, Nagoya, and Fukuoka</p> <p>July 2011 to March 2012</p>	<p>Visitors to the Company’s booth were introduced to its J-VER credit operations through case studies demonstrating how it creates and uses carbon offset credits. At the Tokyo event, the Company showcased its project on offsetting CO₂ that were emitted during constructions of detached houses with the credit from its new plantation in Indonesia. (P.169) The project received the Incentive Award a the first Carbon Offset Award.</p>
<p>Lecture given at the Forestry and Forest Products Research Institute</p> <p>September, 2011 (at Forest Tree Breeding Center)</p> <p>November, 2011 (at Forestry and Forest Products Research Institute)</p>	<p>Within the theme of the integration of the housing industry and forestry management, a lecture on “Changing Housing Needs in Japan and the Future of Forestry Management”</p>
<p>Held by Sumitomo Forestry</p> <p>Seminar to commemorate the International Year of Forests</p> <p>October 2011</p>	<p>On the themes of “Commemorating the International Year of Forests and Building a Strong Nation through Invigorating Forestry,” this seminar was held to deepen the understanding of the media on this topic. Lectures were given by the Department of Agriculture, Kagoshima University; the Forestry Agency; and the Forestry & Environment Division, Sumitomo Forestry. The event also included a panel discussion.</p>
<p>Jointly held by Ministry of Agriculture, Forestry and Fisheries and Nikkei Inc. Conference to Commemorate the International Year of Forests 2011</p> <p>October 2011</p>	<p>On the theme of “The Future of Japan from the Perspective of Regenerating Forests and Forestry,” a lecture on “Measures for Sustainable Forestry Management and Forestry Regeneration.” To commemorate the International Year of Forests, a discussion was held on rebuilding the country by regenerating Japan’s forests and its forestry industry, which currently face serious challenges, through collaboration between the government, industry, and academia, toward recovering from the earthquake disaster</p>

Name of the Symposium / Seminar	Contents
38 th meeting of the Japan New Zealand Business Council November 2011	In this conference, Company chairman Ryu Yano participated as the chairperson for the Japanese delegation, themes important to both Japan and New Zealand were discussed, including “Current Economic Conditions and Prospects for Japan and New Zealand,” “The Food, Fishery, Agriculture, and Forestry Industries,” and “Tourism.”
Department of Economics, Meijo University (social fieldwork) November 2011	In November 2011, within the theme of “Preserving Forests based on the Concept of Local Initiatives but while also Considering Global Environmental Concerns and Companies’ Social Responsibilities,” the Company gave a lecture on “Initiatives for Preserving Forests Inside and Outside of Japan and for Actively Using Timber”
Nikkei BP Environmental Management Forum December 2011	A Company representative took part in a panel discussion on the theme of the “Role of the Company in a Sustainable Society”
Ehime University <i>Mori no Kuni (Country of Forests)</i> ; a Special course on Forestry Environmental Management December 2011	A special lecture on “Structural Problems in Forestry and the Distribution of Timber”
Held by the K-RIP, Kyushu Industrial Technology Center, Kyushu Economic Federation, Ministry of the Environment (EPO Kyushu) The 3rd environmental innovation forum January 2012	Lecture on “Creating Wood Biomass Fuel Chips from Plantation Forest Left-over Timber”
The Gunma Sumitomo Society February 2012	Lecture on “Initiatives to Combat Global Environmental Problems and for the Active Utilization of Timber”
The 27th International Symposium on Okhotsk Sea and Sea Ice “Forest-Village-Sea Chain Studies” February 2012	Lecture on “The application of the forest biomass as a renewable energy”
Keidanren Committee on Nature Conservation Meeting to exchange opinions on biodiversity March 2012	Lecture on “Sumitomo Forestry and Biodiversity – Initiatives and Measures of Promotion”

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.

Communication
with Society

Respect for
Human Rights

Contributing to the
Development of
Communities Outside
of Japan

Social Contribution
Activities

Human Rights Policies

All employees, including officers, carry out the Group's business activities in keeping with the Sumitomo Forestry ethical framework expressed in its Corporate Philosophy, Action Guidelines, and Our Values and Ideals, which includes prohibiting wrongful discrimination and respecting human rights.

- ▶ 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)
- ▶ Link in this report: "The United Nations Global Compact" (P.17)

Human Rights Programs

If a Sumitomo Forestry employee violates the in-Company ethical regulations, an internal reporting system is in place for reporting this violation. Also, in accordance with Japan's Labor Standards Law, the Company has prescribed regulations for the fair dismissal of employees and does not permit an employee to be dismissed unfairly.

- ▶ Link in this report: "Human Rights Training for Employees" (P.105)
- ▶ Link in this report: "The Compliance Counter" (P.47)

Considering Human Rights in Our Investments and Business Development

- ▶ Link in this report: "The United Nations Global Compact" (P.17)
- ▶ Link to Related Website: "Our Values and Ideals"
(http://sfc.jp/english/corporate/policies/values_03.html#cont04)

Human Rights in the Supply Chain

In accordance with its Timber Procurement Philosophy and Timber Procurement Policy, from 2012 to 2013 the Company will continue with its investigations to ascertain human rights conditions and policies at its suppliers.

- ▶ Internal Link: "Communication with Sumitomo Forestry's Business Partners" (P.88)
- ▶ Internal Link: "Supplier evaluation in the housing business" (P.84)
- ▶ 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: "The United Nations Global Compact" \(P.17\)](#)

Together with Society

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Activities

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

Improving Social Infrastructure in Papua New Guinea

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, as government-provided social infrastructure is inadequate, 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 (of approximately 20m) 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 constructed two reinforced concrete subsidence bridges (of approximately 70m and 30m).



Nesai bridge

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 2011, the Foundation provided 42,820,000 rupiah (approximately 380,000 yen) to 46 elementary, middle, and high school students.

Contributing to Communities by Employment and Procurement

- ▶ Internal Link: "Contribution of Social Forestry to Local Communities" (P.203)
- ▶ Internal Link: "Consideration in Communities outside of Japan and Communication" (P.90)
- ▶ Internal Link: "Hiring Locally at Group Companies outside of Japan" (P.99)

Stakeholder Comment

- I hope that the Company continues to provide support to developing countries and countries that have few areas of greenery. (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.

Communication
with Society

Respect for
Human Rights

Contributing to the
Development of
Communities Outside
of Japan

Social Contribution
Activities

Policy on Social Contribution Activities

Sumitomo Forestry strives to contribute to the sustainable utilization of timber resources and local community development, as well as to protect the 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.

Introducing a Volunteer Leave Program

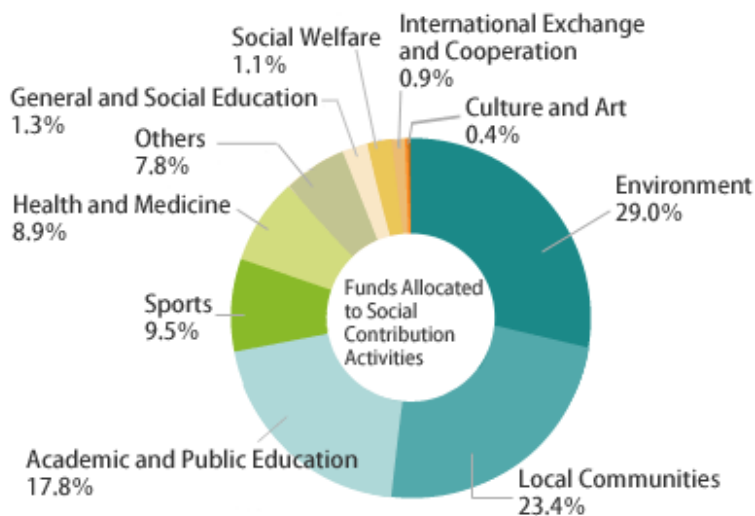
To support its employees' volunteering activities, in May 2011 the Company formulated a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities. Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake,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

Stakeholder Comment

- I think it is great that the Company provides not only its employees with leave for volunteering, but also pays their traffic expenses and covers their insurance costs for these activities.
(Customer)

Funds Allocated to Social Contribution Activities

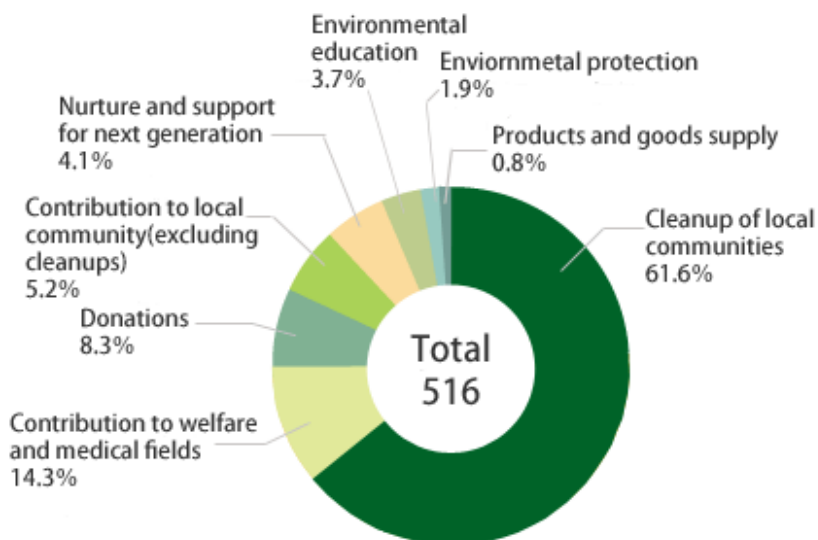
Funds Allocated to Social Contribution Activities (FY2011: Sumitomo Forestry, non-consolidated)



* Excluding financial donations for earthquake relief.

Breakdown of Social Contribution Activities

Breakdown of Social Contribution Activities (FY2011: Sumitomo Forestry Group)



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.

■ Results

Constructing and Providing Temporary Housing

The Company gathered a team of over 230 construction supervisors, carpenters, and workers from around the country to construct temporary housing for the people in the devastated regions of Miyagi Prefecture and Fukushima Prefecture. It has also been utilizing its materials logistics infrastructure and setting up relay centers for construction materials to be used in its temporary housing.

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 electricity shortages in areas supplied by TEPCO, the Kawasaki Biomass Electric Power Co., Ltd. facility has remained fully operational around the clock, including during the night and on public holidays.

Successfully Growing Saplings from the “Pine Tree of Hope” in Rikuzentakata City

The “Pine Tree of Hope” was the only pine tree among thousands in Takata-matsubara to survive the Great East Japan Earthquake and the resulting tsunami. Sumitomo Forestry Tsukuba Research Institute accepted a request to grow saplings from the tree and conduct a chemical analysis of the tree trunk. Researchers from the institute came up with two promising methods to cultivate the saplings; a cloning technique such as grafting and tissue culturing using genetic material collected from the pine, and a technique for cultivating saplings from some of the pine tree's few surviving seeds. Using these methods, by December 2011 the researchers had successfully cloned three saplings using the grafting technique and grown 18 saplings from the seeds. Going forward, Sumitomo Forestry will grow the saplings with the utmost care so they can serve as symbols of hope for the recovery, and it also plans to use the seeds from these saplings to grow more saplings. The techniques used in this project utilized the seedling production technologies developed and accumulated by the Group in its plantation forest and greening operations, and the cloning technologies it had developed for projects such as the cloning of one of Japan's historically important cherry blossom trees.



A tree climber collects materials



Six days after seeding



The new buds sprout (two months after the seeds were planted)

Providing Housing Products that Actively Employ Tohoku Timber

In order to contribute to the recovery of the Tohoku region, in July 2011 Sumitomo Forestry launched the *Cheer Up Japan! Support Tohoku! Project*. For this project, it created the *Support Tohoku!* (specification) product, which features pillars and beams entirely made from timber from the six Tohoku prefectures, and the “Tohoku Timber Interiors Upgrade” product, which features upgraded interiors that make extensive use of timber from Tohoku. Then in August, it established a loan system exclusively for these homes.

- ▶ [Link to the News Release: Sumitomo Forestry to Launch *Cheer Up Japan! Support Tohoku! Project*](http://sfc.jp/english/pdf/20110630.pdf)
(<http://sfc.jp/english/pdf/20110630.pdf>)

Participating in the *Rikuzentakata Machi Living Project*

In December 2011, Sumitomo Forestry set up the Riku Café, which was created as a temporary facility as part of the Rikuzentakata Living Room of the Town Project being implemented in Rikuzentakata City. The Company is participating in this project as part of a collaborative venture between industry, academia, citizen's groups, and NPOs. Other temporary facilities within the same location include a hospital, dental clinic, and a pharmacy. The goal is for the café to serve as a community meeting place that local citizens can visit to chat and obtain advice without the need for an appointment.



The *Riku Café* temporary facility

Stakeholder Comment

- I would like to commend the Company for the 24-hour operation of the biomass power plant in Kawasaki. (Customer)
- I think it's wonderful how much the Company is contributing to the recovery of East Japan. As Sumitomo Forestry is a global company involved with people around the world, I hope that it contributes to the world by having a good understanding of diverse cultures and valuing local people. (Customer)

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 539 students participated in the program in fiscal 2011.

The Company also began a nature experience program in fiscal 2007 for children at child care centres, with 30 children participating in fiscal 2011.



Environmental education support project

■ 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 ([Project EARTH \(P.170\)](#)) 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 for the benefit of local people.

Results

Completed planting of 310 hectares

Tree planting has continued since the project started in January 2009, and to date approximately 310 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.

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.

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)

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 300 Visitors in FY2011, including Local People

The facility is used as a base for walks in the forest, nature observation, environmental education, historical visits, and also for training programs for local people and employees from Group companies both inside and outside of Japan.

■ Elementary and Junior High Schools in the Tohoku Region Participate in the Omurozakura Research Project.

This project was launched in January 2010 by Ninna-ji Temple, Sumitomo Forestry, and other organizations. By February 2012, the first Omurozakura seedling cultured by researchers from Sumitomo Forestry Tsukuba Research Institute using tissue cultivation had grown to a size at which it could be planted, and so it was returned to its home at Ninna-ji Temple. At the same time, the researchers began test-planting at locations throughout the country managed by Ninna-ji Temple and also by Sumitomo Forestry, each site having a different type of soil and climatic conditions. In addition, elementary and junior high schools in the Tohoku region, which was severely damaged in the Great East Japan Earthquake, were invited to join in with this research project. The goal is to provide them with an opportunity to think positively about the future by witnessing the rebirth of these cherry blossom trees. It is hoped that the cherry blossoms grown from cultured-tissue seeds will become a symbol that continues to remind future generations about the Great East Japan Earthquake and Japan's recovery from the disaster.

Contributing to Education and the Development of the Next Generation

■ Community-based support for the next generation in North America

Group company Canyon Creek Cabinet Company, which manufactures and sells cabinets, is actively supporting students in its local area. It provides scrap timber to local boy scouts to help them practice and improve their carpentry skills, and also provides them with a meeting room for their monthly leadership meetings. In addition, it offers local students tours of its factory facilities, during which the factory employees help the students have a try at carpentry to gain a better understanding of the company's activities. Canyon Creek Cabinet Company also supports young people to learn business skills through the regional Business Week program, for which it offers bursaries, and also provides offcuts to a local toy manufacturer which uses them to make wooden toys and puzzles to donate to a local childcare facility and a children's hospital. In 2012, it received the Community Service Award from the Washington State Chamber of Commerce and Industry for its ongoing initiatives to support the local region.



Factory tour

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 the worsening environmental problems and social issues.

■ Results

In fiscal 2011, the Group offered suggestions on public policy primarily to the following organizations.

(As of April 30, 2011)

Name of organization	Position
Conference to Consider Forest-related Countermeasures to Global Warming (The Forestry Agency, Ministry of Agriculture, Forestry and Fisheries)	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	Vice-chairperson / Director
The Japan-Indonesia Economic Committee	Committee member
The Tokyo Chamber of Commerce and Industry	Special advisor, Assembly member
The Tokyo Chamber of Commerce and Industry Japan Committee for the Japan-New Zealand Business Council	Committee chairperson

Fiscal 2011 Activity Plans and Results

Reducing CO₂ Emissions

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

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Reduction of CO ₂ emissions	<p>Offices: By FY2010, achieve a 12% reduction in overall emissions compared with FY2006, and maintain this level to 2014</p> <p>Subsidiaries in manufacturing businesses in Japan: By FY2014, achieve an 8% reduction in base units* compared with FY2006</p> <p>Each plant independently sets its own base units for targets. In addition, as a means to collectively manage progress toward achieving targets, the plants use the rate of decrease in their CO₂ emissions relative to the base year of FY2006.</p> <p>Subsidiaries in manufacturing businesses 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>	<p>In offices, the amount of electricity used in Japan declined due to post-earthquake power saving measures. However, similar progress was not made in reducing gasoline consumption and the overall reduction of 10.6% was below the target. Nonetheless, the result was an improvement on the previous fiscal year.</p> <p>Subsidiaries in manufacturing businesses in Japan significantly increased their electricity usage, up 15.2% compared to the base year; this was due to increased production lines. However, the total was a year-on-year improvement when calculated according to base units, thanks to initiatives to reduce maximum instantaneous consumption of electricity.</p> <p>Made improvements at plants outside Japan on based on independently-set base units basis, including at Alpine, RPI, and SRP</p>	×	<p>Continue with initiatives to achieve targets</p> <p>In offices, continue with far-reaching power saving initiatives; also, enact measures to further reduce the use of gasoline and other fossil fuels</p>	Sumitomo Forestry Group
	Reduce total emissions at branches nationwide by 9.5% compared with FY2006	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 CO ₂ emissions of 15.3% compared with FY2006.	☆☆	Continue efforts to reduce consumption of electricity and gasoline	Housing Division
Introduction of LCA	Survey CO ₂ emissions volume through LCA and revise carbon footprint of our products	Conducted LCA surveys and revised carbon footprint data displayed on Particle Board manufactured	☆☆	Continue implementing LCA surveys and revising carbon footprint data	RPI
Decreasing the environmental impact of housing	Propose energy self-sufficient-type homes	<p>Installed residential storage batteries in monitor homes and verified their use.</p> <p>Launched <i>Smart Solabo</i>.</p>	☆☆	Construct the LCCM model home and provisionally calculate LCCO ₂ by using the LCCM assessment tool	Housing Division

Zero Emissions

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Attainment of zero emissions	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.	Advanced zero emission initiatives and achieved 89.3% recycling.	☆☆☆	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
	Aim for 87% recycling in order to achieve zero emissions.	Despite efforts at each branch, target was not achieved	△	Continue efforts to achieve zero emissions through recycling at recycling centers utilizing the inter-region recovery and recycling certification system	Housing Division
	Engage in zero emissions efforts with a target of 99.8% recycling at all plants.	A 3% reduction achieved through visualization of separation of management, and implementation of environmental education, which raised consciousness of industry waste management. Efforts were made to achieve further reductions by searching for and implementing new processing methods for difficult-to-recycle waste products; but despite these efforts, the recycling rate was 0.1% below the target	☆☆☆	Continue efforts to achieve zero emissions at all plants	Sumitomo Forestry Crest Co., Ltd.
Re-use of waste materials	Create wood pellets from unusable dust generated in Particle Board preparation processes.	Because the volume of dust generated in the rainy season was less than expected, the result was slightly below the target volume.	△	Continue with machine improvements to increase pellet production	RPI

Sustainability of Timber Resources

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Promotion of green procurement	Confirm legal compliance of all suppliers outside Japan, continuing on from FY2009.	Conducted legal compliance survey.	☆☆☆	Continue confirming legal compliance of suppliers and create systems for verifying legal compliance in the future	Timber & Building Materials Division
Sustainable timber and certified timber initiatives	Increase share of imported certified timber products to 93% of total imported wood products handled.	Although the volume handled has increased, there was a slight shortfall in the ratio	△	Continue working towards 91% ratio for certified timber materials handled.	Timber & Building Materials Division
	Increase share of certified and plantation timber in log transactions to 100% used in all products.	100% of target achieved	☆☆☆	Maintain share of certified and plantation timber in log transactions to 100% used in all products.	Kowa Lumber Co., Ltd.

Preserving Biodiversity

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Preserving biodiversity	Set plans for monitoring of biodiversity and conduct surveys.	Conducted monitoring surveys at Company-owned forests in Wakayama and the Shikoku region (Mominokiyama)	☆☆	Conduct monitoring surveys at Company-owned forests in the Shikoku region (Mominokiyama).	Forestry & Environment Division

Management of Hazardous Materials

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Comprehensive soil contamination countermeasures	Strict enforcement of soil contamination countermeasure rules when land is acquired.	Confirmed no soil contamination in all applicable projects.	☆☆	Strict enforcement of soil contamination surveys and compliance with survey procedures in accordance with the Group's guidebook on soil contamination risk countermeasures created in FY2010.	Real Estate Business Division
Appropriate management of toxic chemicals	Zero contamination of shipped products with toxic chemicals	Achieved target	☆☆	Continue implementing thorough checks on receipt of raw materials and maintain zero contamination.	AST

Effective Use of Water Resources

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Reduction of industrial water used	Achieve a 3% reduction in the amount of industrial water used compared with FY2010.	An 11% increase compared to FY2010, which was a result of taking into account the stabilization of the COD ¹ value	×	Achieve a 5% reduction compared with FY2011.	Sumitomo Forestry Crest Co., Ltd. (No. 2 Kyushu plant)

¹ COD: Chemical Oxygen Demand. This shows the amount of oxygen required to oxidize an organic compound in water and is considered one of the most important indicators of water quality.

Environmental Management

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Enhancement and promotion of environmental education	Implement environmental education for employees of the Housing Division through e-learning.	Implemented e-learning on the subject of the environment a total of six times.	☆☆☆	Aim to strengthen knowledge through e-learning and training	Housing Division
	Implement comprehensive training that incorporates environmental topics	Implemented five times for branch general managers and branch managers	☆☆☆	Implement six times comprehensive training that incorporates environmental topics	Housing Division
	Set green purchasing ratio targets in each division and department and implement measures to achieve them	Achieved a green purchasing ratio of 71.8% (Sumitomo Forestry)	-	Continue with initiatives to set green purchasing ratio targets for each division, department, and Group company and continue with measures to achieve them.	Group-wide

Promotion of Environmental Businesses

Key Initiatives	FY2011 Plan	FY2011 Results	Self-Assessment	FY2012 Plan	Unit
Effective utilization of used activated carbon from water purification plants	Achieve 2% increase in the amount of used activated carbon utilized, compared to previous year.	A 2.2% increase compared with the previous year, achieving the target.	☆☆☆	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.
Effective use of wood leftover from logging	Sale of furniture made from timber from forest thinnings in Monbetsu, Hokkaido.	Achieved 118% of target sales volume	☆☆☆	Expand sales proactively to major interior design fairs held across the nation.	Housing Division
Conduct environment-focused R&D	<ul style="list-style-type: none"> ・Develop plantation technologies and tree species for marshes and develop elite trees¹ ・Develop materials recycling technologies for construction waste materials ・Develop <i>Smart House</i> technologies 	Initiatives for a range of themes were progressed, and an overall rate of progress of 76% was achieved.	△	Continue with initiatives for each of these R&D themes	Sumitomo Forestry Tsukuba Research Institute

¹ Trees with superior characteristics in terms of growth speed, timber quality, tree form, etc.

Environmental Vision

The Sumitomo Forestry Group 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, the Group is aware of the potential impact of its activities on the environment, and it contributes 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, and 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

The Sumitomo Forestry Group 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	FY2011 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 (%)	-10.6%	-12% (2010 target value continues)
			Reduction of CO ₂ emissions (manufacturing companies in Japan)	Percentage of reduction of CO ₂ 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 CO ₂ emissions compared with FY2006 (%) is used concurrently as a progress management indicator.	15.2%	-8% (each plant)
				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%	

Unit	Responsible	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2011 Results	FY2014 Targeted Values
			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, and industrial waste	Attainment of zero emissions	<p>Attainment of zero emissions</p> <p>* Definition: No incineration of industrial waste generated by domestic manufacturing facilities, as well as no incineration or landfill for new construction sites.</p> <p>* 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.</p>	89.3%	Achieve zero emissions
Forestry & Environment Division	Forestry & Environment Department	Resource consumption, resource recycling, biodiversity, and others	Promotion and expansion of sustainable forests	Percentage of certified forests in newly acquired forests managed by the Group	100%	100%
		Biodiversity, and others	Establishment of forestry management that enables both preservation and conservation of biodiversity and forestry businesses	<p>Implement monitoring surveys in Company-owned forests (Collect and review fundamental materials: 2008-2011).</p> <p>From 2012, set specific numeric targets by region based on comparative analysis of data collected.</p>	4 out of 4 locations (cumulative)	4 out of 4 locations Set specific numeric targets from 2012.
Timber & Building Materials Division and Major Affiliated Companies	International Marketing Department	Resource consumption, and biodiversity	Increase sustainable timber handled	Percentage of certified timber handled and percentage of plantation timber handled.	Products 88%	Products 95%
	Timber and Building Materials Department	Global warming, resource consumption, and resource recycling	Increase utilization of environmentally sound building materials	Volume of environmentally sound building materials handled	4,039 EcoCute units	6,000 EcoCute units
	Sumitomo Forestry Wood Products Co., Ltd.	Resource consumption, and global warming	Promote use of Japanese timber	Volume of Japanese timber handled	Log 479,000 m ³ Lumber 262,000 m ³	Log 1,300,000 m ³ Lumber 500,000 m ³
	Sumitomo Forestry Crest Co., Ltd. (Kashima/Shizuoka/Niihama plants)	Resource consumption, and global warming	Promote use of sustainable timber	Green procurement rate (Compliance with Sumitomo Forestry Timber Procurement Standards) (m ³ basis)	81%	100%

Unit	Responsible	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2011 Results	FY2014 Targeted Values
Overseas Business Division and Major Affiliated Companies	Overseas Resources & Manufacturing Department	Resource consumption, resource recycling, and biodiversity	Expand use of sustainable raw materials * Sustainable raw materials: plantation timber, certified timber, and waste wood	Percentage of sustainable timber used for wooden raw materials (total for NPIL, Alpine, KTI, RPI, FSW)	94%	100%
	Overseas Housing & Real Estate Department	Resource consumption, resource recycling, and living environments (others)	Promote environmentally friendly housing	Percentage of houses sold that meet certain environmental standards (total for SFC Homes, Paragon, DSH, Henley) * Certain environmental standards: North America, Australia: Standards in each country China, South Korea: Company's own standards	Percentage: 96%	Percentage: 90%
Housing Division and Major Affiliated Companies	Building Materials Procurement & Logistics Department Marketing Strategy Department Product Development Department	Global warming, resource consumption, resource recycling, and others	Promote and expand the use of Japanese timber	Percentage of Japanese timber used in all products (based on the total volume of timber used)	55%	70%
	Residential Property Development Department	Resource consumption, resource recycling, and global warming	Promotion of environmentally symbiotic property development	Percentage of housing units using next-generation energy-conservation standards (Base: construction starts)	100% (310 out of 310 houses)	100%
	Sumitomo Forestry Landscaping Co., Ltd.	Biodiversity, and living environments (residential greening)	Promotion of residential greening that is considerate to biodiversity	No. of garden vegetation species that are native to the region	22,246 trees	35,000 trees
	Sumitomo Forestry Home Service Co., Ltd.	Resource consumption, resource recycling, and industrial waste	Promotion of re-use of housing	Number of <i>SumStock house</i> transactions	19 units	12 units

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 Green
Purchasing

Environmental Management System

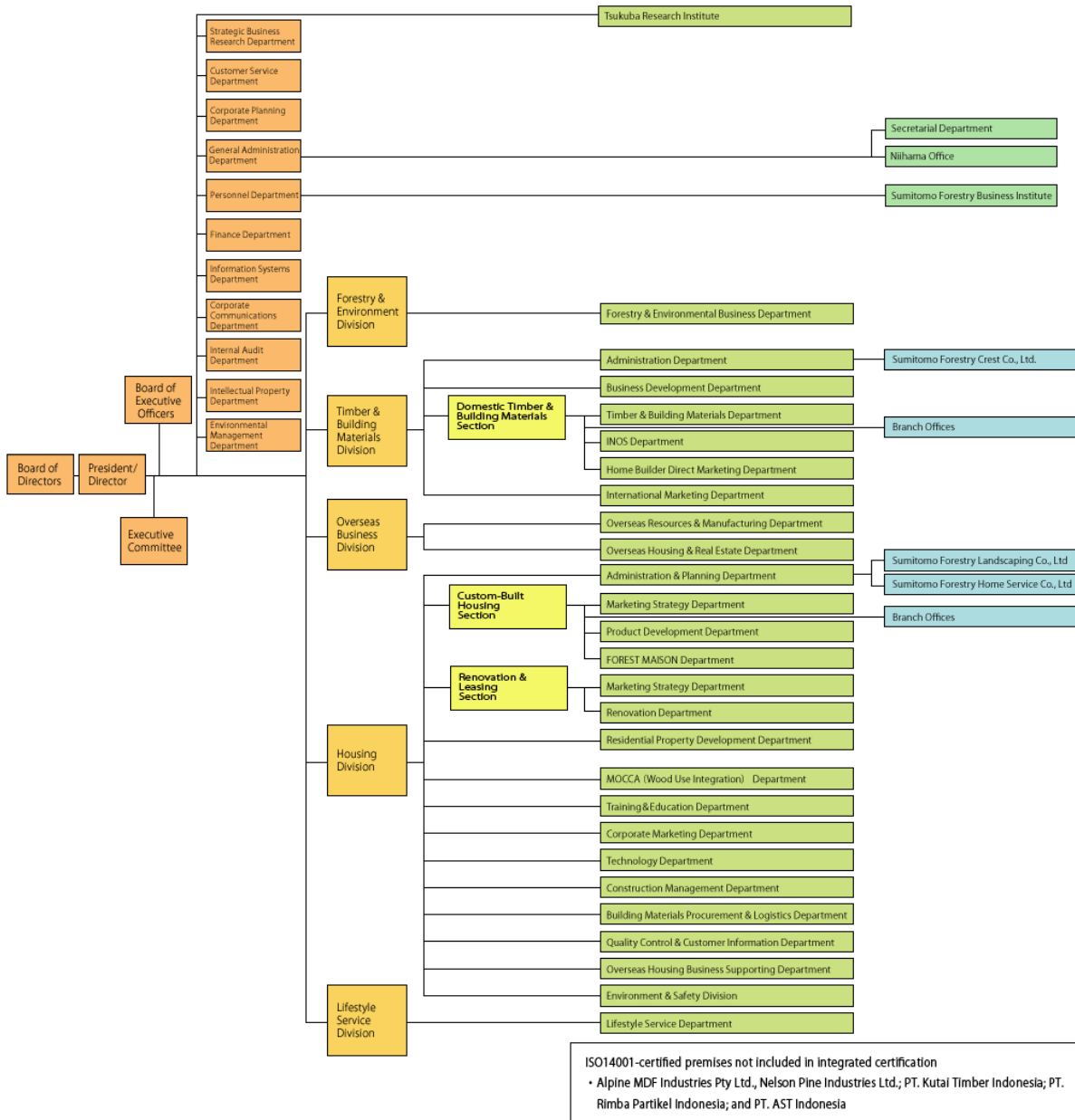
Environmental Management Structure

- With the goal of contributing to the creation of a sustainable society, all companies in the Sumitomo Forestry Group base their activities on Environmental Policies created by the Company. Based on this and in accordance with the relevant business activities of each division and department, a system is in place with the President at its head to progress environmentally sound business activities within the Group.
- Sumitomo Forestry Group companies create and manage environmental budgets, including affiliated companies that are outside of the scope of ISO14001 certification.

ISO14001 Certification

ISO14001-Certified Organizations

Based on the Company's Environmental Policy of contributing to the realization of a sustainable society, the following organizations carry out environmental management in accordance with each department's respective business activities, in compliance with ISO14001.



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 ISO14001 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 2011, three companies were included in the integrated ISO14001 certification: Sumitomo Forestry Landscaping Co., Ltd.; Sumitomo Forestry Home Service Co., Ltd.; and Sumitomo Forestry Crest Co., Ltd.

Companies that have also obtained ISO14001 certification independent of the Group-wide integrated ISO14001 certification are: Alpine MDF Industries Pty Ltd. (Alpine); [Nelson Pine Industries Ltd. \(NPIL\)](http://www.nelsonpine.co.nz/) (<http://www.nelsonpine.co.nz/>); [PT. Kutai Timber Indonesia \(KTI\)](http://www.kti.co.id/) (<http://www.kti.co.id/>); PT. Rimba Partikel Indonesia (RPI); and PT. AST Indonesia (AST).

■ Audits by External Certification Bodies

Policy & Plans

ISO14001 certification reviews are conducted annually and renewal examinations are held every three years by external certification bodies.

Results

In fiscal 2011, the Company underwent a surveillance review. The audit indicated one minor area of irregularity and also recommended 14 proposals for improvement. This minor irregularity and proposals were studied by the relevant departments, which decided on appropriate actions to take, and internal environmental audits were conducted to determine the effectiveness of initiatives.

▶ [Link in this report: "Preventing Air Pollution" \(P.148\)](#)

Stakeholder Comment

- Although your response to this issue was excellent, I thought you could have explained your response in a little more detail, including diagrams. (Other stakeholder)

■ 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 2011, 81 departments conducted internal environmental audits. The Group's internal environmental auditors evaluated initiatives, proposed improvements, and checked compliance frameworks. In the fiscal year under review, two training courses were administered to certify internal environmental auditors. As of the end of fiscal 2011, a total of 1,192 employees including 446 from Group companies have qualified as such auditors.

The main items on the Sumitomo Forestry Group's environmental management yearly schedule

	Environmental budget	ISO14001
April	Report summarizing the results in the previous full fiscal year	Internal-Company notifications about the management review *
May		
June		
July	Report summarizing the results in the first fiscal quarter	Audit by an external certification body
August		Internal-Company notification of the results of the external audit
September		
October	Report summarizing the results in the first half of the fiscal year	Training course for internal environmental auditors
November		Arrangement of the internal environmental audit and the corrective actions
December		
January	Preparing the report for the next fiscal year	
February	Report summarizing the results in the third fiscal quarter	
March		Management review

Note: The President confirms that the Group's environmental management system is functioning correctly; specifically, that the organizational objectives are appropriate for the actual conditions and that the results are in-line with objectives. Then, if required, the President indicates the necessary improvements to be carried out.

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 Green
Purchasing

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, sometimes 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, they 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. They are provided 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 ISO14001 environmental auditors.

Establishing an Education & Training Department in the Housing Division and Providing e-learning

The Company has been strengthening its system for improving employee capabilities. In April 2011, it established the Training & Education Department, which was tasked with providing practical education and training to improve the skills of employees in the Housing Division.

As part of a series of training programs, each year it runs an e-learning course for all employees that have joined the Housing Division in the last three years. The aim of the course is to reinforce the fundamental knowledge required of housing sales personnel, and content ranges from general topics to specific initiatives on the environment underway at the Company. In addition, practically every month it runs a comprehensive training course for manager-level home-sales employees. Within these courses during fiscal 2011, environmental topics were included in the training content on seven occasions; the goal is for a "trickle-down effect" to increase awareness of environmental issues from management down to personnel at the lower levels.

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 Green
Purchasing

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 2011, there were no significant violations of any environment-related laws or ordinances.

Proper Treatment of Industrial Waste

Policy & Plans

It is said that 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 has reviewed its management systems, appointed personnel in charge of industrial waste treatment, provided training in industrial waste for those newly appointed to this position, 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

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 (JWNET). During fiscal 2011, 99.9% 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 Asuka Plant and the 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. Asuka Plant / 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 horticulture².
Japan Bio Energy Co., Ltd.	<ul style="list-style-type: none"> ▪ Intermediary processing (shredding) of construction wood waste, prunings, 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.

2 Use of the water purification cake from the Sakura Plant of Sumirin Agro-Products Co., Ltd. has been suspended, as following the accident at the nuclear power plant caused by the Great East Japan Earthquake of March 11, 2011, the levels of radiation detected in soil collected from near to the adjacent water purification plant exceeded the level considered safe.

Going forward, soil testing will continue and use of the purification cake will remain suspended until the samples have returned to safe levels.

■ Future Plans

The Sumitomo Forestry Group will continue to ensure proper disposal of industrial waste by carrying out independent audits of industrial waste processing and management at the division and Company levels and by inspecting disposal sites.

In addition, it will continue with the gradual shift to the e-manifest 'JWNET,' including at divisions other than the Housing Division and also at Group companies.

Stakeholder Comment

- The descriptions of environmental risk and the measures to address this risk were easy to understand. (Employee)

Preventing the Use of Illegally Logged Timber

■ Policy & Plans

Sumitomo Forestry performs checks of all overseas suppliers of logs, timber, 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 2011, in accordance with the Action Plan, which is based on Timber Procurement Philosophy and Policy, the Sumitomo Forestry Group is continuing to confirming legal compliance, including for new suppliers, in order to maintain 100% compliance for all directly imported timber and wood products. From fiscal 2012, the Company conducts a CSR survey at all of its overseas business partners, which will encompass such topics as human rights and labor practices. In addition, from fiscal 2012 and based on requests from its client paper manufacturing companies, it has independently launched an initiative to confirm the legality of the wood chips that it handles within Japan. These wood chips include in their raw materials industrial waste other than Japanese timber and also imported timber.

▶ [Link in this report: "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

Management 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 and then released a revised version in April 2011. Using this revised guidebook as a baseline reference, the Sumitomo Forestry Group will take specific and effective action to address the risk of soil contamination, with any actions actually carried out being 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 analysis of water samples in November 2011 found no values exceeding the relevant standard and to be below the measurement threshold.

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.

▶ [Link in this report: "Effluent Water Quality Survey Results \(P.223\)"](#)

Appropriately Managing and Reducing the Use of Hazardous Chemical Materials

Sumitomo Forestry Group 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 the emitted or transported amount beginning in fiscal 2010. The Sumitomo Forestry Group reports to the authorities in compliance with the revised law.

▶ [Internal Link: "Management of Hazardous Materials" \(P.221\)"](#)

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.

The revised Air Pollution Control Act of May 2010 established a system of fines for violations to the legal requirement of recording and reporting of measurements of pollution levels, such as the volume of smoke and soot emitted. In addition, the revised law prescribed the legal requirements of those responsible for "Implementing the measures required to control emissions of smoke and soot." The Sumitomo Forestry Group is working to ensure compliance with the revised law and is implementing measures to prevent air pollution.

Results

The ISO14001 surveillance review conducted by an external certification body in fiscal 2011 indicated one slight area of irregularity, which was at the Sumitomo Forestry Crest's Niihama Plant. A vent had become blocked, which resulted in dust concentrations in a waste wood boiler exceeding the legally designated level. Despite this being recorded and reported, there was a delay in reporting it to the supervising department. The Company examined the measures implemented in response to the review's indication and confirmed whether or not their implementation was appropriate.

■ Future Plans

The review conducted by an external certification body in fiscal 2011 indicated one slight area of irregularity at the Sumitomo Forestry Crest's Niihama Plant. In response, the plant immediately reported on this irregularity in accordance with the prescribed reporting route, conducted an inspection and took measurements to determine the optimum combustion conditions to minimize the generation of smoke, and is currently preparing an operations manual, which up to the present time has not been completed. In addition, during fiscal 2012 it completed work to repair the blocked boiler vent and intends to re-measure dust concentrations in the near future.

- ▶ [Link in this report: "Amount of Air Pollutant Emitted \(P.223\)"](#)
- ▶ [Link in this report: "Audits by External Certification Bodies" \(P.142\)"](#)

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 the news release: "Masking Method for Improved Sound Insulation"](#)
(<http://sfc.jp/english/pdf/20110215.pdf>)

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 Green
Purchasing

Promoting Green Purchasing

Policy & Plans

Sumitomo Forestry promotes 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 these standard model 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 standard models among new vehicles leased was 87.8% in fiscal 2011, making the share of high fuel-efficiency vehicles among the Group's total vehicles leased, including existing vehicles, 62.7% as of March 2012, an improvement over the previous fiscal year. In March 2012, a re-evaluation of the standard model vehicles was conducted, as set forth in the guidelines. Following this re-evaluation, in addition to hybrid vehicles on its list of models to be used as fleet cars, it included a highly fuel efficient gasoline powered vehicle, which is now called the third Eco Car, to its list.

Moreover, 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 2011 was 71.8%, an improvement on the 69.8% in fiscal 2010.

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.

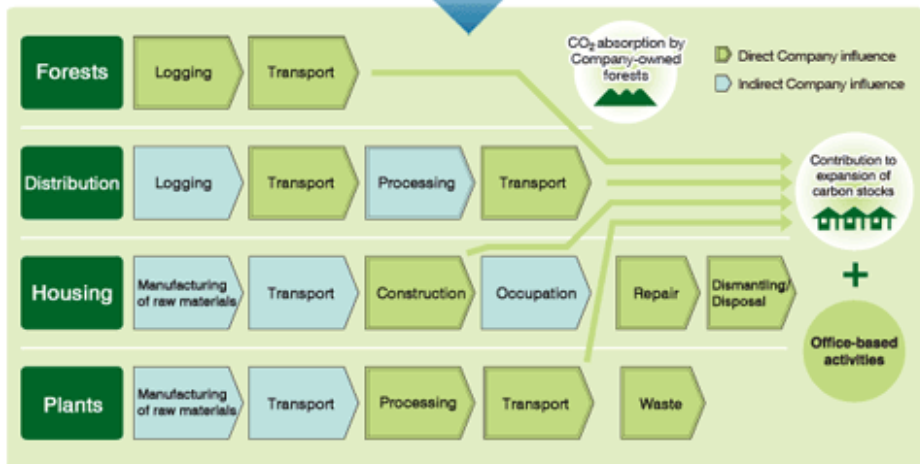
Environmental Impact of Business Activities

Life Cycle Assessments

Contribution to Expanding Carbon Stocks

Environmental Impact of Business Activities

INPUT		
Energy	3,949,107 GJ¹	Raw materials .. 2,2610,138 t
Electricity	274,979,569 kWh	Wood
Gasoline	15,000,200 L	Metal
Light oil	13,795,144 L	Plastic
Kerosene	239,608 L	Paper/fiber
Heavy oil A	1,127,526 L	Concrete
Heat	5,148,236 MJ	Glass/ceramic/non-combustible building materials
LPG	189,693 kg	Paint
Processed natural gas	262,633 m ³	Adhesives
Natural Gas	3,196,656 m ³	Other
Coal	220,790 kg	
		Water
		Plants
		Offices



OUTPUT		
Waste	320,758 t	CO₂
Wood	147,659 t	198,746 t-CO ₂
Metal	4,524 t	Wastewater .. 1,047,393 t
Plastic	38,097 t	
Paper	6,139 t	
Fiber	558 t	
Concrete	53,006 t	
Glass/ceramic	14,682 t	
Oil	92 t	
Rubble	18,648 t	
Asbestos-containing material ..	1,063 t	
Gypsum board	10,053 t	
Composite waste (inert)	1,376 t	
Composite waste (controlled) ..	9,521 t	
Ash/soot and dust	14,244 t	
Sludge	458 t	
Other	640 t	

1 Gigajoules


Environmental Impact from the Construction of a New House

INPUT

Energy 25,192 MJ¹	Raw materials 76.13 t
Electricity 282.1 kWh	Timber 15.37 t
Gasoline 415.6 L	Metal 2.49 t
Light oil 213.7 L	Plastic 1.08 t
	Paper/fiber 0.15 t
	Concrete 44.75 t
	Glass/ceramic 12.27 t

OUTPUT

CO₂ 1,631 kg-CO₂	Waste from new housing construction 4.79 t
	Plastic 0.45 t
	Paper 0.61 t
	Wood 0.99 t
	Metal 0.10 t
	Glass/ceramic 0.78 t
	Rubble 0.72 t
	Gypsum board 0.87 t
	Composite waste (inert) 0.01 t
	Composite waste (controlled) 0.26 t
	Sludge 0.01 t



1 Megajoules

Stakeholder Comment

- All the data on environmental impacts is on a single year basis, so it is impossible to know how it compares to the previous year. (Customer)

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
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Life Cycle
Assessments

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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

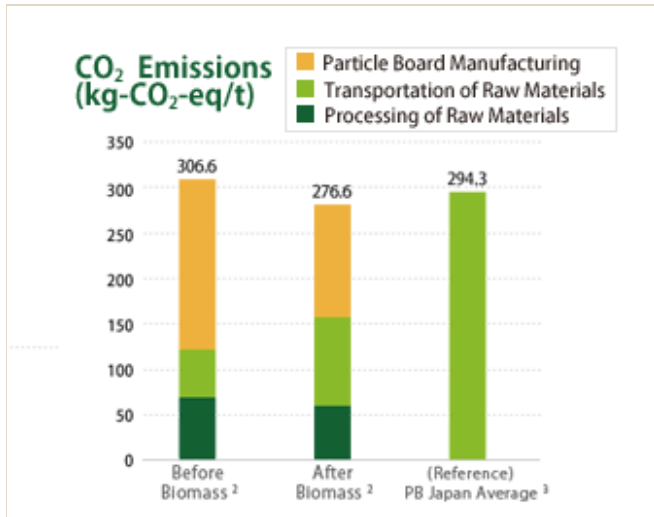
PT. Rimba Partikel Indonesia (RPI) conducts LCA surveys for the particle board (PB) it manufactures and sells, from production and transportation of the raw materials through to manufacturing of the product. Based on the results of these surveys, in October 2009, RPI began voluntarily displaying carbon footprint of products on its PB. This marks the first time that an Indonesian company has labeled timber products, and in both 2010 and 2011, 90% of products were labeled. RPI's 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.

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.



Carbon footprint labels on particle boards

Comparison of Carbon Footprints of Products Before and After Installation of Wood Biomass Power Generation Facility (PB 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).

Note: Calculated based on Jan.-Dec. 2010 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. In fiscal 2011, it began inventory inspections for when wood was used to produce sashes, siding, and heat insulating materials.

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

A body of inventory data showing the average environmental impact of Japanese logs has now been accumulated. Utilizing this data and with the goal of acquiring fundamental knowledge on methods to reduce the environmental impact of Japanese logs, in fiscal 2011 Sumitomo Forestry collaborated with the Dr. Hattori's Laboratory in the Graduate School of the Tokyo University of Agriculture and Technology to conduct an inventory analysis of the production of Japanese logs.

Environmental Impact Assessment of Japanese Timber – A Case Study of the Production of Resources

1. Background

Timber has been established to be a highly environmentally sound material. Processing timber requires the consumption of a smaller amount of energy than its alternatives, it is a renewable resource, and the carbon dioxide that is emitted when it is incinerated is considered to be carbon neutral.¹ However, there is only a limited number of inventory analyses of timber compared to its alternatives, and there is a lack of reliable and established data. Therefore, it is difficult to find detailed assessments that compare it to other materials. When conducting an analysis of timber, it is vital to have inventory data on logs, but the situation in Japan is that there are only a small number of research examples that can be used.

2. Survey outline

2.1 Target of survey

The survey was conducted in three districts: the Monbetsu District, Hokkaido; the Niihama District, Ehime Prefecture; and the Hyuga District, Miyazaki Prefecture. It was conducted in 20 locations over an area of 359 hectares, as outlined in Table 1.

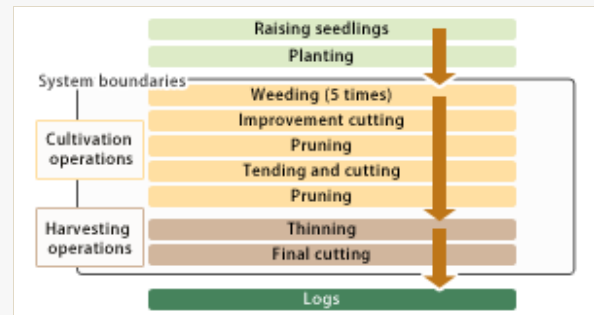
2.2 System boundaries

Diagram 1 shows the scope of the boundaries in the survey system.

Table 1: Outline of the districts surveyed

Area	Number of survey items	Area of forest surveyed (hectares)	Survey period
Monbetsu	8	193.5	Oct 2006~ Feb 2007
Niihama	5	98.7	May 2003~ Dec 2004
Hyuga	7	66.8	Oct 2007~ Jan 2009
Total	20	359.0	May 2003~ Jan 2009

Figure 1: System boundaries in the inventory analysis of Japanese timber



At Monbetsu, thinning was carried out at all locations, mainly on Larch trees. At Niihama, selected thinning² on tree groups was carried out at one location and thinning at four locations. At Hyuga, thinning was carried out at three locations and clearing at four locations.

2.3 Survey method

The base unit in the inventory analysis was set as 1m³ of logs.

- Foreground data: data was collected at work sites via a questionnaire for recording volumes consumed, including the volume of light diesel oil.
- Background data: the IDEA inventory database, which is installed with the MiLCA³ LCA support system, was used.
- Impact assessment method: the Japanese version of the Life-Cycle Impact Assessment Method Ver.2 (LIME2) was used.

3. Results (summary)

- 1) The majority of emissions generated in the production process of Japanese timber are created during harvesting operations.
- 2) The volume of CO₂ emissions during harvesting operations may differ due to the effects of the 'work system,' 'the harvest material per area where harvest operations are conducted,' and 'the party conducting the operations.'
- 3) It was calculated that 1m² of Japanese logs generates 10.1kg of CO₂ emissions.
- 4) It was calculated that the cost to society⁴ to produce 1m² of Japanese logs is in the range of 41 yen to 57 yen.

The data suggests that a work system using high performance forestry machinery generates more CO₂ emissions in the production of Japanese logs than a work system that uses conventional forestry machinery. As a result, in order to reduce the volume of CO₂ emissions generated during harvesting operations, it is important to improve the efficiency of the use of high performance forestry machinery and to limit their fuel consumption.

Notes / Literature

- 1 Dr. Akira Hattori (2005): The Institute of Life Cycle Assessment (LCA) Japan academic journal, 1 (1) , 34-35
- 2 A forestry method that avoids rapid changes to the environment by harvesting only a small amount of trees in each harvest.
- 3 Japan Environmental Management Association for Industry: LCA support system "MiLCA"
- 4 The hidden monetary impact that a product has on society during its life, resulting from its environmental impact.

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 carbon sequestered in the trees is stored for a long period of time. This is the reason behind that building wooden houses almost means 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 active use of timber. MOCCA (wood use integration) operations¹ aim to expand the applications of timber and promote its wider use, which in turn increases timber-based carbon stocks and helps to curb global warming.

¹ The collective term for all businesses within the Group that aim to expand the use of timber through promoting wooden construction and the use of timber.

Results

Carbon Stock of the Timber in Company-Owned Forests in Japan

In fiscal 2012, the carbon stocks of Company-owned forests in Japan was equivalent to about 10.74 million tons of CO₂,

▶ [Link in this report: "Conservation and Sustainable Use of Timber Resources" \(P.189\)](#)

Carbon Stock of the Timber Used in Housing Construction

In fiscal 2011, the carbon stocks of the Sumitomo Forestry Group's timber used for housing construction was equivalent to about 203,000 tons of CO₂, (for 9,007 houses) roughly the amount of CO₂ emitted by approximately 40,000 households over one year.

Increasing the carbon stock through promoting the use of wood

Against the backdrop of the enactment in October 2010 of the Act for Promotion of Use of Wood in Public Buildings, the applications for timber, particularly Japanese timber, are expected to increase in the future. With this situation in mind, in April 2011 the Company established the MOCCA (Wood Use Integration) Department. Centered on the activities of this department, the Sumitomo Forestry Group is working to promote the use of wood and thereby increase the carbon stock from timber and contribute to efforts to combat global warming.

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

FY2011 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 17th Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change adopted the Durban Agreement, with the goal of holding down the increase in global average temperature below 2 °C or 1.5 °C above pre-industrial levels. Japan announced that it would not take part in the Kyoto Protocol's second commitment period, but it seems to be inevitable that it will have to review its position following its international commitment to meet the target established at the 2009 Summit Conference of the Leading Industrialized Nations, of reducing total greenhouse gases by 25% compared to 1990 by 2020.

Given that the household sector accounts for about 14.4%¹ of Japan's total CO₂ emissions, as a housing provider the Sumitomo Forestry Group has a major role to play in reducing CO₂ emissions that result from home living. It 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.

¹ From data on Japan's emissions of greenhouse gasses from Greenhouse Gas Inventory Office Refer to the fiscal 2010 share of CO₂ emissions according to category (indirect emissions)

Stakeholder Comment

- The initiatives being conducted by Sumitomo Forestry for the risks anticipated from climate change are concrete and left a good impression on me. (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.
- In July 2012, Australia introduced a carbon pricing system (carbon-emissions tax) and plans to move to an emissions trading system in 2015. China and Indonesia are also both currently investigating introducing the same system, which is expected to have an effect on the activities of companies with business sites in these countries.
- Given that Sumitomo Forestry uses wood as a natural 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 in New Zealand and elsewhere where hydroelectric power generation is used, there is the risk that energy supply could be disrupted by climatic factors and the level of precipitation.

Opportunities Presented by Climate Change

- Using the Kyoto Mechanisms established by the Kyoto Protocol, there is an opportunity to create credits through CDM projects.
 - ▶ [Link in this report: "CDM Business Using Wood Biomass Power Generation" \(P.232\)](#)
- In housing construction, Sumitomo Forestry aims to differentiate itself from its competitors through full compliance with energy conservation standards at the high level, and also by supplying Life Cycle Carbon Minus (LCCM) houses and other products with outstanding performance and equipment to generate and store energy.
 - ▶ [Link in this report: "Developing of Life Cycle Carbon Minus \(LCCM\) Homes" \(P.171\)](#)
- Climate change generates opportunities such as promoting forest growth and developing untapped resources, and the Company believes this leads to new business opportunities, including discovering new suppliers.

Stakeholder Comment

- Recently we have witnessed many examples of abnormal weather, so I think our ability to respond to such events is going to be tested. (Customer)

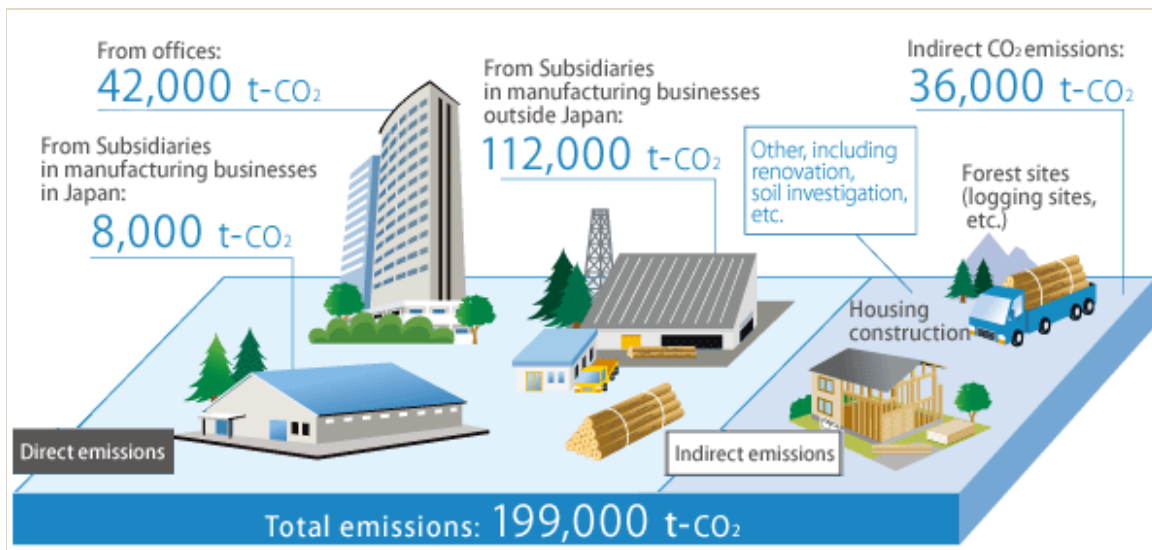
Tackling Climate Change

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

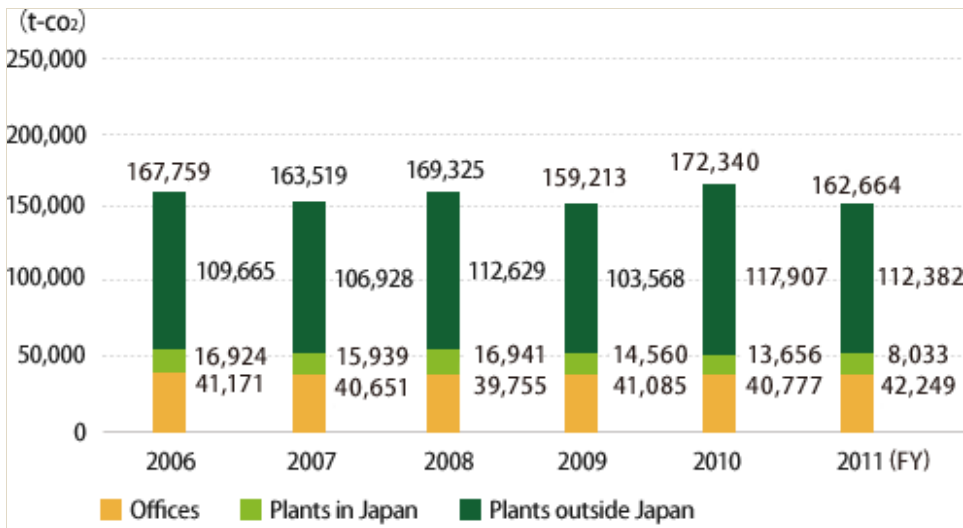
Policy & Business Impact	FY2011 CO₂ Emission Results	Reducing CO ₂ Emissions in Business Activities	Reducing Energy Consumption in Homes
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FY2011 CO₂ Emission Results

Sumitomo Forestry Group: FY2011 CO₂ Emission Volume



Trend in Direct Emissions



Note: CO₂ emission volumes are for the entire Group in each fiscal year.

Note: Sumitomo Forestry offsets its CO₂ emissions from offices, which were 1,590 tons in FY2010 and 2,542 tons in FY2011, by utilizing the forest-absorption credits issued under the J-VER System.

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	FY2011 CO ₂ Emission Results	Reducing CO₂ Emissions in Business Activities	Reducing Energy Consumption in Homes
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Sumitomo Forestry Group CO₂ Emission Volume Reduction Targets

Policy & Plans

In December 2009, the Sumitomo Forestry Group updated its CO₂ emissions reduction targets and implemented initiatives to meet these new targets. From April 2011, in addition to setting units for each plant, the Company newly established a “per sales unit” for targets so that it could manage the progress toward achieving CO₂ emissions targets at all Subsidiaries in manufacturing businesses in Japan in an integrated manner.

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

Offices	: By FY2010, achieve a 12% reduction in overall emissions compared with FY2006, and maintain this level to 2014
Subsidiaries in manufacturing businesses in Japan	: By FY2014, achieve an 8% reduction in the per sales unit compared with FY2006 Each plant independently sets the base units for targets. In addition, as a method of collectively managing progress toward achieving targets, the plants also use the rate of reduction of total CO ₂ emissions from the base year of FY2006.
Subsidiaries in manufacturing businesses outside of 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

Results

Offices

	FY2006 (base year)	FY2007	FY2008	FY2009	FY2010	FY2011
Emissions at offices (t-CO ₂)	36,403	36,857 (+1.2%)	34,841 (-4.3%)	33,403 (-8.2%)	34,052 (-6.5%)	32,558 (-10.6%)

Note: Figures in brackets indicate the percentage change compared with FY2006

Note: The figures are aligned with the organization in the base year (FY2006) in order to manage progress toward targets

- Following the earthquake in fiscal 2011, Group companies within Japan initiated a range of power saving measures, and as a result they were able to significantly reduce the amount of electricity and thereby cut their CO₂ emissions. However, as the Group was unable to make similar progress with initiatives to reduce its usage of gasoline, the overall reduction was 10.6%, which was below the target.

Subsidiaries in manufacturing businesses in Japan

	FY2006 (base year)	FY2007	FY2008	FY2009	FY2010	FY2011
Subsidiaries in manufacturing businesses in Japan, per sales unit (tons of CO ₂ / mil. yen)	188.8	210.9 (+11.7%)	221.1 (+17.1%)	231.6 (+22.7%)	234.1 (+24.1%)	217.4 (+15.2%)

Note: Figures in brackets indicate the percentage change compared with FY2006

- Although there are differences between individual plants, Sumitomo Forestry Crest Co., Ltd. reduced its total CO₂ emissions year-on-year through initiatives to reduce the maximum instantaneous consumption of electricity at sites including its Kashima Plant. At the same time, it also improved its base unit performance from the previous year. However, its overall result fell well below the target as compared to the base year, due to an increase in its production line compared to the base year, and also because some of the Komatsujima Plant's machinery was transferred to the Kyushu Plant following the sale of the Komatsujima Plant.

Subsidiaries in manufacturing businesses outside Japan

- CO₂ emissions at PT. Kutai Timber Indonesia (KTI) and Fuxin Sumirin Wood Products Co., Ltd. increased along with an improvement in their productivity. However, the overall total decreased due to a decline in productivity at Alpine MDF Industries Pty Ltd. (Alpine).
The biomass power generation system introduced at PT. Rimba Partikel Indonesia (RPI) to reduce CO₂ emissions is operating roughly as hoped, and the company reduced its emissions year-on-year.
At overseas plants, targets are set on a per-plant basis according to the conditions in each country and each is carrying out initiatives to reduce emissions according to base units. As a result, in companies such as Alpine, RPI, and PT. Sinar Rimba Pasifik (SRP), improvements can be seen based on the units that they have independently established.

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

▶ [Link in this report: "Environmental Data" \(P.239\)](#)

Future Plans

The Group is continuing to implement initiatives toward achieving the CO₂ emissions targets established in the Medium Term Environmental Management Plan. In addition to thoroughly implementing power saving measures, its offices are working to reduce emissions by measures to further cut their use of gasoline and other fossil fuels.

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. (Management consultant)

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

Initiatives to Reduce Gasoline Consumption

The Sumitomo Forestry Group in Japan promotes 'eco-driving' among its employees, encouraging them to participate in external training courses such as the Eco Training course run by the Japan Automobile Federation (JAF). Since fiscal 2009, 16 employees have taken part in this course. In addition, an initiative is being implemented to reduce gasoline usage, whereby employees using fleet cars record and identify how much gasoline they use each day in order to drive more efficiently.

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 in Japan (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 2011, 87.8% of upgraded Company-owned vehicles were fuel-efficient vehicles.

Adding the "3rd Eco Car" as the Standard Model for Company-Owned Vehicles

In March 2012, the Company released its revised Office Product and Company Vehicle Purchasing Guidelines, which added the 3rd Eco Car, which is a highly fuel efficient gasoline powered vehicle, as the Group's standard model to the list of vehicles to be used by the Company, in addition to hybrid vehicles.

Implementing the Perfect No Overtime Day

The Company implemented the Perfect No Overtime Day in June during the Environment Month and in November during Family Week. On these days after a specific time, all lighting was turned off.

Future Plans

The Company will work to further reduce its CO₂ emissions by continuing to replace conventional vehicles in its fleet with highly fuel efficient vehicles (its standard model).

▶ [Link in this report: "Promoting Green Purchasing" \(P.150\)](#)

Implementing Power Saving Measures in Response to the Great East Japan Earthquake

■ Policy & Plans

The Sumitomo Forestry Group has been pushing ahead with a range of power saving initiatives not only in response to the electricity shortages that followed the Great East Japan Earthquake, but also from the perspective of reducing CO₂ emissions.

■ Results

Responding to the Government Order Limiting the Use of Electricity

In July 2011, the government issued an order that obliged large-scale users of electricity within the areas of the Tokyo Electric Power Co., Inc. or Tohoku Electric Power Co., Inc. to reduce their electricity consumption by 15% compared to its maximum power usage in fiscal 2010. This applied to the Tsukuba Research Institute and Sumitomo Forestry Crest Co. Ltd's Kashima Plant, and through measures that included monitoring of peak usage of electric power through a peak demand controller, shifting the time when the equipments that used the most electric power were used, and rotating operations on production lines, they succeeded in reducing electricity usage by more than 15% compared to the peak usage on weekdays.

Implementing Power Saving Measures throughout the Country

Responding to the power shortages that followed the Great East Japan Earthquake, from July to September the Company implemented power saving measures at all its sites throughout the country, except for those in the disaster region, with the goal of reducing power consumption by at least 15% compared to the level in fiscal 2010. Specifically, this involved strict management of lighting and air conditioning in work places to ensure they were turned off when the area was not in use, controls of lighting and air-conditioner temperatures, and measures to ensure that all employees were aware of the importance of saving power. Toward this, the weekly email magazine included one or two methods of saving power, while a review of work styles was also conducted, including adjusting working days and working times. Thanks to these efforts, during the 2011 summer period (June to September) the Sumitomo Forestry Group was able to reduce the amount of energy it used in the area under the jurisdiction of the Tokyo Electric Power Co., Inc. and Tohoku Electric Power Co., Inc. by 24.3% compared to fiscal 2010 and by 6.3% in other areas. These savings were equivalent to 1,706 tons of CO₂ emissions, and moreover the Company decided to continue to implement these power saving measures after the summer of 2011.

Energy Conservation in Model Homes and Showrooms throughout Japan

In response to the electricity shortages that followed the Great East Japan Earthquake, Sumitomo Forestry has been turning off advertising boards and other types of external lighting at model homes, tenant offices, and Company offices (roadside branches), and has also introduced green curtains and solar power systems at some locations.

In addition, in fiscal 2008 it launched a project to switch to environmentally sound lighting at its model homes and showrooms throughout Japan; this has now been completed for the showrooms and is being carried out sequentially at model homes. Since fiscal 2009, the Company has maintained its policy of turning off lighting during weekdays at these locations when there are no customers present.

■ Future Plans

At the present time, it is anticipated that electricity demand-supply conditions will continue to be tight in the near future. Based on this situation, in order to reduce the maximum instantaneous consumption of electricity, from July 1 to September 30 in the summer of 2012, the Sumitomo Forestry Group will implement power saving measures at offices and business sites at all Group companies. The goal is to keep electricity usage to the lowest possible level and achieve at least a nationwide 15% reduction in electricity consumption compared to fiscal 2010. Specifically, this will entail continuing the initiatives launched in the summer of 2011, such as ensuring that the lighting and air conditioning is always turned off within business sites when an area is not being used, adjusting workdays and times, and far-reaching reductions in the use of electrical equipment that had a lower rate of reduction in the previous fiscal year. Improvements will also be implemented at those Group organizations and business sites that have not achieved sufficient power saving results up to the present time.

Sumitomo Forestry Crest Co., Ltd., which is among the group of companies designated a large-scale electricity user, will continue measures at its business sites to reduce electricity consumption, with a particular focus on the reduction of the maximum instantaneous consumption of electricity during the summer.

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 at Plants

■ Policy & Plans

PT. Rimba Partikel Indonesia (RPI) is reducing its CO₂ emissions through its initiative to generate power through wood biomass. Also, PT. Kutai Timber Indonesia's (KTI) particle board plant has cut its CO₂ emissions by switching fuel, from light diesel oil to natural gas.

■ Results

Initiatives in New Zealand

Nelson Pine Industries Ltd. (NPIL) won the Award for Excellence in two out of the total nine categories at the EECA Awards 2012¹, held in May 2012. It was highly evaluated for its achievement in reducing the amount of wood for fuel and electricity it used through the introduction of two reforms; the improvement of the combustion efficiency of MDF² combustion furnaces, and the reduction of wood for fuel as well as the consumption of electricity by installing a motor system that can save power. These technologies were introduced in April 2010 and they have helped to achieve a reduction in CO₂ emissions of approximately 19% compared to the level prior to their introduction. In addition, in comparison to the cost of installing these technologies of approximately 45 million yen, they save the company about 78 million yen each year in reduced energy costs. Moreover, the judges highly praised these projects for the contributions they make to the environment. NPIL is located on the South Island, New Zealand, which relies almost entirely on hydro-electric plants for its power supply. Therefore, it is prone to power shortages during the winter, when rainfall levels are low but demand is high due to the cold temperatures. By reducing the amount of power that it consumes, NPIL is helping to reduce the burden on the regional energy supply.

- 1 These major awards are held once a year by the Energy Efficiency and Conservation Authority (EECA), which was established by the New Zealand Government for the purpose of promoting energy efficiency, and the event is sponsored by private sector and government institutions. It recognizes innovative technologies that achieve exceptional results in the fields of energy efficiency and renewable energy.
- 2 Medium Density Fiberboard

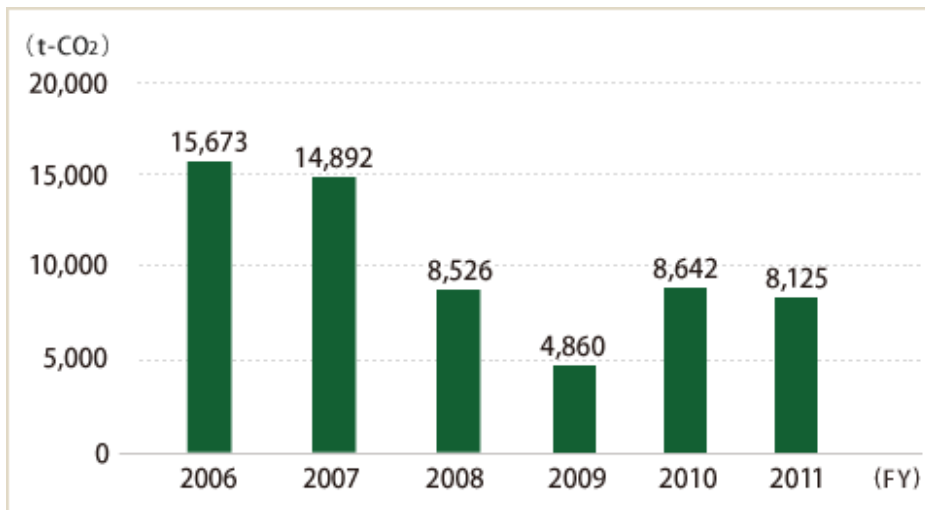
► [Link in this report: Evaluation by Non-Group Third Parties \(P.40\)](#)

Initiatives in Indonesia

RPI is using wood biomass to create power and replace its conventional diesel power generation system. It is reducing its CO₂ emissions by using the waste timber and sawdust created by sawmills in the vicinity of its plant as the primary fuel in this system. The United Nations' CDM Executive Board registered this initiative as a Clean Development Mechanism (CDM) project in May 2008. In March 2011, it was issued credits (CER) for its reduction of 10,982 tons of CO₂ emissions during fiscal 2009, which was its total calculated according to CDM rules.

RPI's CO₂ emissions in fiscal 2011 were 8,125 tons, which is a 48% reduction compared to before it launched its wood biomass generation project in 2006.

RPI CO₂ Emissions



- [Link to News Release: Rimba Partikel Indonesia Acquires Indonesia's First CDM Project Emission Credits with Wood Biomass Power \(<http://sfc.jp/english/pdf/20110427.pdf>\)](#)
- [Link in This Report: CDM Business Using Wood Biomass Power Generation \(P.232\)](#)

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 Transportation

Policy

The Sumitomo Forestry Group is implementing measures to reduce CO₂ emissions generated by the transportation vehicles it uses to carry out its business activities.

The revised Energy Saving Law requires that companies "reduce by more than 1% the average annual energy consumption basic unit in the medium-to-long term," that they generate from the transportation of goods. Sumitomo Forestry and Sumitomo Forestry Crest Co., Ltd. are required to submit a report on this to the Japanese Government as a "Specified Shipper (that transports freight of more than 30 million ton-kilometers¹ a year)".

¹ Amount of freight transported (ton-kilometer) = amount of freight (ton) × distance transported (kilometer)

Results

Results for Fiscal 2011 in Response to the Revised Energy Saving Law

Sumitomo Forestry and Sumitomo Forestry Crest Co., Ltd. submitted a report to the Japanese Government on its achievements in meeting the requirements of this revised law. In compiling this report, the Environmental Management Department requested to collect the data and explained its methods of calculating the data, mainly to the Timber & Building Materials Division that is responsible for more than 90% of Sumitomo Forestry's actual results.

Results for Fiscal 2011

	Energy usage (Crude oil equivalent)	CO ₂ emissions	Energy consumption basic unit ²
Sumitomo Forestry	2,391kl	6,364t-CO ₂	0.000493kl / m ³
Sumitomo Forestry Crest Co., Ltd.	2,328kl	6,184t-CO ₂	0.000064kl / 1,000 yen

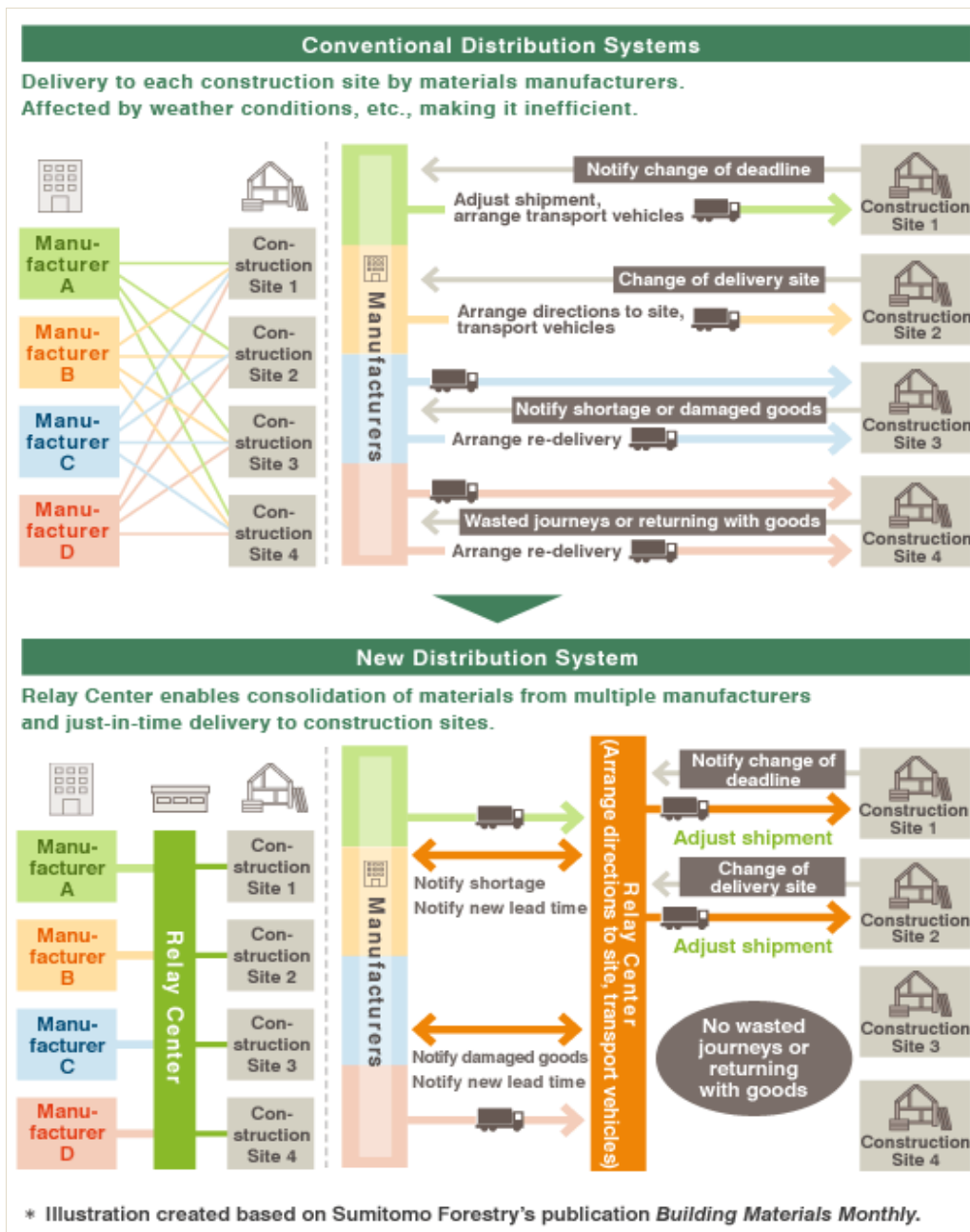
² Calculation of energy consumption

Sumitomo Forestry energy consumption per volume handled
Sumitomo Forestry Crest Co., Ltd. energy consumption per net sales

Rationalizing and Improving the Efficiency of the Distribution of Home Building Materials

In fiscal 2007, the Company reformed its home building materials logistics system. Instead of building materials being sent individually from their manufacturer to the construction site, it coordinated its nationwide network of 31 relay centers and constructed a logistics system for the consolidated shipment of various building materials from multiple manufacturers. Thanks to this system, in fiscal 2011 the Company was able to reduce the CO₂ emissions by 162,591 delivery vehicle trips compared to before the system was introduced (equivalent to about 1,441 tons of CO₂). In addition, after the system was launched, it began to reduce the number of delivery vehicles used per facility. Moreover, in order to further reduce CO₂ emissions generated when transporting home building materials, in fiscal 2010 it made full use of the expertise in logistics efficiency that it had acquired up to that time and established Home Eco Logistics Co., Ltd, which uses the relay centers to make deliveries. It is responsible for all the Group's housing business logistic operations in Japan, and in addition it provides outsourcer services for the sales logistics of materials manufacturers and deliveries to the construction sites of other home manufacturers.

Home Eco Logistics Distribution System



■ Future Plans

The Company is collaborating with carriers to reduce CO₂ emissions, such as by measures to improve the efficiency of loading and distribution. In addition, going forward it, as the owner of goods, plans to verify the level of CO₂ emissions in its supply chain from its shipment of goods both within Japan and overseas. Initially, Home Eco Logistics Co., Ltd. delivers 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 think that using the relay centers to consolidate materials from multiple suppliers and then send them to construction sites as a single shipment is a great way of doing it. (Customer)
- It is wonderful that you are minimizing the environmental impact of your model homes and fleet of cars. (Customer)

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

■ Policy & Plans

Sumitomo Forestry offsets the CO₂ emissions it generates through harvesting of trees that are used as principal structural members in its homes to construction (approximately 6 tons per home) by planting trees. 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, the Company plans to plant approximately 1,500,000 trees on 1,500 hectares of land, and then manage cultivation of the trees for another ten years after planting.

There are two methods of tree plantation, "Environmental reforestation," which aims to regenerate ecosystems on waste land, and "Industrial reforestation," which aims to both comprehensive forest management and contribute to regional communities. This initiative is conducted as part of Project EARTH which is promoted by the Group.

■ Results

Environmental Reforestation in Indonesian National Park

Between fiscal 2009 and fiscal 2011, the Company conducted environmental reforestation on approximately 180 hectares of deforested land in Indonesia's Bromo Tengger Semeru National Park East Java. In 2010, the Company's plantation forest was damaged by the volcanic ash and gases from the eruption of Mt. Bromo, which is located within the same national park as the forest. However, for every tree destroyed in the eruption, it has planted another.

Start of Regional Cooperation-Based 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 the Lumajang Regency, East Java, Indonesia. Part of the profits obtained from harvesting mature trees in this area will be distributed for improving the lifestyles of the local people, with the remainder of the profits are being used for an initiative to cover the costs of reforestation and cultivation. The Company aims to contribute to the regional society through these sustainable plantation activities.

Environmental reforestation in Bromo Tengger Semeru National Park and regional cooperation-based industrial reforestation had covered a cumulative plantation land area of around 720 hectares by fiscal 2011.

▶ [Link in this report: Praise and awards from third party organizations \(P.40\)](#)

■ Future Plans

In fiscal 2012, Sumitomo Forestry plans to carry out 300 hectares of forest plantation in total, comprising 60 hectares of environmental reforestation in the Bromo Tengger Semeru National Park, and 240 hectares of regional cooperation-based industrial reforestation, which is a continuation from activities of last year. The cumulative total area of plantation land since fiscal 2009 is expected to reach 1,020 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

- We need timber for our homes. I think rising CO₂ is a problem and I hope that the Company conducts its activities while considering how best to coexist with nature. (Other stakeholder)

Offsetting CO₂ Emissions through the Japan Verified Emission Reduction (J-VER) System

■ Policy & Plans

As a measure to combat global warming, the Ministry of the Environment is promoting the the Japan Verified Emission Reduction (J-VER) system for offset credits as a means of reducing emissions of greenhouse gases. Under this system, projects to absorb greenhouse gases within Japan receive carbon offset credits equivalent to the quantity of CO₂ they reduced or absorbed. Sumitomo Forestry is actively utilizing the J-VER system to offset the CO₂ generated by its business activities.

■ Results

Offsetting the CO₂ from Model Homes

Sumitomo Forestry is implementing a range of initiatives to reduce CO₂ emissions from its model homes. In October 2010, for a further environmentally sound initiative, as part of the series of initiatives in its Project Earth scheme, it has launched an independent initiative aiming to offset the CO₂ generated by its electricity and other power used at its approximately 300 model homes around the country by using the credits it generates in the J-VER system from Company-owned forests. The offset period for credits is from October 2010 until March 2014, and in fiscal 2011 the Company offset 2,542 tons of CO₂.

Offsetting CO₂ Emissions from *Sumai Haku*

In February 2012, the Company held *Sumai Haku 2012*, its interactive wooden housing fair, in Tokyo, Nagoya, and Osaka. It used the credits it acquired in the J-VER system to offset the CO₂ emissions (63 tons at the 3 locations) that were generated at the venues through their use of electricity, gas, and water.

▶ [Link in this report: Initiatives for and use of the Japan Verified Emission Reduction \(J-VER\) system \(P.234\)](#)

Participating in Japan's Trial Integrated Emissions Trading Market

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. 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, in total 715 companies (as of July 6, 2009). 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.

In September 2011, Sumitomo Forestry's results in fiscal 2010 in achieving its targets were audited by the Japan Quality Assurance Organization, which confirmed that the data was accurate and that the Company had achieved its targets. The results of the audit and the issues pointed out within it are used as feedback within the Company toward further improving the accuracy of data in the future.

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	FY2011 CO ₂ Emission Results	Reducing CO ₂ Emissions in Business Activities	Reducing Energy Consumption in Homes
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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 systems, residential 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 information such as temperature, humidity and energy consumption in the household. Also provide a variety of lifestyle-oriented services for homeowners.

■ Results

Launch of the Smart House *Smart Solabo*

Sumitomo Forestry launched its New *Solabo* in 2010 as a wooden home that generates its own energy. Advancing this concept, in February 2012 it launched the *Smart Solabo*, which not only features the same energy saving functions as the wooden home, but is also installed with Smart House technologies.



Smart Solabo

This product makes extensive use of the qualities of wood, which is a highly renewable natural resource, while also being installed with a variety of Smart House technologies that enable the residents to make the best use of energy. It generates energy through a solar power system, while residents can visualize the energy they use through a home energy management system (HEMS). The energy generated is stored in a 12kWh high-capacity residential storage battery system for later use. The use of wood and Smart House technologies enables *Smart Solabo* home owners to reduce their electricity use and CO₂ emissions, providing them with a home that saves them money and also reduces their environmental impact.

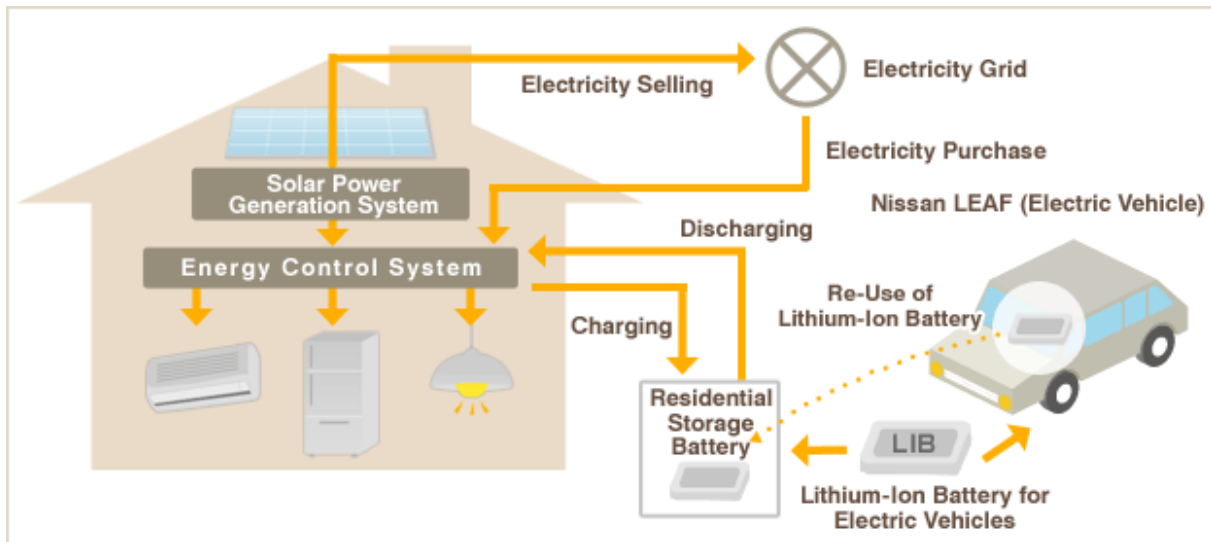
Renovation to Improve Earthquake Resistance and Insulation, at the Same Time as Realizing Energy Savings by Making Power Usage Visible

In April 2012, Sumitomo Forestry Home Tech Co., Ltd. launched its new renovation product, *Smart Reforest*. Through renovations to improve earthquake resistance and insulation, it improves the fundamental functions of modern homes to provide safe, secure, and pleasant living environments. Moreover, the Company responds to customer requests and building conditions to provide a renovation proposal that can achieve zero lighting and heating costs through its installation of a combination of power generation, saving, and storage equipment. Centered on the installation of a solar power system, these proposals combine the latest energy equipment, such as a system for visualizing energy use, a residential storage battery, and a power outlet for use by electric vehicles.

Initiatives to Re-use Storage Batteries

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 reusable storage battery in the LCCM house to achieve energy self-sufficiency. In the future, as electric vehicles become widespread, used lithium-ion 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 lithium-ion battery in the home and develop performance enhancements, in February 2011 the Company recruited monitors for houses equipped with residential storage batteries and has installed verification equipment in their homes.

Summary Illustration of House Equipped with a Storage Battery



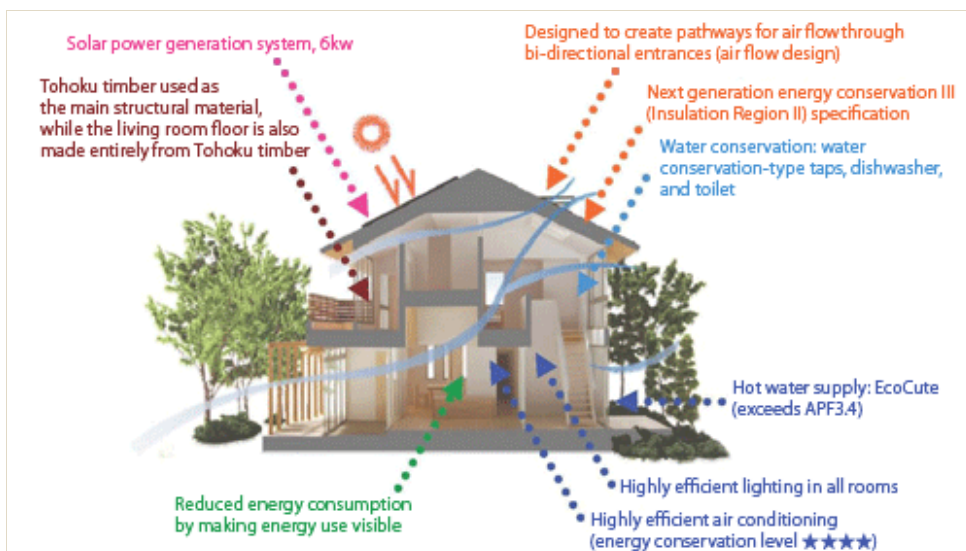
▶ [Link to the news release: Ranked Highest in DBJ Environmental Ratings](http://sfc.jp/english/pdf/20120427.pdf)
 (<http://sfc.jp/english/pdf/20120427.pdf>)

Selection as a Leading CO₂ Conservation Business in Homes and Buildings (Category: Specified Disaster Areas)

Sumitomo Forestry's Sustainable Energy House (Support Tohoku project) was selected by the Ministry of Land, Infrastructure and Transport for its 3rd Project for Promoting CO₂ Reduction in Houses and Buildings, fiscal 2011 (category: specified disaster areas). This project aims to promote the widespread adoption of zero energy homes and reduce CO₂ emissions at the same time as constructing highly feasible housing to support the recovery from the Great East Japan earthquake. Further, to support those in the disaster area the Government subsidizes part of the maintenance costs of the homes selected for the project.

The Sustainable Energy House was highly evaluated by the Government and selected for this project for its active use of Tohoku timber as the main structural material and for the immaculate flooring, and balanced use of technologies for creating and saving energy. These included insulation that surpasses the next generation energy saving standard (Region II), the use of the passive *Ryouonbou* natural heating and cooling design concept, and the installation of a solar power system. It was also selected for encouraging home owners to be more aware of the importance of energy saving and for the Company's goal of comprehensively promoting the widespread adoption of environmentally sound homes.

Sustainable Energy House (Support Tohoku project)



▶ [Link in this report: Praise and awards from third party organizations \(P.42\)](#)

Stakeholder Comment

- Houses will be used for a long period of time. I would like you to build houses that promote environment-friendly aspects, not just reduce harms. (Student)
- I strongly recommend you to cooperate with NGOs and NPOs, when you promote environmentally simbiotic houses. (Expert)

Reducing Energy Use through the *Ryouonbou* Design Concept

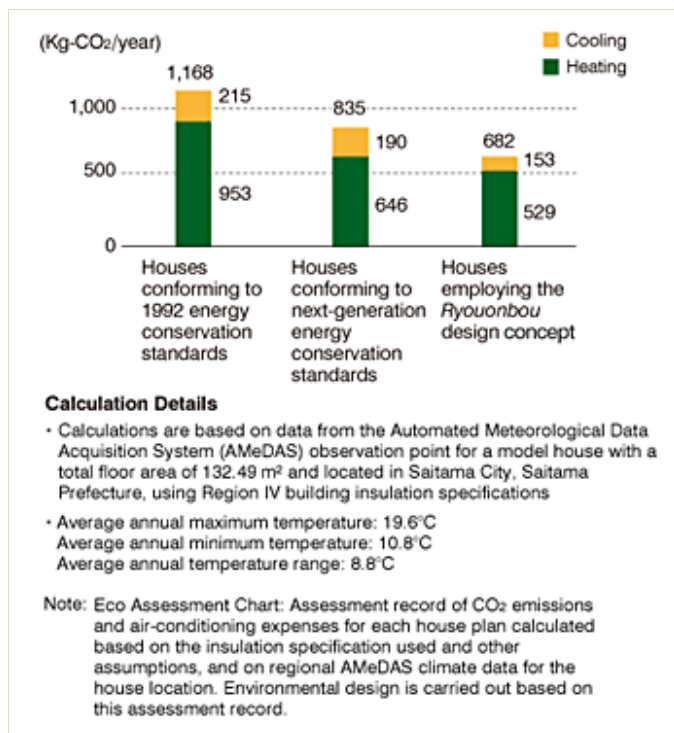
The *Ryouonbou* design concept draws on the wisdom and techniques of Japan's traditional houses to effectively take advantage of nature's blessings and offer a housing style that enables people to live comfortably while limiting energy consumption.

The *Ryouonbou* 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.

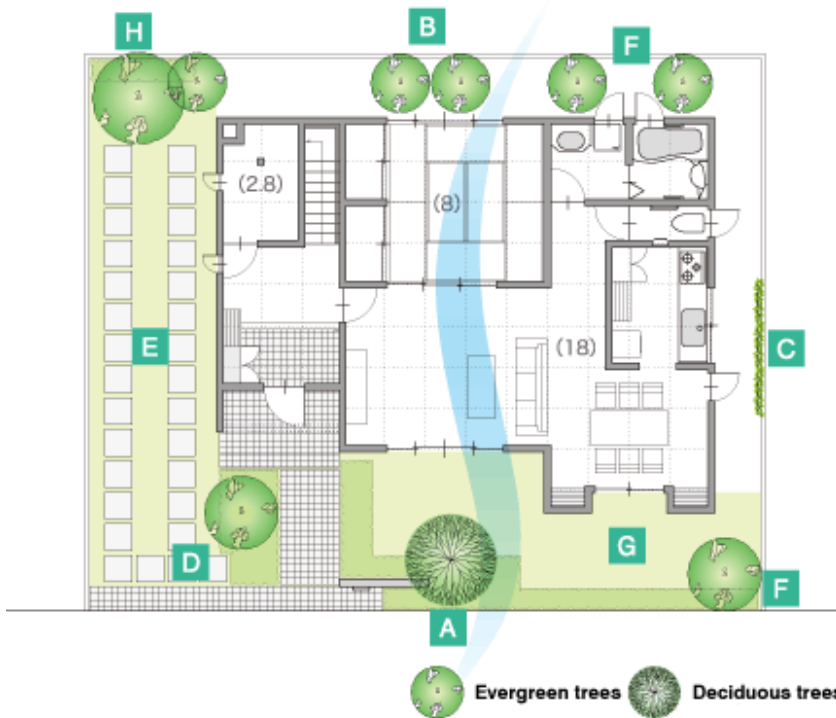
Research on a model house demonstrated that the *Ryouonbou* design concept could reduce CO₂ emissions during occupancy by about 40%¹ compared to houses built to specifications mandated by 1992 energy conservation standards.

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



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 think that the *Ryouonbou* design concept is a really important development for home builders.
(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 2011, about 36% of all new detached houses sold by Sumitomo Forestry were equipped with solar power systems. The Company is also increasing its installation rate for of dual power generation incorporating solar power generation systems with the residential storage battery Enefarm or the gas cogeneration system ECOWILL, increasing the rate to approximately 14% in fiscal 2011.

	FY2008	FY2009	FY2010	FY2011
Solar power installation rate	4%	22%	28%	36%
Dual power generation installation rate	-	3%	5%	14%

Holding the "Generating Electricity: Kikorin's House Fair 2011," Showcasing Housing Development that Saves Power and Energy

Sumitomo Forestry held its Generating Electricity: Kikorin's House Fair 2011 throughout Japan for about one and a half months from July 2011. Focusing on showcasing homes installed with a solar power generation system, the Company held a series of events in a variety of venues—including on the Internet, at already-built homes, at model homes, and at design-consultation meetings—for potential customers to see, learn, and actually experience the appeal of its environmentally sound housing. Thanks to these events, the many participants were able to experience and understand the appeal of living in a Sumitomo Forestry eco-home that generates its own electricity through solar power.

Solar Hot Water System Developed

Policy & Plans

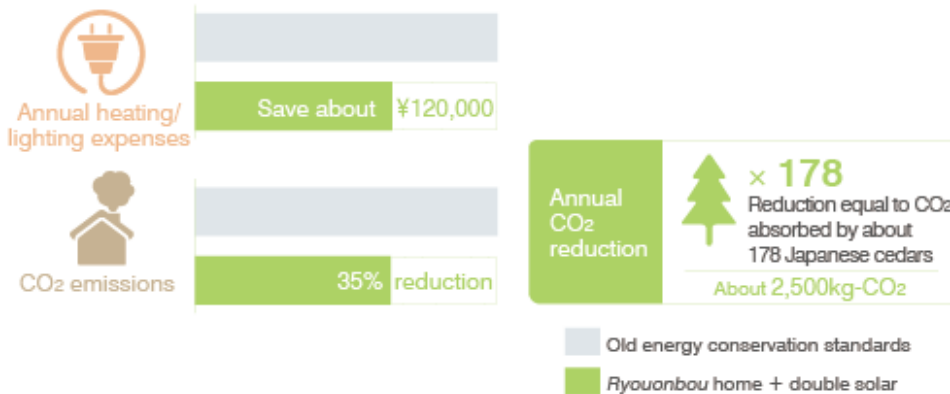
Sumitomo Forestry is developing a solar hot water system in collaboration with an equipment manufacturer. The Company is promoting the diffusion of this system, which makes efficient use of solar energy, as it helps to save energy and reduce CO₂ emissions. The heat energy in this hot water system is 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 System

Comparison of Annual Heating/Lighting Expenses and CO₂ Emissions

Old energy conservation standards
Ryounbou home + Solar hot water system

Hot water system only



Solar power + solar hot water system



Adoption Rate of 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 2011, next-generation energy conservation standards were employed in 98.8% 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

Launching Renovation Campaign to Improve Earthquake Resistance and Insulation

Sumitomo Forestry Home Tech Co., Ltd. continues to provide its customers with renovations that improve the seismic resistance and energy-conservation functions of their homes. During 2011, from October 1 to November 30, customers requesting renovations were provided with proposals that included an inspection to confirm the functions of their current home, such as a diagnosis to check its levels of seismic resistance, insulation, and energy conservation. In addition, the proposals included a natural lighting and ventilation simulation showing how the customers' homes might utilize natural energy.

Providing Environmentally Sound Homes in Australia

■ Policy & Plans

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.

■ Results

In April 2010, the Company opened its Zero Energy Demonstration House. This house achieves more than 70% energy savings compared to a conventional home through utilizing a design that takes advantage of climatic conditions and through installing a solar power system.

Installing a Home Energy Management System (HEMS)

The installation of a home energy management system within the home enables residents to check and record the amount of energy they are using. The Company has been collaborating with TELSTRA, one of Australia's leading communication companies, and developed the system that residents can confirm and adjust their home's energy use via the Internet or a portable device while away from home.



Zero Emission Demonstration House

Water-Saving Measures

The Company installs 1,000-liter rain water tanks on the roofs of its Zero Energy Demonstration House to catch and store rain water, which can be used for flushing toilets and for water sprinklers in gardens. In addition, waste water from baths and washing machines is filtered for re-use for watering gardens.

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 it's wonderful that your philosophy of using natural resources based on reuse, repair, and recycling enables you to keep the amount of waste you produce to the absolute minimum. (Housewife)
- I was surprised at how high your recycling rate is. (Company employee)

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 2011 was 89.3%.

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.”

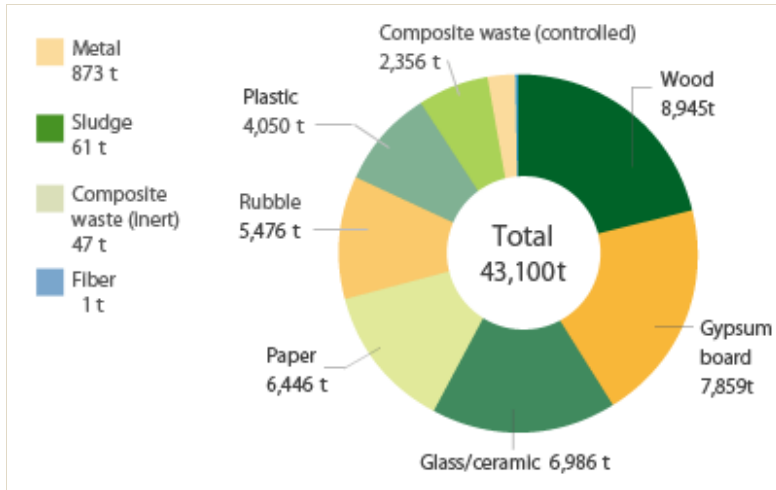
¹ When manufacturers collect industrial waste across multiple prefectures, this is a special system whereby approval for waste disposal is not required from each separate municipal government provided that the Minister for the Environment certifies compliance with certain strict criteria such as processing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

■ Results

FY2011 Recycling Results

Within the items targeted for zero emissions, a recycling rate of 86.8% was achieved for waste generated at new housing construction sites.

Volume of Industrial Waste from New Detached Housing (FY2011)



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

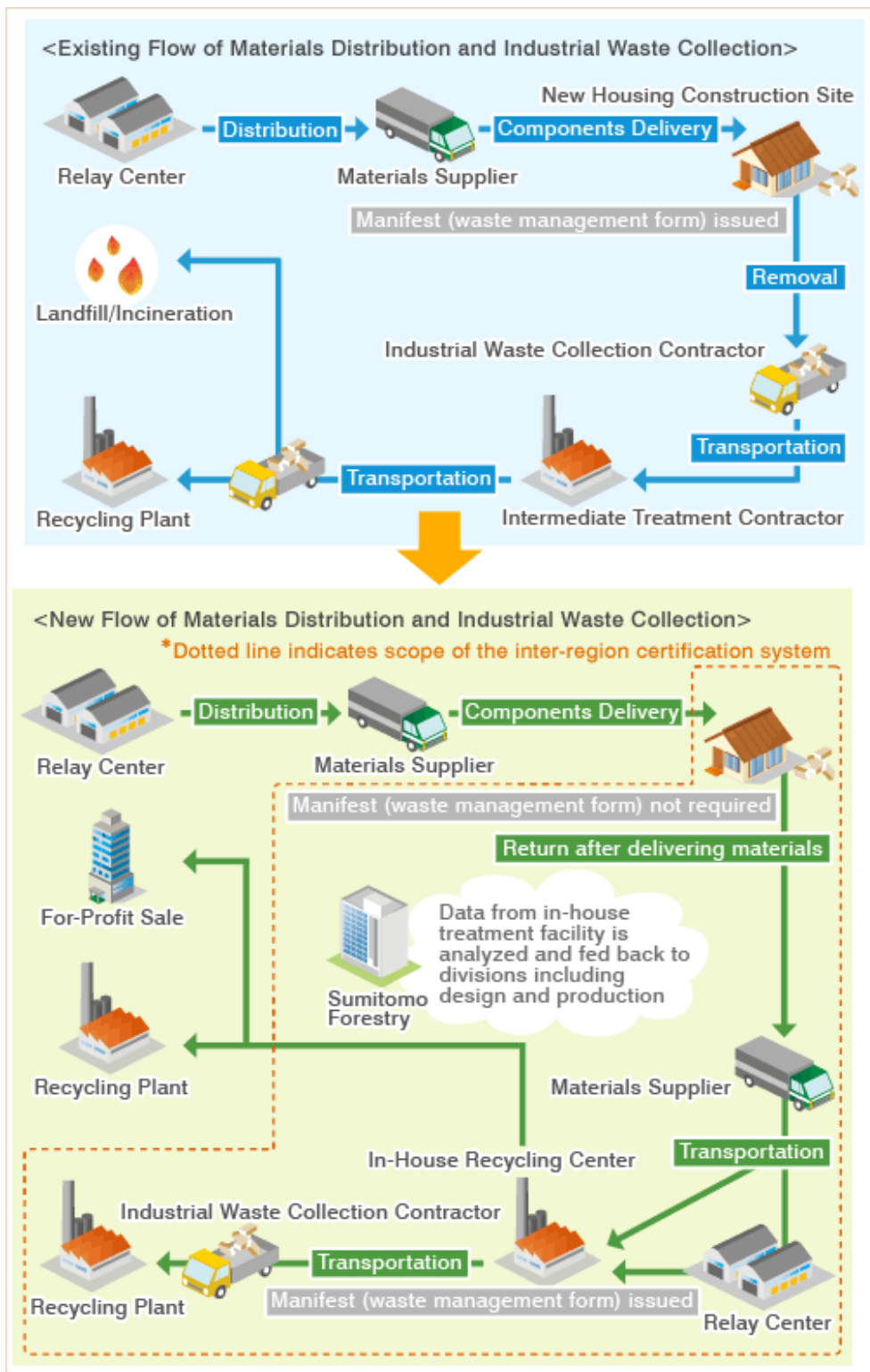
On December 8, 2010, Sumitomo Forestry obtained industrial waste certification from the Minister of the Environment based on an inter-region recovery and recycling certification system. This system enables companies designated by Sumitomo Forestry (such as materials suppliers) to be registered as “persons 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.

Establishment of the Capital Area Recycling Center

- 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 established the Capital Area Recycling Center in Kazo City, Saitama Prefecture and it has been sequentially launching operations at this center since July 2012. The ultimate goal of the consolidation and separation of waste from housing construction in the capital area and its transportation to recycling centers is to achieve zero emissions in the Tokyo metropolitan area by December 2012.
- 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 system² 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 10 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. However, operations were launched at the Shinshu branch in February 2012 and it will also continue to operate in

- other areas as the Company works to reduce waste by comparing the data before and after introduction of the system.

2 Ministry of the Environment, 'Project to Create the Technological Foundations to Promote the Formation of a Next Generation Recycling Society' fiscal 2008

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 setting the dimensions of the eaves to minimize the waste generated when producing pre-cut timber for soffits (the underside of eaves) and 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 increase its recycling rate at its business sites throughout Japan and achieve zero emissions through recycling at recycling centers that utilize the inter-region recovery and recycling certification system. The Company's Capital Area Recycling Center is working toward achieving even finer separation of waste at the same time as developing materials recycled from in-house production and utilizing them in the construction of new houses.

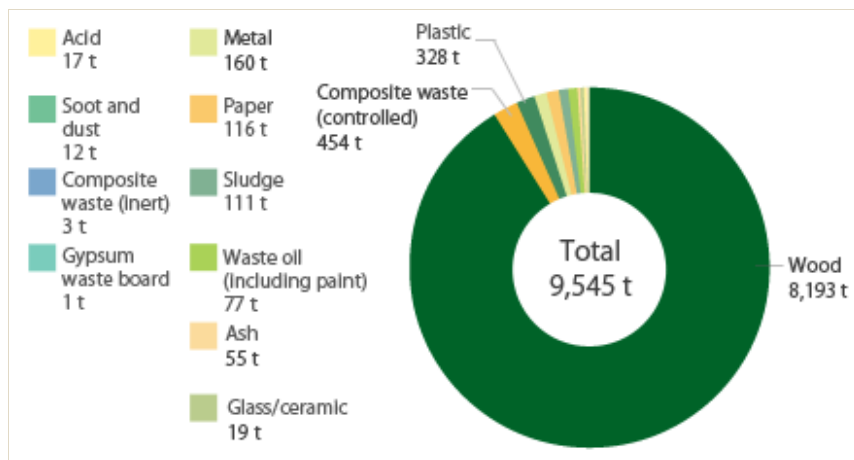
Waste Reduction at Plants

Results

Achievement of Zero Emissions

Zero Emissions was achieved at the plants of Sumirin Agro-Products Co., Ltd. in fiscal 2011 as a result of its continuing efforts to eliminate emissions. The plants operated by Sumitomo Forestry Crest Co., Ltd. have also been working to reduce industrial waste by searching for and implementing new methods of processing difficult-to-recycle waste, but despite these efforts their overall result fell slightly below the target for fiscal 2011.

Volume of Waste Generated at Plants (FY2011)



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

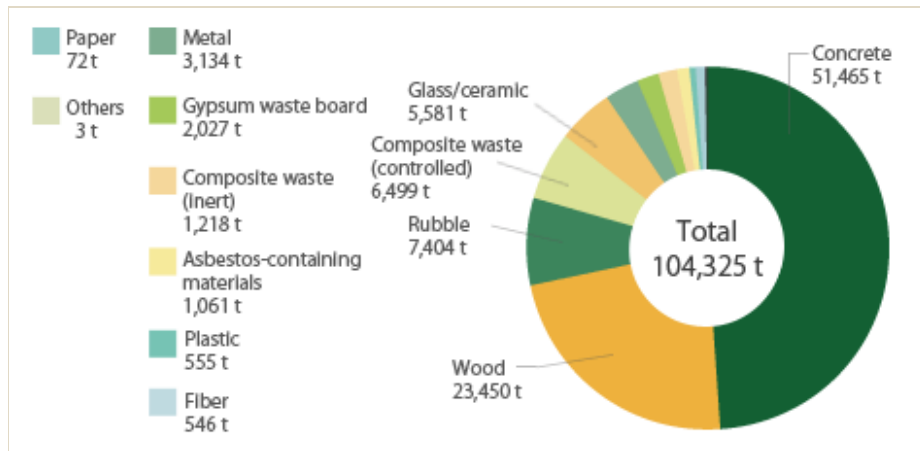
Policy & Plans

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 (FY2011)



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

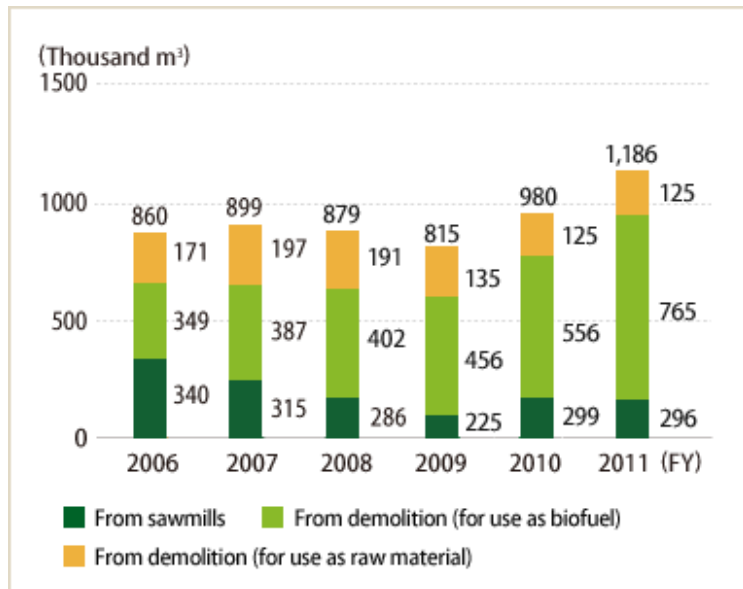
Policy & Plans

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 particle board or as fuel for power-generating boilers. Recently, it has been pressing ahead with the use of PKS (palm kernel shells) from overseas as fuel. 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

Due mainly to the increased applications of wood chips as a fuel since 2009, the Company has increased the volume it handles as fuel for biomass, boilers, and biomass power generation.

Volume of Wood Chips Handled



Stakeholder Comment

- I agree with your reuse of natural resources, such as creating wood chips from waste to use as fuel. (Customer)

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 5,000m³ 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

In February 2011, the Company started selling a soil improvement agent that utilizes used activated carbon. Sales in fiscal 2011, which were primarily from the Kanto area, reached 53 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

Sales 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 130 tons by May 2012.

Future Plans

Sales in fiscal 2011 were focused on the Tokai, Kansai, and Hokuriku regions, but in fiscal 2012 sales will also begin in the Tohoku, Joshin'etsu, and Kanto regions.

- ▶ [Link to the news release: "Sumirin Agro-Products to Launch *Karuido*"](http://sfc.jp/english/pdf/20110225.pdf)
(<http://sfc.jp/english/pdf/20110225.pdf>)



Karuido, which uses expanded glass pieces and granular activated carbon

Stakeholder Comment

- I think LCA is important. I was surprised that potting compost is being created from waste glass materials. (Customer)

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

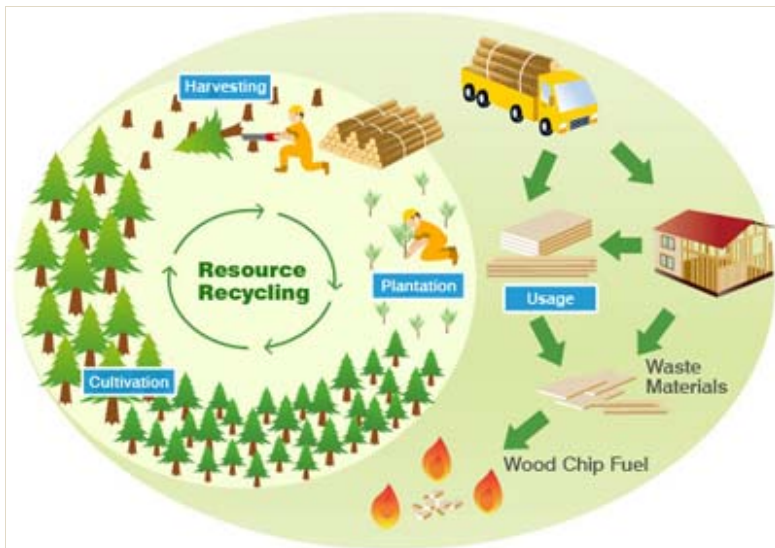
Proactive Use of Domestic Timber

Overseas Plantation Forest Operations and Sustainable Use

Conservation and Sustainable Use of Timber Resources

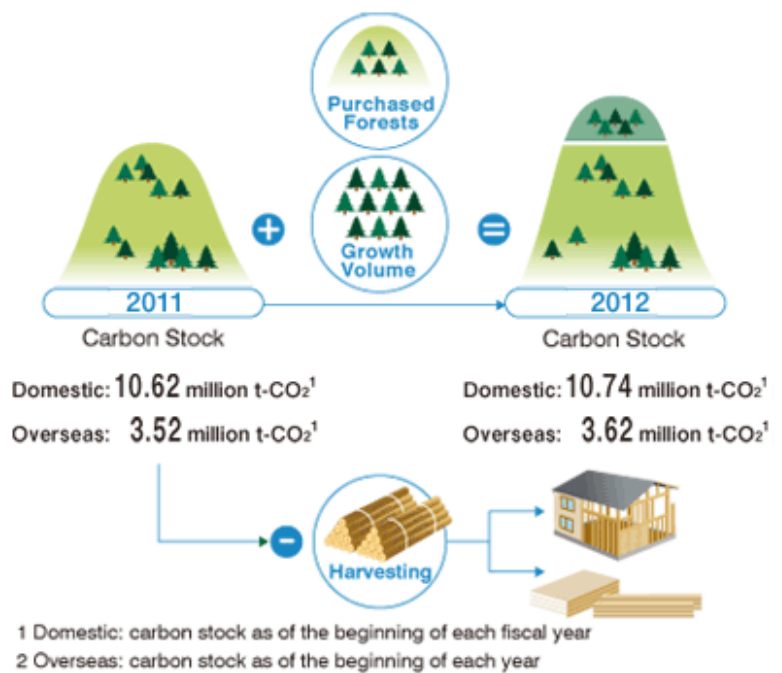
Forests perform a variety of functions for the public good, including erosion control and water control, cultivating water resources, curbing global warming by absorbing CO₂, and preserving biodiversity. For these functions to work effectively, proper forest management is crucial.

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 42,868 hectares within Japan. Outside Japan, it manages forests with a total area of approximately 200,000 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 10.74 million t-CO₂, and the carbon stock of plantation forests overseas was 3.62 million t-CO₂.



Harvesting

In fiscal 2011, the Sumitomo Forestry Group harvested approximately 560,000m³ 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 22.6 t-CO₂. The carbon stock of all houses constructed by the Company in fiscal 2011 (9,007 houses) totaled approximately 203,000 t-CO₂.

¹ Carbon stock of the timber used in housing construction in fiscal 2011



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.

▶ [Link in This Report: “Promoting Wood Biomass Power Generation” \(P.233\)](#)

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 2011, Sumitomo Forestry planted forests in Japan with a total area of approximately 54 hectares and 13,905 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 built by Sumitomo Forestry thus increase the carbon stock and contribute to counteracting global warming.

Stakeholder Comment

- I am interested in your use of Japanese timber. I hope that you continue to use it in the future, and also that you educate people on the importance of using it. (Student)
- You communicated well your Company's philosophy with regards to timber. (Other stakeholder)
- Considering forestry in Japan as a whole, in the future I hope that the forestry business develops while placing great importance on environmental protection. (Customer)

Preserving Forests

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

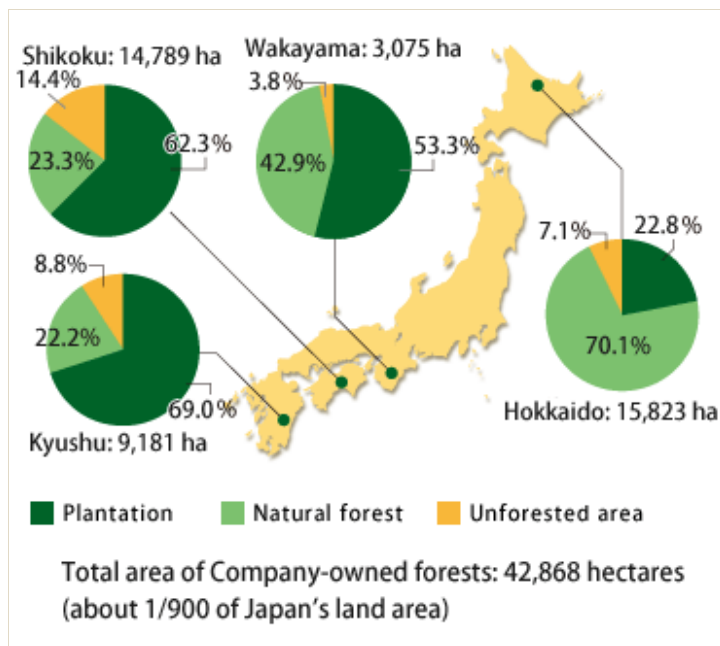
Conservation and Sustainable Use of Timber Resources	Sustainable Forestry in Japan	Proactive Use of Domestic Timber	Overseas Plantation Forest Operations and Sustainable Use
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Promoting Sustainable Forestry in Japan

Policy & Plans

Sumitomo Forestry's Company-owned forests located in Hokkaido, Wakayama, Shikoku and Kyushu regions cover a total area of 42,868 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. Moreover, it is utilizing this expertise in order to contribute to the realization of sustainable forestry at non Company-owned forests within Japan.

Distribution and Area Covered by Sumitomo Forestry-Owned Forests (As of March 31, 2012)



■ Results

Acquisition of SGEC¹ Certification For Company-Owned Forests

Sumitomo Forestry-owned forests acquired certification from Japan's Sustainable Green Ecosystem Council (SGEC) in September 2006. In fiscal 2011, the first updated inspection was carried out and it was independently determined that Sumitomo Forestry had continued to manage its forests appropriately, including taking measures to preserve biodiversity, among other issues.

▶ [Link in This Report: "Preserving Biodiversity" \(P.208\)](#)

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.

Selected as the Outsourcer for the Implementation of a Proposal-Type Recycling Business in Wakayama Prefecture

Sumitomo Forestry Wood Products Co., Ltd. was selected for this model project by the Forests and Forestry Office in the Agriculture, Forestry, and Fisheries Department of Wakayama Prefecture, which requested application proposals for the first trial period. Within the 170 hectares of Wakayama Prefecture-owned Kawanaka-forests, 26 hectares were selected to be used for the trial. The proposals from the recycling-business operators were evaluated based on their ability to comprehensively conduct afforestation operations in the area over a five year period, including tasks such as clear cutting, transportation, timber sales, and afforestation. Sumitomo Forestry Wood Products intends to minimize implementation costs in this project through comprehensively utilizing the existing road network and overhead wiring.

Stakeholder Comment

- I think that rebuilding the Japanese forestry business in Japan, which has been in decline, can contribute to securing a sustainable, green energy source. Toward this, I think the Company needs to focus not only on its own forests, but also to increase its collaborations with NPOs and NGOs that are undertaking rural regeneration activities in regional locations. In this way, I think the Company can contribute even more to the rebuilding of domestic forestry by creating jobs and helping people in regional communities make a living. (Customer)
- I think that the decline of the forestry business should have been discussed in a little more detail. (Other stakeholder)

Initiatives for Efficient and Labor-Saving Harvesting of Trees

Policy & Plans

Sumitomo Forestry is working to achieve substantial streamlining and labor saving in its timber harvesting system in Japan's forests through modernizing its overhead wire lines, centered on its introduction of next-generation tower yarders¹.

Results

The Company has developed an in-vehicle-type, highly functional tower yarder for 'R&D for Harvesting Equipment for Wood Biomass in Remote Forests,' which is a project supported by NEDO (New Energy and Industrial Technology Development Organization). The new tower yarders are intended to replace conventional overhead wire lines and the Company has been testing this new equipment for approximately one year in Company-owned forests in Kyushu (Hyuga Forest Office). As a result of this trial, in fiscal 2011, 2,000m³ of forest was harvested using this equipment (result from May 2011 to January 2012), thereby establishing the foundations for highly efficient, labor-saving operations.

In addition, the Company is actively using equipment installed with wireless control functions, with the intention of not only increasing the efficiency of harvests but also improving safety at work sites.



A next-generation tower yarder being used at a Company-owned forest in Kyushu

¹ Timber harvesting machinery that has been modified to make it suitable for Japanese forests

Future Plans

The Company aims to introduce the next-generation tower yarders into actual operations during fiscal 2012 and plans to use them to harvest approximately 7,000m³ a year.

Using Tree Shelters¹ for Low Density Cedar Reforestation in Tokushima Prefecture

Sumitomo Forestry Wood Products Co., Ltd. completed a forestry outsourcing contract with a forestry company in Tokushima Prefecture, and in accordance with the contract has begun low-cost cedar reforestation using tree shelters. The tree shelters, which were jointly developed by Sumitomo Forestry Wood Products, Sumitomo Forestry, and Phytoculture Control Co., Ltd, protect the trees from damage from birds and animals, such as deer, and also encourage their growth by preventing the dispersion of excessive moisture. As a result, they make possible low density reforestation, with a density of approximately half that required in conventional reforestation. As a type of next generation forestry that takes into account how the market is expected to develop in the future, it is thought that tree shelters can play a useful role in improving and reinvigorating the forestry industry within Japan.

¹ Covering the area surrounding the sapling with a plastic tube

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 a 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.

Joint Operations with Private Owners of Large Forests

■ Policy & Plans

The Group aspires to fulfill its 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
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.
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.

In fiscal 2011, as part of the project for the 'Active Use of SGEC-certified timber from Hokkaido,' the Company purchased approximately 318m³ of SGEC forest certified Japanese larch laminae that was produced and processed by the Oji Paper Group. The Company's Sapporo branch utilized some of these laminae to produce approximately 110m³ of engineered wood (for columns) for use in orders for detached housing.

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 forestry joint 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)	FY2011 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 	225 ha (716 ha)	Strip roads built through Company-owned forests(Breakdown) Upgraded: approx. 420 m Constructed: approx. 40 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. Oji Forest & Products Co., Ltd., Hyuga sales office Nippon Paper Industries Co., Ltd., Nippon Paper Lumber Co., Ltd., Yashiro sales office 	317ha (3,935ha)	New strip roads built through Company-owned forests(Breakdown) Company owned: approx. 400 m Other: approx. 900 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)	New strip roads built through Company-owned forests(Breakdown) Company owned: approx. 2,850 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

Branches and twigs from thinning of forest, and wood left over from logging become a source of greenhouse gas emissions, and can be a remote cause of regional natural disasters, such as mudslides. 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. In fiscal 2011, Sumitomo Forestry Wood Products supplied the two companies with a combined total of approximately 20,000 tons of left-over wood.



Wood left over from logging (left) and wood chips (right)

▶ [Link in this report: Promoting Wood Biomass Power Generation \(P.233\)](#)

Future Plans

Following the launch in July 2012 of the Feed-in Tariff program for renewable energy, Sumitomo Forestry is aiming to further expand its business of supplying wood left over from logging across the nation.

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 30cm 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 2011, supplies of *FS Grade* products reached 390,000m³, 13 times the fiscal 2010 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.

▶ [Link in this report: "Streamlining Management of Company-Owned Forests through Joint Operations" \(P.194\)](#)

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 think that using Japanese cedars to manage forests is helping to preserve these forests. (Customer)
- I feel that today, timber-related businesses have important roles to play both in terms of protecting the environment and creating jobs. (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*, *MyForest-Taiju*, and a *Hokkaido Specification* product.



Super Cypress

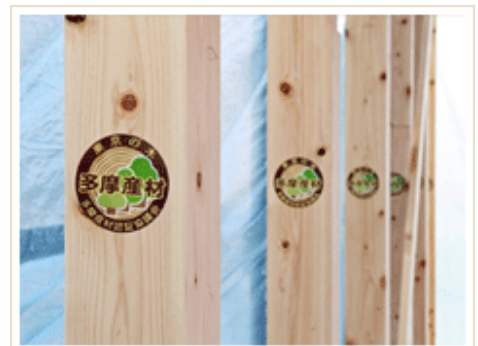
Supply of Homes Using Certified Timber

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. The Company has built houses in Nagano, Nara, Wakayama, Yamaguchi, Ehime, Kochi, and Oita 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

▶ [Link in this report: “Property Development in Harmony with Regional Areas and the Environment” \(P.74\)](#)

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 SGEC¹-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 number of companies that support initiatives such as these are increasing. Through these companies, Sumitomo Forestry is aiming to also exhibit its products overseas. Going forward, it intends to develop products that use not only Mongolian oak, but also other tree species such as the Japanese ash and the Japanese white birch.



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, doors, stairs, and flooring, and Japanese-grown Sakhalin fir for its Totorop line of doors, walls, 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. During fiscal 2011, the Company sold 8,000m² of *Original Deck Hinoki*.



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 and unstable moisture content, making it difficult to ensure consistent quality as a dried timber.

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.

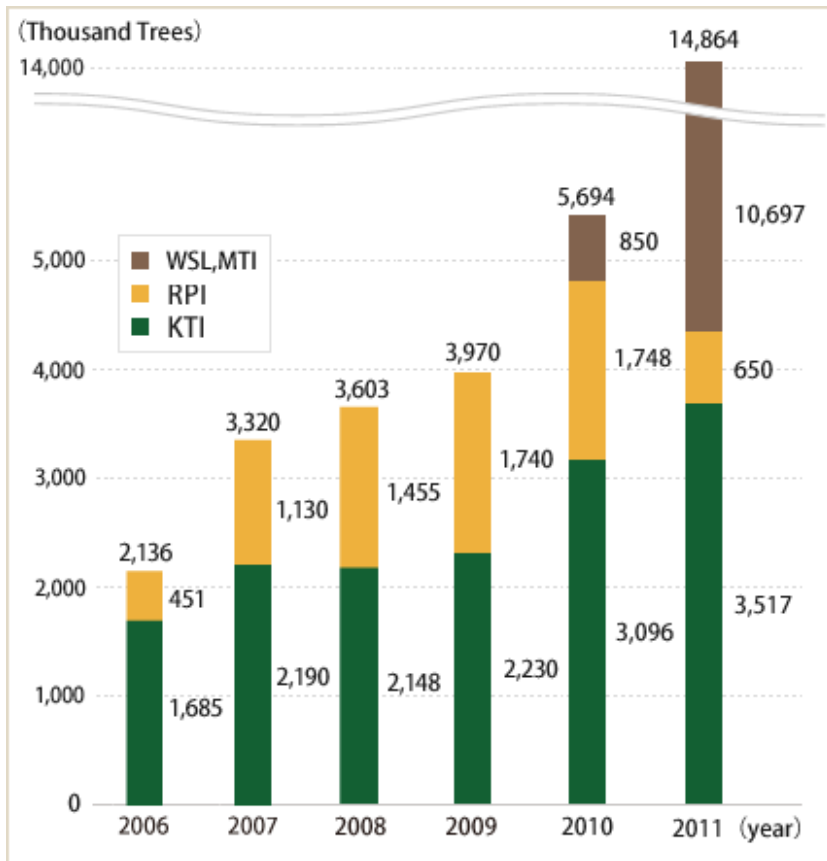
Results

During fiscal 2011, overseas Group companies reforested a total area of 13,905 hectares. However, the total number of samplings planted by RPI in Indonesia declined because of the later-than-usual start to the rainy season, which delayed the start of its reforestation operations.

Trees Planted in FY2010 and FY2011

Company Name	Country	Reforested Area	
		2010	2011
Kutai Timber Indonesia (KTI)	Indonesia	2,814ha	4,168ha
Rimba Partikel Indonesia (RPI)	Indonesia	1,051ha	395ha
Nelson Pine Industries (NPIL)	New Zealand	216ha	109ha
Open Bay Timber (OBT)	Papua New Guinea	965ha	1,208ha
PT. Wana Subur Lestari (WSL)	Indonesia	638ha	6,086ha
PT. Mayangkara Tanaman Industri (MTI)	Indonesia	-	1,939ha

Reforestation in Indonesia(Thousand Trees)



Future Plans

The Company is aiming to increase the percentage of raw material from plantation trees, which it will use to produce plywood and other timber products. It is actively implementing measures to expand the size of its plantations and during 2012, RPI plans to plant approximately 1.5 million saplings.

Stakeholder Comment

- I was surprised by how different the land is before and after reforestation. (Student)

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 fiscal 2011 in the area around the plantation forest operations, more than 30 regions and about 5,100 people were 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 increase its total area of forests that are certified, in September 2011 the Company applied for FSC®-FM certification for an additional 673 hectares of plantation forest and expects to acquire this certification during fiscal 2012.

Stakeholder Comment

- If you are satisfied with the progress of your measures overseas, could you not do something about the devastated forests in Japan? (Other stakeholder)

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 Action Plan, and is promoting procurement of sustainable timber. The Timber & Building Materials Division's International Marketing Department and Timber & Building Materials Department have acquired Chain of Custody (CoC)³ certifications from both the Forest Stewardship Council (FSC®)¹ and the Programme for the Endorsement of Forest Certification (PEFC)² 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, and SGEC) and plantation forests within the process of timber distribution by fiscal 2012.



- 1 The Forest Stewardship Council (FSC®), which is a third party organization, 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.
- 2 Abbreviation of the Programme for the Endorsement of Forest Certification Schemes. It is implemented by the international supervisory organization that inspects forest certification schemes independently created in various countries and promotes mutual recognition between these schemes.
- 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

The volume of certified timber and plantation timber handled in fiscal 2011 was approximately 1.45 million m³ (70% of the timber handled by Sumitomo Forestry).

Also, the percentage of the total volume of logs purchased that were FSC certified timber was 45%. When PEFC, SFI⁴, and other certification schemes are included, this figure becomes 60%.

Major Forestry Certifications

Type of Forestry Certification		Name of Certified Division or Company
SGEC	Forestry certification	Forestry & Environmental Business Department, Forestry & Environment Division (Company-owned forests)
	CoC certification (Group-wide certification)	International Marketing Department, Timber & Building Materials Division (pre-cut materials), Housing Division (pre-cut materials)
	CoC certification	Sumitomo Forestry Wood Products Co., Ltd., and Sumitomo Forestry Crest Co., Ltd.
FSC®	FM certification	PT. Kutai Timber Indonesia (reforestation cooperative), Open Bay Timber Ltd.
	CoC certification	International Marketing Department and Timber & Building Materials Department, Timber & Building Materials Division; Sumitomo Forestry Crest Co., Ltd.; Kowa Lumber Co., Ltd.; Alpine MDF Industries Pty. Ltd.; PT. Kutai Timber Indonesia; Sumitomo Forestry (Singapore) Ltd.; Nelson Pine Industries Ltd.; Open Bay Timber Ltd.
PEFC	CoC certification	International Marketing Department and Timber & Building Materials Department, Timber & Building Materials Division

4 Abbreviation of the Sustainable Forest Initiative. Established by American Paper and Forest Association in 1994.

Acquiring FSC® Certification for its Timber from a Plantation Forest in Papua New Guinea, the First Time in This Country

Open Bay Timber Ltd. (OBT) acquired FSC®FM / CoC certification in September 2011 for its plantation in Papua New Guinea. The tree species it is planting is the *Eucalyptus Deglupta* (local name: Kamerere), which is conventionally harvested 18 years after planting. OBT acquired FSC certification for 11,770 hectares of the 31,260 hectares of plantation forest that it manages.

- ▶ [Link to the News Release: "Open Bay Timber, Sumitomo Forestry Group Company in Papua New Guinea, Acquires FSC Certification"](http://sfc.jp/english/pdf/20111012.pdf) (<http://sfc.jp/english/pdf/20111012.pdf>)

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 2011, the volume of *KIKORIN-PLYWOOD* sold was 31,524m³. A portion of the sales from this product are allocated to the Company's planting activities in Indonesia to contribute to the environment.



KIKORIN-PLYWOOD

Sales Volume of *KIKORIN-PLYWOOD*

FY2009	FY2010	FY2011
2,224m ³	10,224m ³	31,524m ³

■ Future Plans

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

▶ [Link in This Report: "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)

Implementing Large-Scale Commercial Forest Plantation Business

Policy & Plans

Sumitomo Forestry is conducting 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.

Results

Implementing 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 expand the area of plantation operations from the current 140,000 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.

▶ [Link in this report: “Plantation Forest Operation Using Satellite Information” \(P.231\)](#)

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

Preservation of Overseas Plantation Forests

Initiatives at Landscaping Business

Initiatives at Plants

Biodiversity and Sumitomo Forestry's Operations

Wood has been the axis of Sumitomo Forestry's businesses since its 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 its business field—and the Company is acutely aware of the critical importance of, and its responsibility for, biodiversity. Moreover, wood is one of the blessings it receives from biodiversity. If this blessing is lost, the Company risks losing the foundation of its business, thus it is imperative that it is 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 stocks
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

- As trees are your 'business partners,' I think it is only natural that you put so much effort into preserving forests. (Customer)
- I hope that Sumitomo Forestry becomes the leading supplier of timber to the world at the same time as aiming to preserve the diversity of natural resources in the environment, and that through these efforts it can spread and promote its environmentally sound approach throughout the forestry industry. (Customer)

Policy and Plans for Biodiversity Preservation

Policy and Plans

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 its businesses on biodiversity, the Company conducted assessments and evaluations—from the perspective of biodiversity—of its operations, particularly in those business domains where it is thought its activities impact biodiversity. Based on these results, in each business unit, it sought out third-party perspectives from experts and specialists from NGOs and NPOs to ensure that it objectivity and effectively advances its activities.

In addition to creating its Declaration of Biodiversity, in fiscal 2011 the Company defined its Action Guidelines and Long-term Targets for biodiversity. Going forward, the entire Sumitomo Forestry Group will push ahead with initiatives to preserve biodiversity in accordance with these three commitments.

Results

In March 2012, the Sumitomo Forestry Group formulated its Declaration on Biodiversity, which sets out its attitude and approach toward biodiversity; the Biodiversity Action Guidelines, which establishes in-Group guidelines for its initiatives in the future; and its Biodiversity Long-term Targets. These commitments were created with reference to the Aichi Targets, which were adopted at the 10th Conference of Parties to the Convention on Biological Diversity (COP10), and were created after a comprehensive review of what the Group could feasibly achieve. Going forward, each department will carry out initiatives based on the Declaration, Action Guidelines, and Long-term Targets, while also considering the advice from NGOs, NPOs, and other experts that were received at the opinion-exchange meeting held in March.

The Group will make full use of this advice as it pushes ahead with key initiatives, in accordance with the Guidelines and the Long-term Targets.

Declaration of Biodiversity

Based on the Declaration of Biodiversity, the Group's activities to protect biodiversity are as follows.

The Sumitomo Forestry Group Declaration of Biodiversity

The forefather to the Sumitomo Forestry Group was founded more than three centuries ago, and since then we have developed our businesses while conserving forests, whose clear water, air, and soil are the source of life for many living creatures. Going forward, we at Sumitomo Forestry will continue to place the greatest importance on preserving biodiversity through our forestry business for providing timber, which is a renewable and natural material, and for managing forests, which support diverse ecosystems. We shall also strive to help realize a sustainable society that exists in harmony with nature.

■ Biodiversity Action Guidelines

The Company formulated the following Action Guidelines to guide Group companies as they actively pursue initiatives to protect and promote biodiversity.

■ The Sumitomo Forestry Group's Biodiversity Action Guidelines

- 1 Position biodiversity as a key issue with the goal of coexisting with the environment and, together with its stakeholders, pursue initiatives to protect and promote biodiversity.
- 2 Ensure that each and every employee in the Group understands the importance of biodiversity and acts while considering both the direct and indirect consequences of their actions on biodiversity.
- 3 Minimize the impact of all Group activities on biodiversity
- 4 Through its timber and forest-related businesses, provide to society the gifts acquired from forest ecosystems and contribute to the improvement of people's lives.

■ Biodiversity long-term targets

In order to globally develop its key biodiversity initiatives both within Japan and overseas, the Company formulated the Long-term Targets described below. Toward efficiently achieving these targets, it has also established incremental time schedules for reaching each target, and going forward it will progress initiatives specifically designed to achieve them.

【The Sumitomo Forestry Group's Biodiversity Long-term Targets: Summary】

Group-wide targets

1 (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, work to prevent any reduction in forest areas and aim to achieve sustainable forests.

- Regenerate forests through reforestation and the recharging of natural resources and maintain logging to less than grown volume of the forest.
- Increase the procurement and use of sustainable timber, including forest certified timber, plantation forest timber, and Japanese timber.
- Promote the efficient use of timber and, recycle, and reuse timber.

2 (Increase the amount of CO₂ absorbed by and sequestered in forests and timber)

In order to increase the amount of CO₂ absorbed by and sequestered in forests and timber, promote the use of timber by cultivating healthy forests and encouraging the use of timber construction materials and the construction of wooden buildings. In this way, contribute to the protection of biodiversity and help alleviate climate change.

Individual targets

3 (Forests) Promote forest management that regenerates, maintains, and increases biodiversity

- Carry out zoning that protects ecosystems and the habitats of living creatures.
- Maintain to 20% or above the percentage of the environment protection priority forests area of Company-owned forests in Japan.
- Maintain to 100% the percentage of Company-owned forests in Japan that are forest certified.
- Establish targets for protecting endangered species based on the results of the biodiversity monitoring conducted within Company-owned forests in Japan starting 2012.
- Conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

【The Sumitomo Forestry Group's Biodiversity Long-term Targets: Summary】

4 (Products)

Provide products and services that are considerate to biodiversity, such as forest-certified timber and products and services that have received an environmental assessment.

5 (Construction)

Work to develop homes and communities that are in harmony with the natural environment and their surrounding urban landscapes.

6 (Design)

Manage and minimize the generation of waste through promoting a zero-emissions policy in construction operations.

7 (Greening)

Be considerate to the surrounding ecosystems and tree species and actively cultivate native species.

8 (Plants)

Manage and minimize the generation of pollutants, waste, and noise pollution, and reduce their impact on biodiversity.

9 (Public relations)

Actively communicate the importance of biodiversity to all stakeholders, including customers, business partners, and local communities.

10 (Research)

Collect the latest information and develop preservation technologies in order to implement measures to protect biodiversity.

11 (Social contribution)

Protect those trees that are historically and culturally important and also preserve their genetic material.

- ▶ [Link to news release: Ranked Highest in DBJ Environmental Ratings \(http://sfc.jp/english/pdf/20120427.pdf\)](http://sfc.jp/english/pdf/20120427.pdf)
- ▶ [Link in this report: Meeting Held to Exchange Opinions on the Biodiversity Long-term Targets \(P.30\)](#)
- ▶ [Link in this report: Awards and Evaluation by Non-Group Third Parties \(P.40\)](#)

Stakeholder Comment

- It is wonderful that you go as far as preserving and promoting biodiversity in your business activities. I also think your Harmonic Plants™ are very interesting. (Housewife)
- I hope you continue with your plantation forests both within Japan and overseas, but I think an approach of selecting the right tree for the right region is also very important. (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

Preservation of
Overseas Plantation
Forests

Initiatives at
Landscaping
Business

Initiatives
at Plants

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 volume, 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

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 2012, the Company plans to conduct its second monitoring survey to assess the habitation status of mammalian and avian species in Company-owned forests in the Shikoku region.

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)

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.

Monitoring Surveys of Mammalian and Avian Species in Company-Owned Forests

As part of a monitoring program for SGEC¹ forestry certification, in May 2011 Sumitomo Forestry conducted a monitoring survey of Company-owned forests in Wakayama Prefecture. 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.

In June 2011, it also conducted a monitoring survey of Company-owned forests in the Shikoku region (*Momi no Ki Yama*). In conjunction with the adoption by the Company of a new method of small-area clear cutting at *Momi no Ki Yama* this survey was designed to evaluate what effect this method was having on biodiversity. This monitoring survey will be continued over a period of several years and survey items will include effects on plants, insects, and soil animals.

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 the Asian black bear and the Japanese serow in Company-owned forests in Wakayama.

Confirmed Mammalian and Avian Species in the Surveyed Area

Survey year	2008	2009	2010	2011
	Shikoku	Kyushu	Hokkaido	Wakayama
Mammalian species	14	11	10	12
Avian species	31	33	38	25
Main important species ²	Japanese squirrel	Japanese serow	Sable	Asian black bear Japanese serow

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.

No. of confirmed species sightings in Company-owned forests in the Shikoku region
(*Momi no Ki yama*) in 2011

	No. of species	Main, important sightings
Plants (plant survey)	33	Aburachan (<i>Lindera praecox</i>)
Insects (butterfly survey)	1	Dryad (<i>Minois dryas</i>)
Insects (bait trap survey ³)	7	<i>Aphaenogaster famelica</i>
Insects (sweeping survey ⁴)	28	<i>Stenoluperus nipponensis</i>
Soil animals ⁵	71	<i>Ligidium japonicum</i>

3 Bait trap survey: A cup or similar object is buried in the ground and ground-walking species of insects that fall into the cup are collected

4 Sweeping survey: a net is swept over the top of trees, grass, and flowers and stationary insects are collected

5 Soil animals survey: soil insects are collected from within a quadrat of 0.5x0.5m, including those on the surface of the soil

Based on the results of the monitoring survey conducted in Company-owned forests in Wakayama, 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

In addition to ascertaining the effects of clear cutting in the clear cutting area, the survey confirmed that while there was a fairly large number of confirmed sightings of herbivores, due to the fence erected to prevent the entry of deer, only a few species were observed; namely, hare (*Lepus brachyurus*) and Japanese sika deer. In addition, although only a small number of animal species were observed in the clear-cutting area, a variety of species were found to be present in the adjacent forest area. Therefore, as plant life recovers it is thought that in the future these clear-cutting areas will also become habitats for a variety of living creatures.

2. Avian Species

The effects of clear cutting were conspicuous. Only a few bird species were confirmed in the clear-cutting areas, and there was an obvious difference between clear-cutting areas and the surrounding forest in terms of bird numbers, species, formation of groups, and territories. However, it is considered that this result indicates not a situation in which birds were completely segmented between the two areas, but rather a situation in which continuity was comparatively well maintained. From these observations, it is thought that, going forward, bird species will increase as plant life recovers in clear-cutting areas.

3. Shared

The area covered by this survey supports a wide variety of mammalian and avian species. Umbrella species⁶, such as Asian black bear, and endangered species, such as the Japanese serow (*Capricornis crispus*), great spotted woodpecker (*Dendrocopos major*), and the Japanese thrush (*Turdus cardis*) are confirmed and thus, it is thought that habitats capable of supporting a diverse range of mammalian and avian species are being preserved.

The Company will continue to carry out the monitoring survey in collaboration with Regional Environmental Planning, Inc., with the goal of accumulating data to ascertain what effects its forestry operations are having on the surrounding forest and to investigate forestry methods that will minimize any adverse impact. Moreover, it is also using the results of the surveys to set appropriate numerical values for targets.

⁶ The species 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	Preservation of Overseas Plantation Forests	Initiatives at Landscaping Business	Initiatives at Plants
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Preservation of Overseas Plantation Forests

Policy & Plans

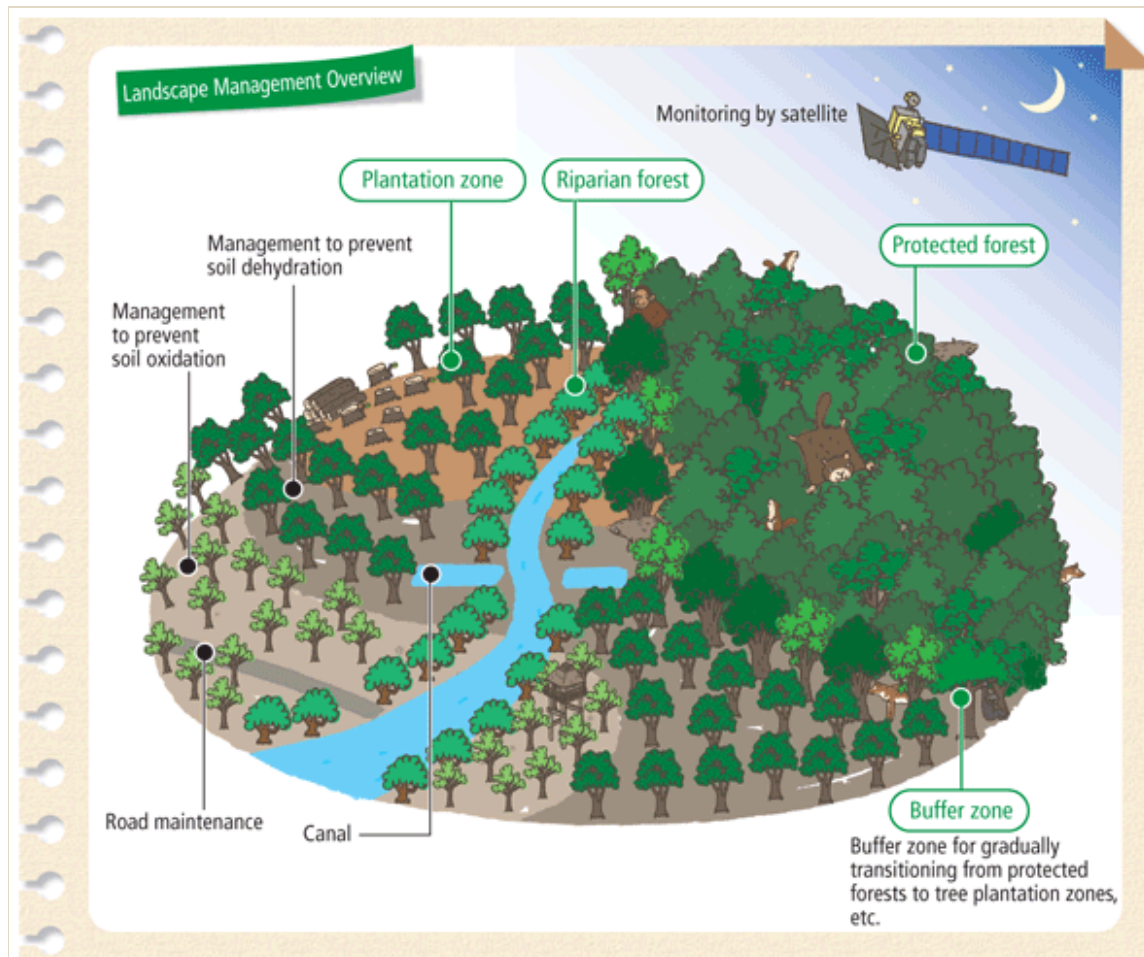
Indonesia has the third largest area of rainforest in the world, but it is said that around 700,000 hectares of forest are lost each year due to factors including forest fires, illegal logging and slash-and-burn farming. Sumitomo Forestry is working to curb the decline in rainforests and preserve biodiversity through reforestation.

Results

Sumitomo Forestry has a 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.

▶ [Link in this report: "Implementing Large-Scale Commercial Forest Plantation Business" \(P.207\)](#)

Reforestation Based on Appropriate Zoning



Preserving Biodiversity

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Policy and Plans for Biodiversity Preservation	Initiatives at Company-Owned Forests in Japan	Preservation of Overseas Plantation Forests	Initiatives at Landscaping Business	Initiatives at Plants
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Landscaping Operations that Help to Preserve Biodiversity

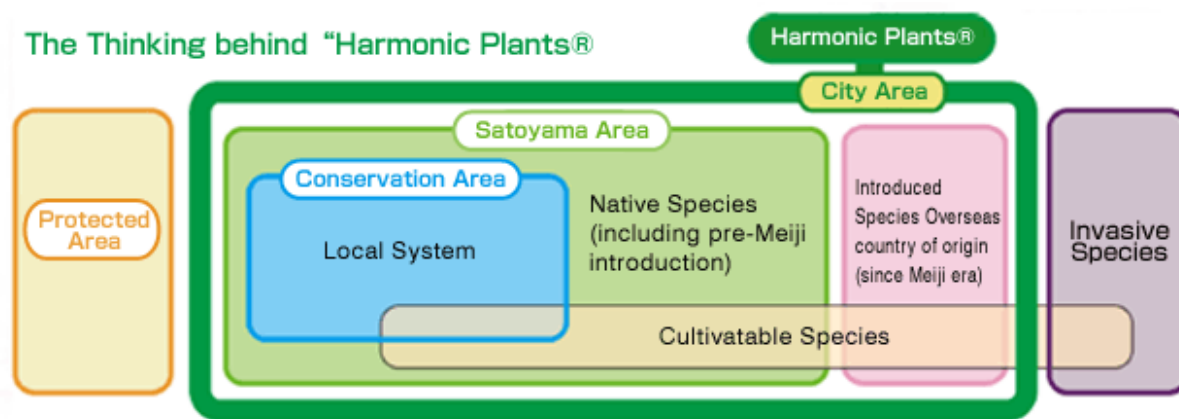
Policy & Plans

Sumitomo Forestry and Sumitomo Forestry Landscaping Co., Ltd. have named the biodiversity-friendly plants and trees to be used in landscaping, “Harmonic Plants^{®1},” and actively promote them.

Through the landscaping business, the Companies have been encouraging planting that includes native species, and aiming for promotion of biodiversity, they have 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[®]”



1 Protected areas do not include “Harmonic Plants[®],” as the artificial transplanting or introduction of plants is not permitted.

Approach to Planting Areas

<p>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.</p>	
<p>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.</p>	
<p>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.</p>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid green; border-radius: 10px; padding: 5px; background-color: #e0f2f1;">Cultivatable Species</div> <div style="border: 1px solid green; border-radius: 10px; padding: 5px; background-color: #e0f2f1;">Native Species</div> <div style="border: 1px solid green; border-radius: 10px; padding: 5px; background-color: #e0f2f1;">Local Seedlings</div> </div>
<p>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.</p>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid green; border-radius: 10px; padding: 5px; background-color: #e0f2f1;">Cultivatable Species</div> <div style="border: 1px solid green; border-radius: 10px; padding: 5px; background-color: #e0f2f1;">Native Species</div> <div style="border: 1px solid green; border-radius: 10px; padding: 5px; background-color: #e0f2f1;">Local Seedlings</div> </div>

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.

■ Results

Continued Participation in Green Wave 2011

Continuing on from 2010, Sumitomo Forestry participated as a partner organization in Green Wave 2011, an event to encourage awareness of biodiversity and promote biodiversity initiatives that was organized by the Ministry of the Environment; the Ministry of Agriculture, Forestry and Fisheries; and the Ministry of Land, Infrastructure, Transport and Tourism. The Company's main contribution to this project was distributing approximately 9,000 tree seedlings of native Japanese species at Sumitomo Forestry's 287 model homes throughout Japan in 2011, from April 23 to May 5.

Planting at New Model Homes

At new model homes since 2010, the Company has planted “Harmonic Plants®” focused on Japanese native species, and has been popularizing residential landscaping that takes ecosystems into consideration. It carried out the planting in 2011 at its Kawagoe model house in Kawagoe City, Saitama Prefecture; its Sengawa model house in Chofu City, Tokyo; and at its Kohoku model house in Yokohama City, Kanagawa Prefecture.

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 2,600 seedlings comprising approximately 33 species are being cultivated, including the evergreen oak (*Quercus myrsinifolia*), the maple (*Acer*), 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 think your plantation forest operations and efforts to protect the environment are wonderful. I hope that you continue to protect the environment and biodiversity both overseas and in Japan.
(Housewife)

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Business

Initiatives
at Plants

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, Sumitomo Forestry Crest Co., Ltd. began cultivation in planter boxes of beach silvertop seeds received from Kamisu City. But based on the fact that germination was not confirmed in fiscal 2010, it has been protecting the growth of those seedlings that were divided immediately after germination and transferred to planter boxes. Going forward, it will attempt to increase the harvest of seeds and the number of seedlings at the same time as conducting testing to determine the optimum timing for transferring the seedlings to permanent planting locations at beaches.



Settled planting of beach silvertop

Bird-Friendly Planting at No. 2 Kyushu Plant of Sumitomo Forestry Crest Co., Ltd.

Sumitomo Forestry Crest Co., Ltd. conducted a survey in order to ascertain the bird species present within the grounds of the No. 2 Kyushu plant and the surrounding areas, and also to determine which non-invasive species of trees were most compatible with these species of birds. From among the various species of trees considered, trees were selected for planting based on a comprehensive consideration of such factors as whether the species was an evergreen or deciduous tree and whether it was a tall growing or short-growing variety. Planting is being carried out at locations close to the Kyushu plant where such varieties of trees were not conventionally found.



Planting at the No.2 Kyushu Plant

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. In accordance with this manual, the institute established an organizational structure for chemical substances management 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 Substances

Unit: kg (excluding dioxins, which is shown in mg-TEQ)

PRTR Substances

Unit: kg (excluding dioxins, which is shown in mg-TEQ)

Substance No. (PRTR Law)	Chemical substance	Volume used									Consumed ¹
			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	4,301.00	0.00	15.00	0.00	0.00	15.00	0.00	0.00	0.00	4,303.00
7	n-Butyl acrylate	13,234.00	0.00	0.00	0.00	0.00	0.00	36.00	0.00	36.00	13,198.00
13	Acetonitrile	4.68	0.00	0.00	0.00	0.00	0.00	4.68	0.00	4.68	0.00
84	Glyoxal	2,780.00	0.00	0.00	0.00	0.00	0.00	5.60	0.00	5.60	2,780.00
127	Chloroform	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
134	Vinyl acetate	1,820,324.00	3,400.00	83.00	0.00	0.00	3,483.00	0.00	0.00	0.00	1,826,237.00
186	Dichloromethane	72,800.10	66,025.10	0.00	0.00	0.00	66,025.10	4,375.00	0.00	4,375.00	2,400.00
243	Dioxins	87.47	85.18	0.00	0.00	0.00	85.18	2.29	0.00	2.29	0.00
296	1,2,4-Trimethylbenzene	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
297	1,3,5-Trimethylbenzene	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
300	Toluene	5,990.16	5,990.16	0.00	0.00	0.00	5,990.16	0.00	0.00	0.00	0.00
302	Naphthalene	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
349	Phenol	28,080.00	0.00	6.80	0.00	0.00	6.80	600.00	0.00	600.00	28,080.00
395	The water-soluble salts of peroxydisulfuric acid	2,363.00	0.00	0.00	0.00	0.00	0.00	6.00	0.00	6.00	2,377.00
407	Poly(oxyethylene) alkyl ether (alkylC=12-15)	1,553.00	0.00	13.00	0.00	0.00	13.00	2.00	0.00	2.00	1,551.00
411	Formaldehyde	155,589.00	47.00	13.00	0.00	0.00	60.00	350.00	0.00	350.00	155,709.00
415	Methacrylic acid	1,220.00	0.00	4.00	0.00	0.00	4.00	0.00	0.00	0.00	1,216.00
448	Methylenebis (4,1-phenylene) diisocyanate	1,355.90	0.00	0.00	0.00	0.00	0.00	13.60	0.00	13.60	1,342.30

Emissions of NOx and SOx

Substance	Emissions (Unit: kg)
Sulfur oxides (SOx)	2,623
Nitrogen oxides (NOx)	1,805
Soot and dust	6,763

Effluent Water Quality Survey Results (No. 2
Kyushu Plant)

Item ²	Unit	Measured	Effluent Standards ³
pH	-	7.5	5.0~9.0
COD	mg/l	28.4	40
SS	mg/l	3.4	50
T-N	mg/l	2.8	60
T-P	mg/l	0.03	8

Effluent Water Quality Survey Results (Tsukuba Research
Institute)

Item	Unit	Measured	Effluent Standards ⁴
pH	-	7.5	5.8~8.6
BOD ⁵	mg/l	4	160
SS	mg/l	3	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 home 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.

In fiscal 2011, asbestos was discovered at the sites of the Nagoya Plant of Sumitomo Forestry Crest Co., Ltd., and the former Iwaki branch business office and warehouse of Daiichisansho Co. Ltd. Work was carried out to remove and process the asbestos at these locations in accordance with the Air Pollution Control Act and the Waste Disposal Act.

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, equipment units stored at the Komatsushima Plant were transferred to this company's Kyushu Plant. Trace amounts of PCB waste were found on one unit and waste containing PCBs was found on six units. These units are now being processed and stored appropriately.

Measures against Volatile Organic Compounds (VOCs)

Policy & Plans

Sumitomo Forestry is working to reduce emissions of volatile organic compounds (VOCs) in *Sumitomo Forestry Home* houses, which have been identified as a cause of "sick house" syndrome.

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 Group 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 Law. 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

Measures to Cut Down on Water Usage

The No. 2 Kyushu Plant of Sumitomo Forestry Crest Co., Ltd. uses industrial water to cool manufacturing equipment, then reuses it to dilute plant effluent, and processes it appropriately as industrial effluent. The four initiatives described below are ongoing in order to reduce the amount of water used. However, due to the reason described below, in fiscal 2011 the volume of industrial water used increased by 11% compared with the previous fiscal year.

The water quality of industrial effluent is processed so that it meets the standard set in prefectural regulations, but an inspection of water quality in fiscal 2010 found that on occasions, its COD value¹ was close to exceeding the standard. Therefore, in fiscal 2011 the plant had to increase the volume of industrial water used in order to stably keep this value well below the standard.

Going forward, in addition to continuously implementing the four measures described below, Sumitomo Forestry Group will work to decrease the volume of industrial water that it uses through efforts including the launch of a project to improve its effluent technologies and the processing of effluent with the absolute minimum level of dilution water.

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.
4. Enhance the efficiency of rainwater use (including by measures to upgrade the pumps used to collect rainwater)

¹ Chemical Oxygen Demand. This shows the amount of oxygen required to oxidize an organic compound in water and is considered one of the most important indicators of water quality.

Using Recycled Water

Some 360,000m³ 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.



Roof covering treated water storage pool

Stakeholder Comment

- I hope that your measures to maintain and protect forests and the environment also reflect the importance of water. (Customer)

Environment-Related Businesses

Sumitomo Forestry offers its expertise and knowledge accumulated over the three hundred years since its foundation 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 plays an active role in environmental planning for the entire region. (Expert)

Expanding the Scope of the Company's Biodiversity Greening Business

Policy & Plans

Today, protecting biodiversity has become an important issue, and this has prompted a range of initiatives involving the use of corporate green zones.

Sumitomo Forestry Landscaping Co., Ltd., which is involved in a variety of greening and biodiversity-related businesses, such as rural regeneration projects, has collaborated with the MS&AD Insurance Group and Regional Environmental Planning Inc., to create Eco-Asset™ to provide consulting services to companies, mainly for biodiversity greening in corporate green zones. From October 2011, Sumitomo Forestry has also participated in this organization through its Eco-Asset Team and is aiming to expand the scope of its environmental business through the team's activities.

■ Results

Redevelopment of Mitsui Sumitomo Insurance's Land in the Surugadai District

The Company is aiming to recreate Mitsui Sumitomo Insurance's land in the Surugadai District (Chiyoda Ward, Tokyo), which is located 1km away from the Imperial Palace, into a green city space that reflects the abundant nature found in the palace. It is currently pushing ahead with this redevelopment to create a green space that will attract a variety of living creatures. The Eco-Asset Team began collaborating with this redevelopment project when an application was made for recognition as a Special Urban Development Area. Construction of the new building was completed in February 2012, while repairs to the adjacent main building began in May 2012. In addition to exterior landscaping, Sumitomo Forestry Landscaping Co., Ltd. received orders to undertake a variety of other greening projects for the redevelopment, including wall greening, eaves greening, and planting roadside trees.

In fiscal 2011, this project was awarded the highest possible ranking of Superlative Stage in the recently renewed Social and Environmental Green Evaluation System¹ (SEGES) assessment, making it the first project in Japan to receive this ranking.

¹ Focusing on corporate green zones that contribute to society and the environment through activities to protect and cultivate greenery, this 'green awards' system evaluates initiatives and certifies those that are particularly excellent.

Panasonic's Biodiversity Greening Plan

In 2011, the Eco-Asset Team carried out environmental evaluations at 121 Panasonic Group business sites throughout Japan. Among the sites evaluated, the Kadoma and Moriguchi area in Osaka was considered to be particularly environmentally important and an initiative was launched at this location to create a business site that also functioned as a bio-reserve for living creatures. This included removing part of the parking lot and the grounds and preparing a green zone, primarily for attracting butterflies. Construction for this project was completed in March 2012, and its success in attracting living creatures to the Yodogawa water network in the northern area and the Tsurumi Ryokuchi Park southern area is currently being confirmed.

A Greening Plan that Protects Biodiversity in a Greenbelt in a Coastal Industrial Zone

During the period of rapid economic growth in Japan, large-scale green belts were created in coastal industrial zone, one of which is located near Chita City, Aichi Prefecture. In the subsequent 40 years, the tree saplings planted in this green zone have grown to create a forest that serves as the habitat to many living creatures, and moreover forms the basis for a number of regional ecosystems. A movement has gained momentum among companies in the coastal area of Chita City to integrate the land that they each own within this green zone with the aim of contributing to the region in which they planted their own roots as businesses.

The Eco-Asset Team has been providing consulting services on biodiversity to individual companies that own land in the greenbelt, and it is also participating in the New Public Services Support Model, a project to utilize corporate green zones and protect the region's natural environment.

A Forest Maintenance Program for Forest of Co-Creating a Brighter Future at Daiwa House Industry Land in Hayama

Daiwa House Industry Ltd. announced that it would use 330 hectares of its unused land in Hayama Town, Miura-gun, Kanagawa Prefecture to create a nature-encounter facility, which it will open as a base for nature activities in the region. Various stakeholders are participating in the plan and will utilize the facility for a range of uses, such as growing firefly, farming, and for hiking and running trails. During fiscal 2011, the Eco-Asset Team focused its efforts into ecosystem surveys and stakeholder analyses, and based on the results of a potential assessment, in fiscal 2012 it will push ahead with the fundamental measures set out in the plan to utilize the green areas.

■ Future Plans

The Company will work to develop new environmental businesses, using its greening operations as the gateway into these businesses.

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

Developing a Technology to Identify Cherry Tree Varieties through an Analysis of Their DNA

The cherry tree is the flowering tree most synonymous with Japan, and breeding to create new varieties has taken place here since the Muromachi Period. As a result, it is said that today there are more than 250 varieties of cherry tree. However, it is extremely difficult to identify the variety solely from the tree's external appearance, and therefore Sumitomo Forestry collaborated with the Forestry and Forest Products Research Institute, a National Institute of Genetics, and the Association for the Propagation of Knowledge on Genetics, to jointly develop a technology to identify the variety through DNA markers.



DNA extraction

Completing a DNA Database of approximately 200 Cultivated Varieties

In March 2010, the Company completed the creation of a database of 200 varieties of cherry trees for which DNA information was available, in collaboration with the Forestry and Forest Products Research Institute, using the above-described identification technology. The database clearly identifies and organizes the data on individual varieties, making it possible to accurately identify and manage the data in the future.

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. In 2011, 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 addition, during their most recent investigation, the companies used the database of cherry tree DNA to attempt to identify the DNA of the Yuten cherry tree and they concluded that it is highly likely that it is a new variety. The Company is also involved in a range of other initiatives to breed and preserve Japan's historically and culturally important trees.

- ▶ [Link to the News Release: Success in Breeding Yuten Cherry Tree Using Plant Tissue Culture Techniques \(http://sfc.jp/english/pdf/20110411.pdf\)](http://sfc.jp/english/pdf/20110411.pdf)

■ Future Plans

- The team 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 it plans to use the incubated seedlings at commemorative and other events held at Yuten-ji Temple.
- The team also plans to identify the origins of unknown species of cherry trees using our cherry tree DNA database and plant tissue culture techniques. It will apply this experience in our breeding business for treasured and precious trees throughout Japan. It hopes 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.

Overseas Reforestation Consultancy

■ Policy & Plans

Backed by its knowledge of forest management in tropical regions, the Company offers consulting services for environmental reforestation and for the protection and cultivation of forests that takes into account local communities, such as for the restoration of degraded forests in tropical regions and the rehabilitation of biodiversity.

■ Results

Tropical Forest Regeneration Project with Mitsui Sumitomo Insurance Co., Ltd.

With 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, it has planted around 300,000 trees on 350 hectares of land, as of March 2011. From April 2011, with the goal of 'Creating a Framework for the Independent Protection by Local People of Abundant Forest Areas,' the Company launched a support project to provide local people with guidance on farming methods that help to preserve forests, and has also created a scheme through which local people can independently protect the forests once they have regenerated.



Before reforestation (September 2005)



After reforestation (December 2012)

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, 72.4 hectares have been reforested, and some of the harvested trees were processed into fiberboards and used to build cabinets for electric pianos made by Roland Corporation. For the latter, a total of 30.6 hectares have been reforested. In addition to continuing with the cultivation carried out in fiscal 2011, the Company has created a harvesting plan for its industrial tree plantation in this region that it will launch during fiscal 2012.



Before reforestation (September 2007)



After reforestation
(December 2011)

■ Future Plans

- Tropical Forest Regeneration Project with Mitsui Sumitomo Insurance Co., Ltd.
Sumitomo Forestry provides guidance for local people on the use of cultivation technologies for high-value added crops, support for the sale of these crops, in order to improve the quality of local people's lives through measures to prevent the degradation of forests. In addition, it continuously holds discussions with local governments and private sector organizations in the regions where it has plantation forests toward creating systems that will prevent forests that have recovered from becoming degraded once again.
- Reforestation Business with Roland Corporation
Starting in fiscal 2012, over a three year period the Company processes timber from trees harvested at its industrial tree plantations to build cabinets for electric pianos made by the Roland Corporation

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 diesel generator it replaces.

■ Results

Issuance of CER Credits for 10,982t-CO₂

Following an assessment by the United Nations, in March 2011, CER² credits for 10,982t-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 wood biomass energy, an area that has not been cited often for credits in the past.

▶ [Link in this report: Reducing CO₂ emissions from plants \(P.165\)](#)

Sale of 6,000t of CER credits

During fiscal 2011, the Company sold credits worth 6,600 tons of CO₂ to companies within Japan from the credits issued to it in March of the same year.

■ Future Plans

The CER credits issued for the Company's various businesses are being used for measures to help alleviate global warming, such as for carbon offsetting and emissions rights trading schemes.

- 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

Establishing a Biomass Power Generation Facility Installed with Environmental Equipment

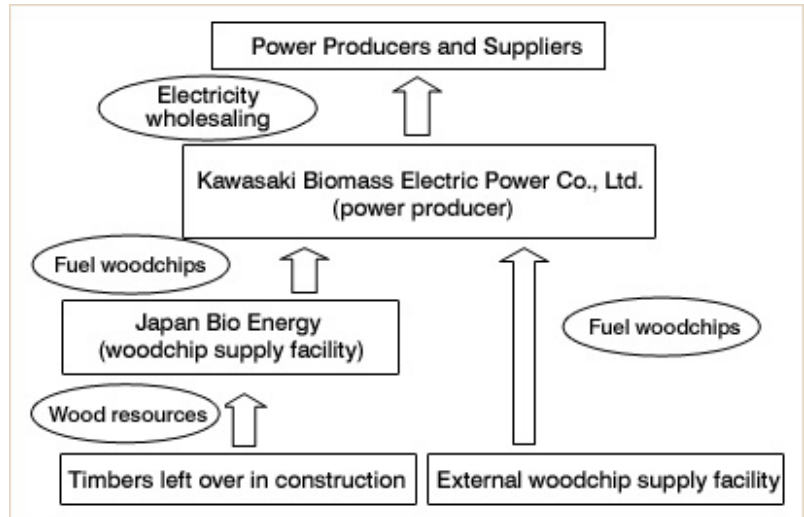
Sumitomo Joint Electric Power Co., Ltd., Fuluhashi EPO Corporation, and Sumitomo Forestry jointly established Kawasaki Biomass Electric Power Co., Ltd. in Kawasaki City, Kanagawa Prefecture, to operate a biomass power generation facility using woodchips as fuel. Japan Bio Energy Co., Ltd., a woodchip 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. The facility is able to generate 33MW of power, which means it can supply power for approximately 37,000 households consuming a typical amount of power, or for about 100,000 people. Moreover, the facility is contributing to society by supplying power to help alleviate the power shortages that have occurred in Japan following the Great East Japan Earthquake of March 2011. In order to clear the strict environmental standards established by Kawasaki City, Kawasaki Biomass Electric Power Co., Ltd. has installed environmental equipment that no other regional biomass power facility uses, including flue gas desulfurization equipment, an exhaust gas denitrizer, and a bag filter. Moreover, as a city-type biomass power generation facility it is working to improve the atmospheric environment.



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.



Business Outline

Future Plans

Japan Bio Energy will work to secure biomass fuel to ensure stable power generation at maximum output, and also develop other biomass fuels from forest resources and other unused biomass sources, such as food waste.

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

Forest Absorption-type J-VER Offset Credit

In July 2009, a Company-owned forest* (Miyazaki Prefecture) was registered under the J-VER system as the first Sustainable Forestry Management Promotion-Type Project. Following validation, the J-VER credits issued were used to offset CO₂ emissions generated at exhibitions and other events. Under the J-VER system, in fiscal 2009 and fiscal 2010 a combined total of 4,234t-CO₂ worth of credits were issued to the Company. As the area within Miyazaki Prefecture covered by the system was expanded in order to meet the demand for credits, in March 2012 the Company was issued with credits worth 9,441t-CO₂.

J-VER Offset Credits Sold to Ochisangyo Co., Ltd.

Continuing on from 2010, in July 2011 Sumitomo Forestry sold J-VER offset credits worth 30t-CO₂ to Ochisangyo Co., Ltd. These credits were used to offset 1kg of CO₂ per visitor to Ochisangyo's "I Love Home Fair" events, which it held at various locations in West Japan. In total, 24.22t-CO₂ was offset for 24,220 people. The remaining credits will be used at other events and conferences sponsored by the company. The Company will once again offer credits to Ochisangyo in fiscal 2012.

▶ [Link in this report: "Offsetting CO₂ Emissions through the J-VER System" \(P.170\)](#)

Carrying out Reforestation and Reducing Greenhouse Gas Emissions in Overseas Businesses

■ Policy & Plans

Sumitomo Forestry considers REDD+¹, which is currently being investigated by the United Nations, and the Bilateral Offset Credit Mechanism (BOCM), which the Japanese Government plans to introduce from 2013 as a new mechanism for credits, to be promising business opportunities that warrant close examination. Therefore, with an eye to these frameworks the Company is currently looking into the feasibility of initiatives in Vietnam and Indonesia for the regeneration of degraded forests or those destroyed by forest fires, and also into initiatives to reduce emissions of greenhouse gases.

■ Results

Investigating New Mechanisms for Regeneration of Forests and Biomass Power Generation in Vietnam

In 2011, the Global Environment Centre Foundation was contracted by the Ministry of the Environment to carry out the [New Mechanism Feasibility Survey](http://gec.jp/main.nsf/en/Activities-Climate_Change_Mitigation-FS2011newmex24) (http://gec.jp/main.nsf/en/Activities-Climate_Change_Mitigation-FS2011newmex24). As part of this, the Company has been conducting a feasibility survey for measures to protect and regenerate forests in the Son La Province of West Vietnam, where forests have been degraded due to field burning, and also for reducing greenhouse gas emissions through biomass power generation using timber procured from these sustainable forests. A large area of forest in this area has been degraded, but as forests play an important role here as a water source for the hydro-electric dams that are dispersed throughout the region, there is an urgent need for them to be protected and regenerated. In addition, this region is one of the most deprived in Vietnam, and the launch of a forest preservation and regeneration project will contribute to environmental protection and sustainable development in the region, while the Company is aiming to develop projects that can acquire emissions credits in Japan. The Company is currently collaborating with the relevant Vietnamese government authorities, the Vietnam University of Forestry, and JICA as it continues with its survey.



Conducting the survey



The forests of Son La Province

Measures to Regenerate Forests in Indonesian Peatlands

Large volumes of carbon accumulate in peatlands. When this land is developed for farming, it must be dried by drainage and as a result, the microorganisms in the soil decompose, which in turn causes the accumulated carbon to be released into the atmosphere as CO₂. In addition, fires can occur in peatlands that have been dried, which causes large quantities of CO₂ to be released into the atmosphere. Both of these forms of CO₂ emissions contribute to global warming.

In fiscal 2011, the Ministry of Economy, Trade and Industry commissioned a survey on the feasibility of reducing greenhouse gas emissions through measures to prevent large-scale fires in the peatlands in the central part of Kalimantan Province, Indonesia. Sumitomo Forestry collaborated with Sumitomo Corporation and Shimizu Construction Co., Ltd. to carry out the survey, its role being to investigate methods of regenerating the vegetation that would also benefit the local people and economy. It was able to contribute to the project through constructing a new mechanism that can help prevent global warming by preserving the peatland and ensuring that it is used appropriately.

1 An approach to reducing emissions of greenhouse gases from forests by preventing deforestation and forest degradation (REDD: Reduced Emissions from Deforestation and forest Degradation). Based on this approach, the goal is to reduce the emissions of greenhouse gases through conserving and managing forests, such as by clarifying the role of forest conservation, managing sustainable forests, and increasing carbon stock from forests.

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.

Note: The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain group companies.

Results

Environmental Protection Costs

Unit: Million Yen

Cost Category		Main Activities	Cost
Operations costs	Pollution prevention costs ¹	Soil contamination survey	0.41
	Global environmental protection costs ²	Sustainable forestry cultivation	648
		Environment-related business (CDM business, overseas reforestation, etc.)	212
		Carbon offset	76
	Resource recycling costs ³	Promotion of appropriate treatment, reduction, and recycling of industrial waste	3,586
		Waste wood-based chip distribution operations	183
Potting mix business (using sediment from water purification plants, etc.)		550	
Upstream/Downstream costs ⁴		Green purchasing	197
Management activity costs ⁵	Operation and promotion of environmental management (ISO 14001 certification, environmental education, LCA surveys, etc.)		112
	Disclosure and administration of environmental information (Environmental and Social Report, environment-related advertising, environment-related exhibitions, etc.)		1,554
R&D costs ⁶		Research and development activities related to environmental conservation	303
Social contribution costs ⁷	Management and operation of Mt. Fuji <i>Manabi no Mori</i>		23
	Management and operation of Forester House		8
	Participation in other social contribution activities		2
	Grants to the Keidanren Nature Conservation Fund, etc.		2
Total			7,456

- 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)	1,186,000m ³
	Volume sold of potting mix using recycled sediment from water purification	25,000t
2. Benefits from upstream and downstream costs	Green procurement ratio	71.8%
3. Benefits from management activity costs	Number of people attending "Sustainable Forest Gallery 2011-Kikoriin's Forest"	5,224people
	Employees designated as internal environmental auditors	59people
4. Benefits from research and development costs	Standard installation of a highly functional, long-life, large-capacity household battery storage system Launch of the Sumitomo Forestry Smart House <i>Smart Solabo</i>	-
	Successful cultivation of seedlings from the 'Pine Tree of Hope' in Rikuzen-takata City	-
	Started test planting of the Omuro Cherry Tree using plant tissue culture techniques	-
5. Benefits of social contribution costs	Volunteers who participated in Mt. Fuji <i>Manabi no Mori</i> project	324people
	Children participating in the Environmental Education Program at Mt. Fuji <i>Manabi no Mori</i> project	546people
	Visitors to Forester House	2,407people

Environmental Data

Group Companies
in Japan

Group Companies
outside Japan

Group Companies in Japan

Data for plants in Japan shows the environmental impact per company and per plant

Sumitomo Forestry Crest Co., Ltd.

Sumitomo Forestry Crest Co., Ltd.

Item	Kashima Plant	Shizuoka Plant	Nagoya Plant	Niihama Plant	Kyushu Plant	No. 2 Kyushu Plant	Total
Energy input	24,152GJ	25,885GJ	33,931GJ	22,258GJ	32,820GJ	15,159GJ	154,205GJ
Raw material input	6,663t	22,724t	9,918t	3,392t	8,178t	4,412t	55,287t
Water resource consumption							
Clean water	3,431m ³	5,120m ³	14,664m ³	503m ³	2,480m ³	147m ³	26,345m ³
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 (Niihama City Bureau of Waterworks)	Ponds-Tashiro Pond (partly in protected forest)	Reservoirs	-
Industrial water	-	-	-	5,394m ³	26,352m ³	139,042m ³	170,788m ³
Main water source	-	-	-	Groundwater (Niihama City Bureau of Waterworks)	Rivers-Arita River basin (partly in Kurokamizan Wildlife Preserve)	Rivers-Arita River basin (partly in Kurokamizan Wildlife Preserve)	-
Greenhouse gas emissions							
Overall emissions	1,016t-CO ₂	1,160t-CO ₂	1,447t-CO ₂	952t-CO ₂	1,412t-CO ₂	815t-CO ₂	6,802t-CO ₂
Emissions per base unit	105.6kg-CO ₂ /m ³	43.0kg-CO ₂ /t	44.0kg-CO ₂ /m ³	280.2kg-CO ₂ /m ³	55.5kg-CO ₂ /m ³	78.1kg-CO ₂ /t	-
Volume of waste	1,858t	1,819t	2,865t	1,053t	1,699t	200t	9,493t
Total water discharge							
Sewage	1,646m ³	-	-	4,826m ³	-	-	6,472m ³
Ocean area	705m ³	-	7,918m ³	-	-	-	8,623m ³
Rivers	-	3,267m ³	-	-	-	-	3,267m ³
Lakes	-	-	-	-	27,264m ³	130,610m ³	157,874m ³

Item	Kashima Plant	Shizuoka Plant	Nagoya Plant	Niihama Plant	Kyushu Plant	No. 2 Kyushu Plant	Total
Emissions into air							
SOx (Sulfur oxide)	-	-	-	596kg	74kg	1,953kg	2,623kg
NOx (Nitrogen oxide)	-	-	40kg	491kg	1,275kg	-	1,806kg
Dust	-	-	4,946kg	934kg	883kg	-	6,763kg

■ Sumirin Agro-Products Co., Ltd.

Item	Sakura Plant	Shinshiro Plant	Tobishima Plant	Total
Energy input	1,363GJ	3,969GJ	3,425GJ	8,758GJ
Raw material input	60t	21t	69t	149t
Water resource consumption				
Clean water	-	1,456m ³	1,814m ³	3,270m ³
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	302m ³	-	-	-
Greenhouse gas emissions				
Overall emissions	73t-CO ₂	248t-CO ₂	186t-CO ₂	506t-CO ₂
Emissions per base unit	10.4kg-CO ₂ /t	59.3kg-CO ₂ /t	15.7kg-CO ₂ /t	-
Volume of waste	15t	12t	24t	51t
Total water discharge				
Ocean area	-	-	1,694m ³	1,694m ³
Rivers	-	1,156m ³	-	1,156m ³
Lakes	-	-	-	-
Others	302m ³	-	-	302m ³

Environmental Data

Group Companies
in Japan

Group Companies
outside Japan

Group Companies outside Japan

Data for plants outside of Japan shows the environmental impact per company

Group Companies outside Japan

Item	PT. Rimba Partikel Indonesia (RPI)	Alpine MDF Industries (ALPINE MDF)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)	Nelson Pine Industries Ltd. (NPIL)
Energy input	116,826GJ	466,090GJ	71,185GJ	693,921GJ	1,057,758GJ
Raw material input	147,028t	245,934t	29,529t	404,059t	672,252t
Water resource consumption					
Clean water	-	95,843m ³	-	-	322,593m ³
Industrial water	-	-	29,529m ³	180,580m ³	-
Groundwater	324,065m ³	-	-	117,763m ³	-
Greenhouse gas emissions					
Overall emissions	7,991t-CO ₂	36,592t-CO ₂	5,115t-CO ₂	46,862t-CO ₂	12,559t-CO ₂
Emissions per sales unit	295.9kg-CO ₂ /US\$	597.3kg-CO ₂ /AU\$	140.1kg-CO ₂ /US\$	389.7kg-CO ₂ /US\$	76.1kg-CO ₂ /NZ\$
Emissions per base unit	63.9kgCO ₂ /m ³	281.6kgCO ₂ /m ³	140.1kg-CO ₂ /US\$	155.4kgCO ₂ /m ³	36.6kgCO ₂ /m ³
Volume of waste	24,692t	59,884t	2,625t	29,521t	5,332t
Total water discharge					
Sewage	-	87,109m ³	-	-	260,599m ³
Ocean area	-	-	-	103,828m ³	-
Rivers	316,494m ³	-	29,529m ³	-	-

Third Party Evaluation



Mr. Eiichiro Adachi
Research Chief / Head of
ESG Research Center, The
Japan Research Institute,
Limited

Career Synopsis

Mr. Adachi assumed his current post following positions in the Business Strategy Research Center and Technology Research Center of The Japan Research Institute. He provides corporate information to financial institutions for the purposes of socially responsible investment and environmentally sound investment. Mr. Adachi has responsibility for industrial research and corporate evaluation from the perspective of corporate social responsibility, focused on measures to tackle environmental issues. From March 2005 until May 2009, he served as the Japanese expert on the ISO26000 Working Group. He is the co-author of several books including "An Illustrated Guide to Environmental Issues for Companies" (Toyo Keizai Inc.), "Introductory Guide to Socially Responsible Investment" (Nikkei Inc.), "Business Growth through Global Warming" (Toyo Keizai Inc.), and "Introductory Guide to Environmental Management" (Nikkei Inc.).

Having read that as of July 2011, Sumitomo Forestry had constructed 386 emergency housings in Miyagi Prefecture and 118 emergency housings in Fukushima Prefecture following the Great East Japan Earthquake, I would first like to pay tribute to the persons involved. This year, the title of this report has changed to "CSR Report". I sensed that careful consideration had been given to the reader with regard to information disclosure, such as the division of the report into "Policy and Plans", "Results" and "Future Plans" in order to convey continuous improvement, and the inclusion of an ISO26000 compliant Contents Index.

My attention is also drawn to specific initiatives such as the formulation of four material issues in fiscal 2007 and engagement in a continuous dialogue with its stakeholders, and the operation of a hospital, kindergarten and supermarket by a Group company in Papua New Guinea in consideration of the limited role of the government, as well as the construction of two reinforced concrete subsidence bridges in accordance with the wishes of the local people. In March 2012, the Company also published a "Biodiversity Declaration" comprising long-term goals to address the "Aichi Target" of the Convention on Biological Diversity, which was a pioneering initiative among Japanese companies.

Thinking about the Sumitomo Forestry Group's social responsibility through reading this report, I was reaffirmed that "sustainable forestry" is key. With the advance of industrialization and population growth around the world, large-scale deforestation, the expansion of agricultural land, infrastructure development, hunting and fishing are causing the loss of precious natural environments and wildlife. If we are unable to establish a way of retaining our natural resources while enjoying the benefits of prosperity, society will become unsustainable and the future will be bleak.

Arguably, "sustainable forestry" involving the planting of trees, the cultivation of forests and their use as natural resources, and replanting to replace what has been used, should be a model for all companies and economic activity. However, at present it cannot be said that a cycle of "sustainable forestry" has been fully established, even when considering Sumitomo Forestry and its Group companies. The Company has set out a goal of "Providing Timber Products and Materials from Sustainable Forests", and although the ratio of timber from certified forests and plantation forests reached 70% a year in advance of the fiscal 2012 target, there is still some way to go.

Turning to the situation in Japan, Sumitomo Forestry owns some of the nation's most outstanding forests, and while its efforts to steadily increase the area of these forests should be applauded, unfortunately the management of domestic forests has yet to be fully established as a business.

I visited a company-owned forest in Ehime Prefecture, and I felt acutely that the value of forests or timber materials is extremely under-appreciated. If I were to express my hopes in the Sumitomo Forestry Group in a few words, it would be that Sumitomo Forestry becomes a corporate Group that achieves “sustainable forestry” both in name and substance.

Of course, various competitive conditions make it difficult to achieve this. Sometimes, the Company could be forced to make difficult decisions such as passing on high costs to its customers and suppliers. However, we now truly need companies that can firmly establish a business model such as “sustainable forestry”, drawing also on the collective efforts of society.

Coincidentally, the United Nations Conference on Sustainable Development (Rio+20), held in June 2012, adopted a “Natural Capital Declaration” stating that the stock of Natural Capital that provides food, fiber, water, health, energy, climate security and other ecological services should be adequately valued in the same way as social and financial capital.

In the Public Opinion Poll on Forests And Lifestyle conducted by the Cabinet Office in December 2011, 81% of respondents said they would choose a wooden house if building a house, and “use of domestic timber” increased 5 percentage points from the previous survey to 40% as something that was valued other than price in the selection of a wooden house.

This report also discusses initiatives such as promoting the greater use of timber (MOCCA), the proactive use of domestic timber, contributions to public policy, and streamlining through joint operations. In future, I hope that the Company will clearly report progress on these issues and make even greater efforts to educate consumers so as to enhance the value of forests and foster an organized base of supporters.

The Top Message mentions the Company's aim to be the “world's leading forestry company”. I hope that this aim includes the sense of being one of the world's very few companies to demonstrate true sustainability in its business, rather than simply the scale of revenues and profits. I hope that Sumitomo Forestry continues with its efforts to realize “sustainable forestry” and heads the list of Japanese companies that have won the respect of the world.



Visit to company-owned forest and plant in Ehime Prefecture

Reply to Third Party Evaluation

We asked Mr. Eiichiro Adachi to share his opinion as this year's third-party evaluator. We invited him to visit locations including a site of the Company's forestry operations, a production line at a building materials manufacturing plant, and a wood biomass power generation plant. As a natural resource, the value of wood is wide ranging. By planting trees, cutting and utilizing them when the time for harvesting arrives, and then planting trees again, renewable wood becomes a sustainable resource.

We note Mr. Adachi's comment that society now needs a business format that sustains this cycle, as well as educational activities to enhance the value of wood, which we take to heart both as an expectation of Sumitomo Forestry and our own responsibility. Going forward, we will continue to engage closely with our stakeholders while striving to promote sustainable business activities utilizing wood.

Koji Tanaka
General Manager, Corporate Communications Department

GRI G3.1 Content Index

Activities below are in line with the 3.1 edition of the GRI Guidelines on sustainability reporting including environmental, social and economic reports.

G3.1 Disclosure	Description	Location
1. Strategy and Analysis		
1.1	Statement from the most senior decision maker 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.12) ▶ Annual Report (PDF : 9,702KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2012eng.pdf) ▶ Policy & Business Impact(Impact of Climate Change on the Business) (P.159)
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/) ▶ Our Business (http://sfc.jp/english/business/)
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	▶ Sumitomo Forestry's Business and CSR (P.12) ▶ Our Business (http://sfc.jp/english/business/)
2.4	Location of organization's headquarters.	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/)
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.	▶ Sumitomo Forestry Group (http://sfc.jp/english/business/group.html)
2.6	Nature of ownership and legal form.	▶ Corporate Profile (http://sfc.jp/english/corporate/profile/)

G3.1 Disclosure	Description	Location
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	<ul style="list-style-type: none"> ▶ Corporate Profile (http://sfc.jp/english/corporate/profile/) ▶ Sumitomo Forestry Group (http://sfc.jp/english/business/group.html)
2.8	Scale of the reporting organization, including: <ul style="list-style-type: none"> • Number of employees; • Number of operations; • 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. 	<ul style="list-style-type: none"> ▶ 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). 	<ul style="list-style-type: none"> ▶ Editorial Policy for CSR Report 2012 (Reliability of Report Content) (P.3)
2.10	Awards received in the reporting period.	<ul style="list-style-type: none"> ▶ Evaluation by Non-Group Third Parties (P.40)
3. Report Parameters		
Report Profile		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	<ul style="list-style-type: none"> ▶ Editorial Policy for CSR Report 2012 (Reporting Period) (P.4)
3.2	Date of most recent previous report (if any).	<ul style="list-style-type: none"> ▶ Editorial Policy for CSR Report 2012 (Publication Date) (P.4)
3.3	Reporting cycle (annual, biennial, etc.)	<ul style="list-style-type: none"> ▶ Editorial Policy for CSR Report 2012(Publication Date) (P.4)
3.4	Contact point for questions regarding the report or its contents.	<ul style="list-style-type: none"> ▶ Editorial Policy for CSR Report 2012(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. 	<ul style="list-style-type: none"> ▶ CSR Management Based on Four Material Issues (The Process for Determining the Material Issues) (P.15)
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	<ul style="list-style-type: none"> ▶ Editorial Policy for CSR Report 2012 (Companies Covered in the Report) (P.4)
3.7	State any specific limitations on the scope or boundary of the report.	<ul style="list-style-type: none"> ▶ Life Cycle Assessments (P.153)

G3.1 Disclosure	Description	Location
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.	<ul style="list-style-type: none"> ▶ Environmental Accounting (P.237) ▶ Environmental Impact of Business Activities (P.151)
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).	▶ Reducing CO₂ Emissions in Business Activities (P.161)
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	▶ Editorial Policy for CSR Report 2012 (Main Changes during the Reporting Period) (P.4)
GRI content index		
3.12	Table identifying the location of the Standard Disclosures in the report.	▶ GRI G3.1 Content Index (P.245)
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).	▶ Editorial Policy for CSR Report 2012 (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.	<ul style="list-style-type: none"> ▶ Corporate Governance (P.43) ▶ Annual Report (PDF : 9,702KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2012eng.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 : 9,702KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2012eng.pdf)
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	▶ Annual Report (PDF : 9,702KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2012eng.pdf)

G3.1 Disclosure	Description	Location
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	▶ Corporate Governance (P.43)
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.43)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	-
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	-
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.10)
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.	▶ Corporate Governance (P.43) ▶ Environmental Management (P.140)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	▶ Corporate Governance (P.43)
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	▶ Risk Management (P.49) ▶ Environmental Management (P.140) ▶ Policy & Business Impact(Impact of Climate Change on the Business) (P.159)
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	▶ Participation in the UN Global Compact (P.17)
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. 	▶ Social Contribution Activities(Contributions to Public Policy) (P.129)

G3.1 Disclosure	Description	Location
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization.	▶ Relations with Stakeholders (P.29)
4.15	Basis for identification and selection of stakeholders with whom to engage.	▶ Relations with Stakeholders (P.29) ▶ CSR Management Based on Four Material Issues (The Process for Determining the Material Issues) (P.15)
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	-
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.27)
5. Management Approach and Performance Indicators		
Economic		
	Disclosure on Management Approach	▶ Economic Report (P.54)
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.	▶ Financial Performance (P.55) ▶ Social Contribution Activities (Funds Allocated to Social Contribution Activities) (P.125)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	▶ Policy & Business Impact (Impact of Climate Change on the Business) (P.159)
EC3	Coverage of the organization's defined benefit plan obligations.	▶ Annual Report (PDF : 9,702KB) (http://sfc.jp/information/ir/library/pdf/annual/ar2012eng.pdf)
EC4	Significant financial assistance received from government.	-
Aspect: Market Presence		
EC5	Range of ratios of standard entry level wage by gender 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.	▶ Overseas Plantation Forest Operations and Sustainable Use (Contribution of Social Forestry to Local Communities) (P.203)

G3.1 Disclosure	Description	Location
		<ul style="list-style-type: none"> ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (Hiring Locally at Group Companies outside of Japan) (P.99)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	<ul style="list-style-type: none"> ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (Hiring Locally at Group Companies outside of Japan) (P.99)
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.122) ▶ Proactive Use of Domestic Timber (P.198)
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	<ul style="list-style-type: none"> ▶ Policy & Business Impact (Impact of Climate Change on the Business) (P.159)
Environmental		
	Disclosure on Management Approach	<ul style="list-style-type: none"> ▶ Environmental Report (P.131)
Aspect: Materials		
EN1	Materials used by weight or volume.	<ul style="list-style-type: none"> ▶ Balance of Input and Output (P.151)
EN2	Percentage of materials used that are recycled input materials.	-
Aspect: Energy		
EN3	Direct energy consumption by primary energy source.	<ul style="list-style-type: none"> ▶ Balance of Input and Output (P.151)
EN4	Indirect energy consumption by primary source.	<ul style="list-style-type: none"> ▶ Balance of Input and Output (P.151)
CRE1	Building energy intensity.	<ul style="list-style-type: none"> ▶ Reducing Energy Consumption in Homes (Sumitomo Forestry's LCCM House) (P.171)
EN5	Energy saved due to conservation and efficiency improvements.	<ul style="list-style-type: none"> ▶ Reducing CO₂ Emissions in Business Activities (Reducing CO₂ Emissions at Plants) (P.165)
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.171)

G3.1 Disclosure	Description	Location
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	<ul style="list-style-type: none"> ▶ Tackling Climate Change (Sumitomo Forestry Group CO₂ Emission Volume Reduction Targets) (P.161) ▶ Reducing CO₂ Emissions in Business Activities (Reducing CO₂ Emissions from Offices) (P.163)
Aspect: Water		
EN8	Total water withdrawal by source.	<ul style="list-style-type: none"> ▶ Balance of Input and Output (P.151) ▶ Environmental Data (P.239)
EN9	Water sources significantly affected by withdrawal of water.	▶ Environmental Data (P.239)
EN10	Percentage and total volume of water recycled and reused.	▶ Efficient Use of Water Resources (P.225)
CRE2	Building Water Intensity	-
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.	▶ Sustainable Forestry in Japan (Promoting Sustainable Forestry in Japan) (P.191)
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.208) ▶ Initiatives at Company-Owned Forests in Japan (P.212) ▶ Preservation of Overseas Plantation Forests (P.216)
EN13	Habitats protected or restored.	<ul style="list-style-type: none"> ▶ Initiatives at Company-Owned Forests in Japan (P.212) ▶ Preservation of Overseas Plantation Forests (P.216) ▶ Social Contribution Activities (Mt. Fuji <i>Manabi no Mori</i> Project) (P.127) ▶ Overseas Plantation Forest Operations and Sustainable Use (Implementing Large-Scale Commercial Forest Plantation Business) (P.207)

G3.1 Disclosure	Description	Location
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.208) ▶ Initiatives at Company-Owned Forests in Japan (P.212)
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"> ▶ Policy and Plans for Biodiversity Preservation (P.208) ▶ Initiatives at Company-Owned Forests in Japan (P.212) ▶ Preservation of Overseas Plantation Forests (P.216)
Aspect: Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	▶ Sumitomo Forestry Group: FY2011 CO ₂ Emission Results (P.160)
EN17	Other relevant indirect greenhouse gas emissions by weight.	▶ Sumitomo Forestry Group: FY2011 CO ₂ Emission Results (P.160)
CRE3	Greenhouse gas intensity from buildings.	▶ Reducing Energy Consumption in Homes (P.171)
CRE4	Greenhouse gas emissions intensity from new construction and redevelopment activity.	▶ Reducing Energy Consumption in Homes (P.171)
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	<ul style="list-style-type: none"> ▶ Tackling Climate Change (P.158) ▶ Promoting Global Warming Countermeasures through Our Business (P.24)
EN19	Emissions of ozone-depleting substances by weight.	Not applicable
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	<ul style="list-style-type: none"> ▶ Management of Hazardous Materials (Management of Chemical Substances at Research Institute and Plants) (P.221) ▶ Environmental Data (P.239)
EN21	Total water discharge by quality and destination.	<ul style="list-style-type: none"> ▶ Balance of Input and Output (P.151) ▶ Management of Hazardous Materials (Management of Chemical Substances at Research Institute and Plants) (P.221) ▶ Environmental Data (P.239)
EN22	Total weight of waste by type and disposal method.	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities (P.151) ▶ Zero Emissions Initiatives (P.181)

G3.1 Disclosure	Description	Location
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.239)
Aspect: Land Degradation, Contamination and Remediation		
CRE5	Land and other assets remediated and in need of remediation for the existing or intended land use according to applicable legal designations.	Not applicable
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.	▶ Environmental Risk Management (Efforts to Reduce Environmental Risks) (P.145)
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 in Business Activities (Reducing CO₂ Emissions from Transportation) (P.167) ▶ Reducing CO₂ Emissions in Business Activities (Reducing CO₂ Emissions from Offices) (P.163)

G3.1 Disclosure	Description	Location
Aspect: Overall		
EN30	Total environmental protection expenditures and investments by type.	▶ Environmental Accounting (P.237)
Labor Practices and Decent Work		
	Disclosure on Management Approach	▶ Together with Our Employees (P.93)
Aspect: Employment		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.93)
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.93)
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.93)
LA15	Return to work and retention rates after parental leave, by gender.	▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (Helping Employees Achieve a Better Work-Life Balance) (P.95)
Aspect: Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	▶ Communication with Our Employees (P.107)
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 work-related fatalities, by region and by gender.	▶ Our Business Partners' Workplace Health and Safety Management (P.85)
CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system.	▶ A Safe and Healthy Working Environment (P.101) ▶ Our Business Partners' Workplace Health and Safety Management (P.85)

G3.1 Disclosure	Description	Location
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	<ul style="list-style-type: none"> ▶ Our Business Partners' Workplace Health and Safety Management (P.85) ▶ A Safe and Healthy Working Environment (P.101)
LA9	Health and safety topics covered in formal agreements with trade unions.	<ul style="list-style-type: none"> ▶ Communication with Our Employees (P.107)
Aspect: Training and Education		
LA10	Average hours of training per year per employee by gender, and by employee category.	<ul style="list-style-type: none"> ▶ Human Resource Development (P.110) ▶ Promoting Environmental Education and Training (P.144)
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	<ul style="list-style-type: none"> ▶ Human Resource Development (P.110)
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	<ul style="list-style-type: none"> ▶ Human Resource Development (P.110)
Aspect: Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	<ul style="list-style-type: none"> ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.93)
Aspect: Equal Remuneration for Women and Men		
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	-
Human Rights		
	Disclosure on Management Approach	<ul style="list-style-type: none"> ▶ Corporate Philosophy (Code of Conducts) (P.11) ▶ A Safe and Healthy Working Environment (P.101) ▶ Human Rights Training for Employees (P.105) ▶ Respect for Human Rights (P.120)
Aspect: Investment and Procurement Practices		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	-
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	-

G3.1 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.101) ▶ Human Rights Training for Employees (P.105) ▶ Respect for Human Rights (P.120)
Aspect: Non-Discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken.	-
Aspect: Freedom of Association and Collective Bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	-
Aspect: Child Labor		
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	▶ Respect for Human Rights (Prevention of Child Labor and Forced Labor) (P.121)
Aspect: Forced and Compulsory Labor		
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	▶ Respect for Human Rights (Prevention of Child Labor and Forced Labor) (P.121)
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
aspect: Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	-
aspect: Remediation		
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not applicable

G3.1 Disclosure	Description	Location
Society		
	Disclosure on Management Approach	<ul style="list-style-type: none"> ▶ Corporate Philosophy (Our Values and Ideals) (P.11) ▶ Compliance (P.46) ▶ Together with Society (P.116)
Aspect: Local Communities		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	<ul style="list-style-type: none"> ▶ Contributing to the Development of Communities Outside of Japan (P.122) ▶ Overseas Plantation Forest Operations and Sustainable Use (P.202)
SO9	Operations with significant potential or actual negative impacts on local communities.	▶ Overseas Plantation Forest Operations and Sustainable Use (P.202)
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	▶ Overseas Plantation Forest Operations and Sustainable Use (P.202)
CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project.	Not applicable
Aspect: Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	▶ Risk Management (P.49)
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	▶ Compliance (P.46)
SO4	Actions taken in response to incidents of corruption.	▶ Compliance (P.46)
Aspect: Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying.	▶ Social Contribution Activities (Contributions to Public Policy) (P.129)
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	-

G3.1 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"> ▶ Together with Our Customers (P.60) ▶ Together with Our Business Partners (P.80)
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.60) ▶ Quality Control for Timber and Building Materials (P.80)
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) ▶ Building Long-Lasting Homes (Adherence to Housing Performance Indication System) (P.61) ▶ Building Long-Lasting Homes (Timber Used for Housing) (P.64) ▶ Quality Control for Timber and Building Materials (P.80)
CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.	<ul style="list-style-type: none"> ▶ Overseas Plantation Forest Operations and Sustainable Use (Increased Handling of Timber from Certified Forests and Plantation Forests) (P.204) ▶ Evaluation by Non-Group Third Parties (P.40)
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

G3.1 Disclosure	Description	Location
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	▶ Communication with Customers (P.69)
Aspect: Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	▶ Communication with Customers (Standards for Advertising) (P.73)
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.	▶ Communication with Customers (Standards for Advertising) (P.73)
Aspect: Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	▶ Risk Management (Information Security) (P.53)
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.10) ▶ Our Commitment (P.5) ▶ CSR Management Based on Four Material Issues (P.15) ▶ Relations with Stakeholders (P.29) ▶ The UN Global Compact (P.17) ▶ Corporate Governance (P.43) ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.93)
6.3 Human rights		
Issue 1:	Due diligence	<ul style="list-style-type: none"> ▶ Code of Conduct (P.11) ▶ Respect for Human Rights (P.120) ▶ Human Rights Training for Employees (Initiatives at Group Companies) (P.106)
Issue 2:	Human rights risk situations	<ul style="list-style-type: none"> ▶ Respect for Human Rights (P.120) ▶ Risk Management (Responding to Disasters and Emergencies) (P.49) ▶ Contributing to the Development of Communities Outside of Japan (P.122) ▶ Compliance and Risk Management (Preventing Corruption) (P.47) ▶ Procuring Sustainable Raw Materials through the Supply Chain (P.82)
Issue 3:	Avoidance of complicity	<ul style="list-style-type: none"> ▶ Respect for Human Rights (P.120) ▶ Procuring Sustainable Raw Materials through the Supply Chain (P.82) ▶ Our Business Partners' Workplace Health and Safety Management (P.85) ▶ Compliance and Risk Management (Rejection of Influence from Anti-Social Elements) (P.48)
Issue 4:	Resolving grievances	<ul style="list-style-type: none"> ▶ Compliance and Risk Management (Compliance Counter) (P.47) ▶ A Safe and Healthy Working Environment (P.101)
Issue 5:	Discrimination and vulnerable groups	<ul style="list-style-type: none"> ▶ Housing Distribution and Renovation Initiatives (Providing Homes to International Students Studying in Japan) (P.78) ▶ Human Rights Training for Employees (Human Rights Training for Employees) (P.105) ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (P.93)
Issue 6:	Civil and political rights	<ul style="list-style-type: none"> ▶ Compliance and Risk Management (Responding to Compliance Violations) (P.47)
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Issue 8:	Fundamental principles and rights at work	<ul style="list-style-type: none"> ▶ Communication with Our Employees (Relations with the Labor Union) (P.109) ▶ Respect for Human Rights (Prevention of Child Labor and Forced Labor) (P.121) ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (Promoting Affirmative Action) (P.97)

Core subjects and issues of social responsibility		Section
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Issue 2:	Conditions of work and social protection	<ul style="list-style-type: none"> ▶ Promoting Family-Centric Employee Lifestyles (P.27) ▶ A Safe and Healthy Working Environment (P.101) ▶ Creating a Workplace in which a Diverse Range of Employees can Work Together (Helping Employees Achieve a Better Work-Life Balance) (P.95) ▶ Risk Management (Traffic Safety) (P.52)
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6.5 The environment		
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6.6 Fair operating practices		
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Core subjects and issues of social responsibility		Section
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