

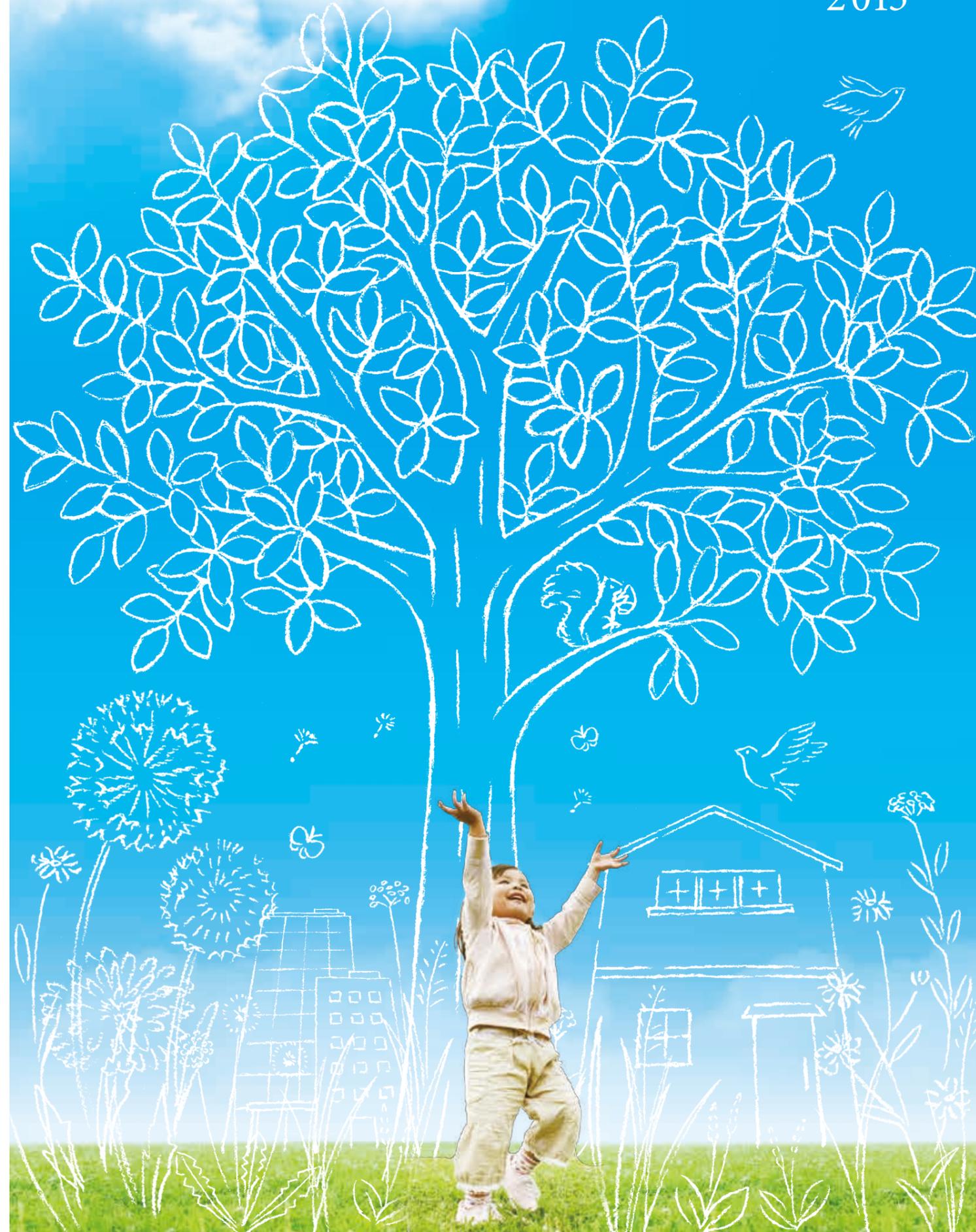


Access here to read more about
the CSR initiatives of the Sumitomo Forestry Group.

CSR Report 2015



<http://sfc.jp/english/csr/>



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The Origins of Sumitomo Forestry

The Great Reforestation Plan launched in 1894. The plan to restore the forests around the Besshi Copper Mine serves as the starting point for our CSR efforts.

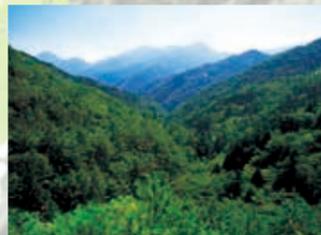
Sumitomo Forestry has valued and honored the Sumitomo Spirit for generations. It is the way of thinking that seeks benefit for the individual, the nation and society as a whole and management that does not pursue easy gains and that takes a long-term perspective. The business spirit of Sumitomo that values fairness, integrity, and sound management serves as the source of the firm trust from society.

Sumitomo Forestry can trace its beginnings to the use of wood harvesting operations in neighboring forests to fortify the Besshi Copper Mine opened in Ehime Prefecture in 1691. Timber was crucial for the mining operation, as it was needed in construction, for the mine posts, and for the fuelwood to refine copper. However, by the end of the 19th century, the forests around the Besshi Copper Mine were facing severe degradation due to long periods of excessive harvesting and smoke pollution. The then principal of the mine, Teigo Iba, believed that “allowing this land to be degraded while moving forward with business made possible by its fruits runs counter to the proper course of our relationship with nature. We must return all the mountains of Besshi to their verdant state.” With this belief, he launched the Great Reforestation Plan in 1894 to restore the forests that had been lost. Through a process of trial and error, and by implementing large-scale planting efforts of up to more than one million trees per year, the mountains were eventually returned to a state of rich greenery.

It is the sustainable forest management based on this spirit of repaying what has been reaped from the land that serves as the starting point for Sumitomo Forestry’s business activities and for its corporate social responsibility (CSR) efforts.



Besshi Copper Mine before reforestation (Courtesy of the Sumitomo Historical Archives)



Present day Besshi Copper Mine (Niihama City, Ehime Pref.)

1 Introduction | The Origins of Sumitomo Forestry

3 Our Business

7 Top Message

CSR Management of the Sumitomo Forestry Group

Corporate Philosophy, CSR Material Issues and Mid-Term CSR Management Plan

9 Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

11 Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan

CSR Highlights

13 Working toward Realization of a Sustainable Society, Drawing on the Value of Wood



Development of Sustainable Housing

15 Developing Reliable and Comfortable Housing with Low Environmental Impact



The Evolving MOCCA Business

17 Making the Most of Wood’s Appeal and Challenging New Markets



Sustainable Forest Management

19 Practicing Sustainable Forest Management in Japan and Overseas



Generating Renewable Energy from Wood

21 Expansion of Our Wood Biomass Power Generation Business



Leveraging Various Perspectives and Ideas

23 Product Development That Leverages the Unique Perspective and Creativity of Women

25 CSR Topics

27 Philosophy of Sumitomo Forestry

30 Corporate Profile

The business activities of the Sumitomo Forestry Group begin with planting trees and nurturing a forest

Trees—a natural resource that is renewable, healthy and environmentally friendly—we plant and tend them, harvest and use them, and then plant them again. Having pursued a sustainable business model since its founding, the Sumitomo Forestry Group continues, through its wide array of housing-related businesses, to help realize an ever more prosperous society and to contribute to the resolution of global environmental problems and other social issues.



Based on the principle of sustainable forestry, the Sumitomo Forestry Group carries out systematic forest management across about 46,000 hectares of vast Company-owned forests in Japan, and is actively engaged in the supply of timber and the revitalization of the forestry industry. The Group promotes sustainable forest operation overseas, managing some 200,000 hectares of plantation forest. The Group also contributes to the preservation of biodiversity and the development of local communities. Consulting services are also provided in Japan and overseas, meeting the diversifying needs of forestry management.

Environment and Resources Business



Environment and Energy Business

The Group is committed to promoting energy businesses that utilize wood resources and natural energy. With wood biomass power generation, the Group is currently participating at four facilities in Japan using construction debris and unused forest materials as fuel, thereby contributing to the supply of environmentally conscious energy and to the effective use of forest resources.

The Sumitomo Forestry Group has established bases in Indonesia, Australia, New Zealand, Vietnam, Thailand and the United States, and manufactures high-quality environmentally conscious wood building materials. It is reinforcing its capacity to supply, not only to Japan, but also to emerging countries where increased demand is expected in the wake of economic growth.

Overseas Manufacturing Business



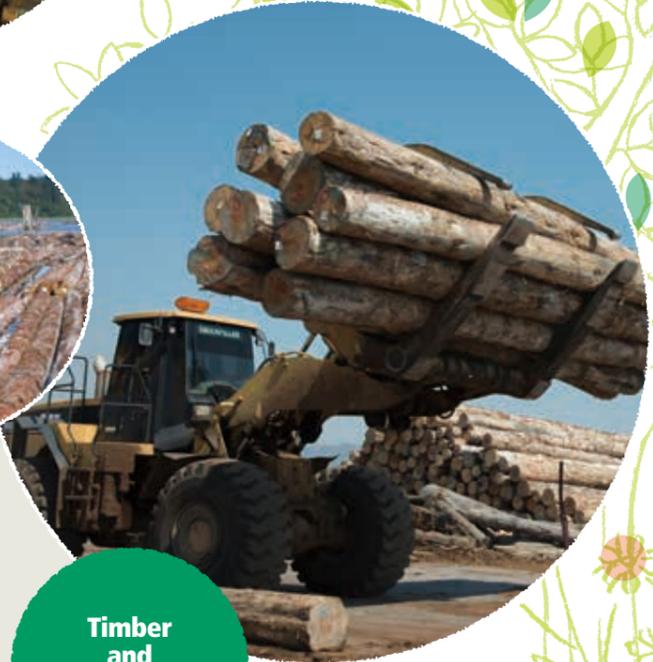
Overseas Housing and Real Estate Business



The Sumitomo Forestry Group is expanding the scale of its housing and related businesses in the United States and Australia, in cities that expects steady populations growth and demand for housing. In Asia, where a wide range of housing demand is expected to grow, the Group is actively exploring businesses to leverage synergy with its existing businesses.

As Japan's leading timber and building materials trading company, the Sumitomo Forestry Group pursues a broad range of operations, from the procurement of timber and building materials, to manufacturing and logistics. The Group also offers logistics systems, that streamline the distribution of home building materials to manufacturers, distributors, housing companies and other businesses. Leveraging its strengths in procurement and functionality proposals which draw on its global network, the Group has achieved a stable supply of high-quality timber and building materials to satisfy a wide variety of needs.

Timber and Building Materials Business





Housing Business

Sumitomo Forestry Home houses are the leading brand of custom-built wooden houses in Japan, utilizing the unique characteristics of wood and employing advanced construction methods. They enjoy a reputation of being comfortable, safe and secure houses that are environmentally conscious and durable for many years of residence. The Group also supplies apartments, utilizing its design capabilities accumulated in developing custom-built houses to offer refined exteriors, interiors abound with the qualities of wood and a level of comfort only possible with wood.



MOCCA (Timber Solutions) Business

Additional increases in production and consumption of wood has been in the spotlight as one of Japan's national policies. With this in mind, the Group is promoting a shift to the previously less common wood construction of medium to large buildings in non-residential sectors, as well as a greater use of wood qualities in interiors. Through the construction of facilities in fields where there is a strong fondness for wood—namely medicine, education and commerce—the Group aims to create a new wood culture by increasing opportunities for people to be inspired by wood.

Based on the Group's expertise developed through a wide range of wood-related businesses, it is engaged in a new form of property development unique to Sumitomo Forestry. From space design to planting and designing lifestyles, the Group fully leverages its comprehensive capabilities to produce detached spec homes in harmony with the local natural environment and culture. Through the development of residential property that grows along with its residents, the Group is helping to realize a higher quality of life.

Residential Property Development Business



The Sumitomo Forestry Group conceptualizes optimal greening initiatives in a variety of areas, including housing, city planning, office buildings, urban spaces and satoyama (mountain areas linked to local communities). From the perspectives of biodiversity and sustainability, support is also provided for the environmental greening of corporations. Comprehensive support is offered, from consulting, through to planning and design, construction and maintenance.

Greenery Business



Lifestyle Service Business

Japan is a country faced with a super-aging society, and here, the Sumitomo Forestry Group operates community-based nursing care facilities and day care services for the elderly. In addition, the Group also provides a variety of businesses closely connected to people's lives, including the production and sale of agricultural products. The Group is constantly focused on creating new services that contribute to a higher quality of life.



Housing Stock Business

Amid a changing sense of values toward housing, from flow to stock, the Sumitomo Forestry Group is involved in the remodeling and renovation businesses, raising the value of existing homes. From detached houses to condominiums and shops, the Group provides a variety of services that enable customers to live in their homes and operate stores longer and with more peace of mind.



324 years of responsibility.
We will strive to further promote CSR management,
pursuing the potential of wood, a renewable natural resource.



Working to Revitalize Local Economies and Resolve Global Issues

Forests occupy nearly 70 percent of Japan's total land area, and yet without taking full advantage of this rich natural resource, we are faced with the major problem of a waning forestry industry. Furthermore, the world's tropical forests are continuing to decline at a grave pace due to such factors as destructive logging and conversion to agricultural land. Given our Corporate Philosophy of "utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services," the Sumitomo Forestry Group bears a number of missions to fulfill.

Within Japan, one of our missions is to help in land conservation and regional regeneration through revitalization of local forestry, based on the history and experience of involvement in forestry management since our founding in 1691 when we undertook management of the forests around the newly opened Besshi Copper Mine in Ehime Prefecture. From a global perspective, another of our missions is to continue procuring timber from sustainable forests, and to practice sustainable forest management collaborating with local communities.

Helping to realize a sustainable society based on the spirit of "gratitude for nature's resources" and on the principle of "sustainable forestry," namely planting and nurturing trees and then planting again once they have been felled for use, is precisely the starting point for our businesses and CSR activities. Such a sentiment is incorporated into the Sumitomo Forestry Group's Corporate Philosophy.

Diverse Talent Sharing Values, Striving for Steady Success in CSR Management

The business environment around us is dramatically changing on a day-to-day basis. Our business activities will not be sustainable unless we constantly prepare for change and create new preemptive changes ourselves. As we globally expand our housing related businesses centered around wood, it is vitally important that everyone involved

in the Group, including employees, cooperative partners and business partners, share our goals and target directions, and synchronize their course of action in order to progress toward the future that the Sumitomo Forestry Group is aiming for.

Accordingly, in March 2015, we identified new "Sumitomo Forestry Group CSR Material Issues," referring to the views of our employees and all other stakeholders. Furthermore, we also established basic strategies and objectives aimed at resolving those issues, and in April, we formulated and activated the "Sumitomo Forestry Group Mid-Term CSR Management Plan" to achieve by fiscal 2020. By setting and managing objectives for environmental and social CSR issues, that are integrated with our daily business activities, our aim is to raise CSR awareness within our company and to achieve steady progress.

Moreover, given the increasingly advanced and diverse societal demands on companies, in April 2015, we established a new CSR Department to better focus on striving to instill our CSR initiatives within the Group and on communicating them outside the Group. While actively communicating our Group's brand message of "Happiness Grows from Trees" to all stakeholders as a shared value, we will engage in Diversity Management, respecting the differences of each individual employee in terms of their values, age, gender, nationality and other characteristics, and harnessing this diversity to lead to innovation.

Realizing a Sustainable Society through Business That Capitalizes on Wood

At the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), which is to be hosted in Paris in December 2015, the international community will attempt to reach consensus on a new framework for measures to prevent global warming for beyond 2020. Given that trees absorb CO₂ during their growth process and continue to sequester it as carbon even after they have been harvested and used as timber, attention has been drawn to the role played by forests in performing a function of absorbing and storing CO₂. With the Olympic Games Tokyo 2020



imminent, there is also growing interest in timber grown in Japan and in buildings made of wood and feature the plentiful use of wood.

The Sumitomo Forestry Group has fostered a thorough knowledge of wood, and this is the very reason that I feel the expectations of our stakeholders are also growing. When providing rental housing or facilities for the aged which utilize the unique characteristics of wood, and when utilizing stock assets such as in the renovation business, we draw on our unique construction technologies and know-how developed while providing custom-built detached Sumitomo Forestry Home houses, and when it comes to timber around the world, we use the right material in the right place through the global distribution network of the Sumitomo Forestry Group. We will continue to expand the potential of wood across a wide range of areas, such as escalating the active use of Japanese timber, developing our wood biomass power generation business as a renewable energy, preserving satoyama (mountain areas linked to local communities) and urban greening.

The mission of the Sumitomo Forestry Group is to pursue the potential of wood—the one natural capital that is renewable through proper management—and to maximize its added value. With an aim of becoming the world's leading forestry company, we are committed to addressing our CSR through our business activity.

Akira Ichikawa
President / Representative Director

Contribute to a Sustainable and Prosperous Society through Businesses that Capitalize on Wood Sumitomo Forestry's CSR Management

Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

Based on its Corporate Philosophy of "utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services" and its Action Guidelines, the Sumitomo Forestry Group has established such policies as, an Environmental Policy and a Procurement Policy, as well as various guidelines. In addition, the Group has also prescribed "Our Values and Ideals" as a set of ethical guidelines for all Sumitomo Forestry Group employees, and carries out business activities in accordance with these.

Furthermore, based on ISO 26000, the international standard requiring organizations to practice social responsibility, the Sumitomo Forestry Group actively communicates with all stakeholders. Incorporating the Group's shared values into its brand message "Happiness Grows from Trees," it will further promote CSR management, thereby contributing to a sustainable society.



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.

Identifying the Sumitomo Forestry Group CSR Material Issues

Following changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified new CSR material issues to replace the ones specified in 2008.

The Group surveyed both internal and external stakeholders as well as outside experts, receiving responses from about 2,700 people. In preparing the questionnaire, 27 issues most closely related to the Sumitomo Forestry Group were specified, based on the Sumitomo Forestry Group's Corporate Philosophy and Action Guidelines, and taking into account such matters as ISO 26000, the international standard on the social responsibility of organizations, and evaluation points linked to socially responsible investment (SRI).

After incorporating management perspectives, the survey results were mapped out against axes of "management" and "stakeholders," before determining the materiality of each issue. 12 of these issues were identified as being highly material, and rearranged into 5 issues for the Sumitomo Forestry Group CSR Material Issues.

the Sumitomo Forestry Group CSR Material Issues

- Continue to procure wood and materials that take sustainability and biodiversity into considerations
- Promote the reduction of the environmental impact of business activities
- Promote the development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality
- Strengthen and promote risk management and compliance mechanisms
- Promote the development and sale of products and services that are safe, reliable and environmentally conscious

Formulating the Sumitomo Forestry Group Mid-Term CSR Management Plan

In March 2015, the Sumitomo Forestry Group formulated the Sumitomo Forestry Group Mid-Term CSR Management Plan with fiscal 2020 as its target year.

The Plan sets basic strategies and specific targets aimed at resolving the five "the Sumitomo Forestry Group CSR Material Issues" which were mapped out based on "management" and "stakeholders" perspectives. Regarding social and environmental issues to be accomplished by fiscal 2020, each Group company and department has commenced initiatives starting in fiscal 2015 aimed at achieving targets segmentalized for each fiscal year.

A PDCA cycle is steadily followed, with progress and attainment of the annual targets based on the Sumitomo Forestry Group Mid-Term CSR Management Plan being regularly checked twice a year by the Executive Committee, which is attended by those directors who also serve as executive officers as well as by senior statutory auditors.

The Sumitomo Forestry Group aims to promote CSR management even further.



Aiming to Enhance CSR Management for Fiscal 2020

“Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan”

Mid-Term CSR Management Plan

| CSR Material Issues | Current awareness of issues and basic strategies | FY2020 targeted values (summary) | Background to setting targets and examples of initiatives |
|---|--|---|---|
| Continue to procure wood and materials that take sustainability and biodiversity into considerations | Environmentally Responsible Society Increase volume of sustainable wood handled, and utilize sustainable forest resources by verifying legality | Volume of certified timber, plantation timber and Japanese timber handled 783,000 m³ | <p>As the world's forests continue to decrease in size as a consequence of illegal logging, excessive slash-and-burn farming and other practices, various countries are proceeding to introduce laws and strengthen regulations to eliminate illegally logged timber from the market. Meanwhile, in Japan, maintenance of forests, and of planted forests in particular, has halted in part because of an aging and declining forestry workforce, and there are growing concerns about some forests becoming devastated. Amid this situation, the Sumitomo Forestry Group is engaged in business centered around wood, and is promoting sustainable forest management and sustainable procurement of wood both in Japan and overseas.</p> <p>Furthermore, since its fields of business are directly linked to forests that nurture biodiversity, the Group has positioned conserving biodiversity as one of its key CSR themes.</p> |
| | | Export of Japanese timber logs 200,000 m³ | |
| Ratio of Japanese timber used in each construction method in the housing business | Multi-Balance Construction Method 75% Big-Frame Construction Method 55% | | |
| Ratio of certified timber, plantation timber and Japanese timber used in building materials industry Individual company targets | Volume of unused forest materials handled 185,000 t | | |
| | Establish forestry management that enables conservation of biodiversity, and value as natural capital | Forest certification (SGEC) of Company-owned forests 100% | |
| Promote the reduction of the environmental impact of business activities | Low-Carbon Society Reduce CO ₂ emissions in Group | Total CO ₂ emissions in office segment Reduction in emissions compared to FY2013 7% | <p>As the impact of climate change becomes more urgent globally, companies are being asked to reduce their emissions of greenhouse gases as a measure to counter global warming. Being engaged in the housing business and in the timber, building materials and sawn wood businesses, the Sumitomo Forestry Group is considerate of its impact on the environment, and is committed to reducing the volume of greenhouse gases emitted from its business activities. Furthermore, in an effort to reduce its environmental impact and to use resources effectively, the Group promotes the reduction, recycling and reuse of industrial waste.</p> |
| | | Achieve zero emissions | |
| | Recycling society Reduce volume of industrial waste generated | Reduction in industrial waste generated by new construction sites compared to FY2013 30% | |
| Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality | Promote fair employment and treatment | Female employees in management position At least 5% <small>* Non-consolidated</small> Female employees At least 20% <small>* Non-consolidated</small> Disabled employees At least 2% <small>* Achieve statutory ratio</small> | <p>The Sumitomo Forestry Group aims to foster a safe and healthy workplace environment where motivated employees can be actively involved irrespective of gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group released the “Sumitomo Forestry Group Declaration on Empowering Women.” It was issued to the entire Group under the name of the President, and has been the basis for subsequent efforts.</p> |
| | Promote work-life balance | Paid leave usage At least 10 days / year Overtime working hours No more than 35 hours / month <small>* Adjusted prescribed working hours to 8 hours</small> | |
| | Strengthen occupational health and safety | Number of occupational injuries / Number of injuries resulting in absence from work Zero | |
| Strengthen and promote risk management and compliance mechanisms | Strengthen risk management framework | Risk management using prioritized risk items set by Risk Management Committee | <p>The Sumitomo Forestry Group is working to reinforce its mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee.</p> |
| Promote the development and sale of products and services that are safe, reliable and environmentally conscious | Improve safety and quality | Ratio of design performance and construction performance evaluations implemented At least 90% | <p>Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. In addition, Sumitomo Forestry actively promotes the use of the Excellent Long-term Housing Certification and the Japanese Housing Performance Indication System for customer's peace of mind and safety and in order to enhance property value.</p> |
| | | Ratio of Excellent Long-term Housing certifications acquired At least 90% | |
| | Improve communication with customers | Ratio of leased vehicles fitted with automatic braking systems 70% | |
| | | Pass rate for after-sales maintenance advisors and housing inspectors 100% <small>* All persons assigned to Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance</small> Ratio of early completion of handing the as-built drawing 90% | |



Sale of environmentally conscious plywood, KIKORIN-PLYWOOD



Monitoring surveys conducted in Company-owned forests



Introduction of environmentally conscious lighting into offices and manufacturing sites



Operation of the Metropolitan Area Recycling Center, capable of undertaking the advanced sorting of waste



Preliminary meeting for development of products under the Development through Women's Perspective Project



Safety inspection at a building construction site

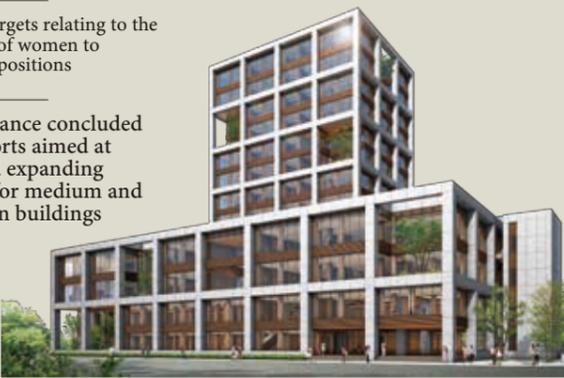


Sumitomo Forestry Home houses set the standard specification to meet “Excellent Long-term Housing” standards



Working toward Realization of a Sustainable Society, Drawing on the Value of Wood

List of Activities

| 2014 | | | | 2015 | | | | | | | | | | | |
|--|---|---|---|---|---|----|----|--|---|---|---|--|--|--|--|
| 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | | | |
| <p>April 2014</p> <p>Cherry tree cultivated from tissue culture of the renowned <i>Omurozakura</i> cherry at the Ninna-Ji Temple in Kyoto comes into bloom</p>  <p>Minister of Land, Infrastructure, Transport and Tourism Award received at the Gardens Contest at the Hamanako Flower Expo 2014</p>  <p>Phytoremediation for soil contaminated with oil by means of Japanese lawn-grass is selected as sponsored technology by the Ministry of the Environment</p> | | | | <p>August 2014</p> <p>Construction and sales of "East Hills Seya" in Nara Prefecture commence, under supervision of the Development through Women's Perspective Project</p> <p>▶P23</p>   | | | | <p>November 2014</p> <p>Participate in the Japan Public-Private Platform for REDD+</p> <p>December 2014</p> <p>Three employees win Fighting Spirit Awards in the Carpentry Category at the 52nd National Skills Competition</p> <p>Established targets relating to the appointment of women to management positions</p> <p>Business alliance concluded for joint efforts aimed at creating and expanding the market for medium and large wooden buildings</p> <p>▶P17</p>  | | | | <p>March 2015</p> <p>MOCCA (timber solution) business completes Kiddy Suzukicho Preschool, Kawasaki</p> <p>▶P18</p> <p>Conclude agreement with Gifu Prefecture on the supply of seedlings</p> <p>▶P20</p>  | | | |
| <p>May 2014</p> <p>Announced to extend Project EARTH for three years</p> | | | | <p>October 2014</p> <p>"Forest Haven HYOTANYAMA" Remodeled Apartment Complex; Renovation of Historic Homes, Living in a Post Office; and Ultra-low Floor Solid S Construction Method receive awards at the Good Design Award 2014</p> <p>Best Design Award, Silver Award received at the 5th Gardening World Cup, World Flower Garden Show 2014</p> <p>Umeda Sumai Haku 2014 housing fair is held at Umeda, Osaka</p> <p>The Nikkei Inc Prize received at the 13th Competition for Specialized Greenery Technology for Rooftops, Wall Facings and New Green Spaces</p> <p>Announce equity participation in wood biomass power generation business in Tomakomai City, Hokkaido</p>  | | | | <p>January 2015</p> <p>Land sales of "Air Dream Hybrid" a central air-conditioning system equipped with an "outside-air cooling" function</p> <p>▶P15</p> <p>Property renovated by Sumitomo Forestry Home Tech Co., Ltd. receives FY2014 Gifu City Scenery Prize</p> | | | | <p>April 2015</p> <p>Four-story fire-resistant housing, built using the evolving Big-Frame (BF) construction method: New "BF-Fireproof" detached housing product and "Forest Maison BF-Fireproof" owner-occupied rental product released for sale</p> <p>▶P16</p>  | | | |
| <p>July 2014</p> <p>Launched "Green Smart Solar Z," a full roof-mounted 10kW-plus capacity solar power generation system</p> <p>▶P15</p>  | | | | <p>8th Kids Design Award received for wall corners with collision safety specifications</p> <p>"Family Open Day" held for employees' families to visit the workplace</p> | | | | <p>February 2015</p> <p>Sumai Haku 2015 Portmesse Nagoya is held in Nagoya</p> <p>Succeed in propagating a sapling using tissue culture from a "Sacred Plum Tree" in front of the Kitano Tenmangu Main Shrine in Kyoto</p> <p>Receive Silver Award in the Carpentry Category at the 28th Skills Grand Prix</p> | | | | <p>Development based on the perspectives of female customers: Release new product "konoka" from the Development through Women's Perspective Project</p> <p>▶P23</p>  | | | |
| <p>Support for construction of monastic schools in Myanmar: First monastic school completed</p> | | | | <p>Development based on the perspectives of female customers: Release new product "konoka" from the Development through Women's Perspective Project</p> <p>▶P23</p>  | | | | <p>"Green Smart" Sumitomo Forestry's custom-built detached house, adopts new "Ene-Farm" product with inbuilt function for maintaining power generation during power failures</p> <p>▶P15</p> | | | | | | | |



Developing More Ecological Housing

Green Smart for Better Energy Efficiency

Amid growing concern for resources problems and a low-carbon society, Sumitomo Forestry has devised a new housing concept called “Green Smart.” Sumitomo Forestry has accumulated know-how on making the most of the unique characteristics of wood and on harnessing the sun, wind, greenery and other blessings of nature. By marrying this know-how together with technology for “reduced energy consumption,” such as improved thermal insulation, and with technology for “smart energy use,” such as solar power generation and a home energy management system, the Company aims to boost energy efficiency, thereby reducing CO₂ emissions.

In July 2014, Sumitomo Forestry added “Green Smart Solar Z” to its lineup of offerings, a solar power generation system installed across the whole roof surface. This product allows for a large capacity system to be mounted on a limited roof space, enabling a 10kW-plus capacity system to be installed even on a relatively small roof of about 46 square



meters, meaning that the customer could sell all generated power at a fixed price for 20 years in Japan. In January 2015, Sumitomo Forestry launched “Air Dream Hybrid,” a central air-conditioning

system equipped with an “outside-air cooling function.” The proposal is to save energy and reduce electricity costs for heating and cooling, by taking advantage of the outside air temperature in air-conditioning, drawing in outside air when it is at a comfortable temperature.

Stakeholder's Message

Focused on developing means for “energy self-sufficiency”

Sumitomo Forestry Home houses harness the blessings of nature, utilizing wood, a renewable natural resource. By its very nature, wood has a low environmental impact. On this basis, we make recommendations for energy-efficient devices that meet customer needs, and we provide support for reductions in energy consumption. Going forward, in addition to the smart generation and smart use of energy, we plan to further enhance products for the storage of energy, enabling customers to live their lives with a sense of ease even in times of emergency. With a view to the entrenchment of lifestyles that heighten self-sufficiency in energy, we will continue to make proposals for homes that are both healthy and environmentally conscious.



Yasuo Tanaka

Team Manager
Environment Team
Technology Development Group
Technology and Product Development Department
Housing Division

Developing Stronger Housing

The Evolving Big-Frame (BF) Construction Method

Against the backdrop of amendments to inheritance tax as well as a shift to greater fireproofing and seismic resistance in urban areas with high-density housing, there has been an increase in the demand for houses of at least three stories that are resistant to fire and earthquakes.



Sumitomo Forestry had previously been offering fire-resistant housing products, but following improvements to the resistance of its Big-Frame (BF) construction method to fire and earthquakes, in April 2015, the Company released the “BF-Fireproof” detached housing product and the “Forest Maison BF-Fireproof” rental housing and owner-occupied rental product, enabling the construction of up to four-story houses even in areas with strict fire prevention and fire resistance regulations in Japan. The BF construction method is proprietary to Sumitomo Forestry, and achieves extremely strong structural frameworks and an open comfortable habitat by employing “large columns” and “metal touch joints.”

The “BF-Fireproof” and “Forest Maison BF-Fireproof” products also use the new “twin-bolt column,” which achieved a structural performance 1.5 times that of the earlier “large column” by increasing the number of metal joints. Including the “double column,” which combines two parallel “large columns,” Sumitomo Forestry offers three types of columns, and by using the right column in the right place, the Company is able to create comfortable and relaxing living spaces even in densely populated residential areas that present more than a

few design constraints. Thus, Sumitomo Forestry is able to offer more varied housing developments with higher degrees of flexibility than ever before.

Stakeholder's Message

Developing new products by bringing together the Group's collective technological strengths

The goal of the development was to enable four-story construction while maintaining an open interior space, one of the features of the BF construction method. During the development process, we repeatedly carried out various verifications and experiments, including building two full-size, four-story experimental houses at our Tsukuba Research Institute. A particularly difficult part was the development of the “twin-bolt column,” through which we sought to improve structural performance without changing the size of the large column. It was only possible through a series of trial and error and we managed to guide the process through to commercialization by exercising all of the knowledge and expertise within Sumitomo Forestry. We will continue to challenge the potential of wood and remain committed to developing technologies so that we can offer customers homes where they can live in peace of mind for many years to come.



Junichi Imai

Team Manager
Structures Team
Technology Development Group
Technology and Product Development Department
Housing Division

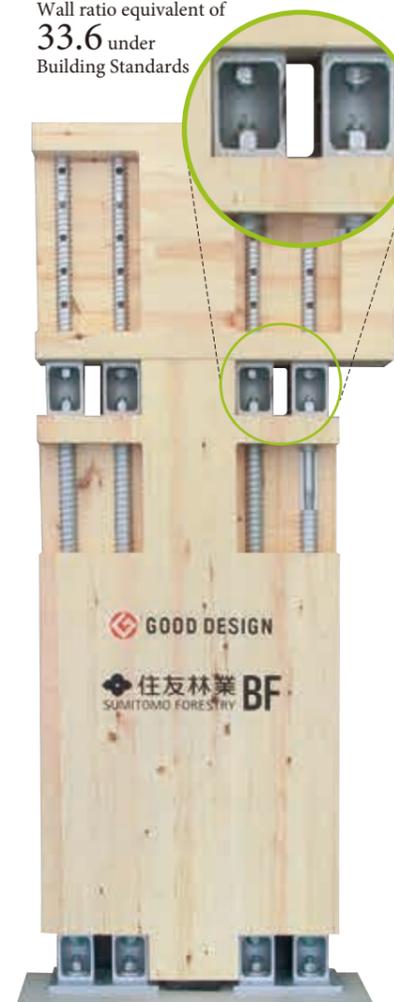
Large column

Wall ratio equivalent of
22.4 under
Building Standards



Twin-bolt column

Wall ratio equivalent of
33.6 under
Building Standards



Double column

(thickness of two large columns)
Wall ratio equivalent of
44.8 under
Building Standards



Developing Reliable and Comfortable Housing with Low Environmental Impact

Achieving reliable and comfortable housing—that is one of the most important values sought by customers in housing, the foundation for everyday living.

In recent years, there has also been a growing interest in housing with low environmental impact. Sumitomo Forestry is actively promoting the development of housing that meets these customer needs.

Making the Most of Wood's Appeal and Challenging New Markets

Sumitomo Forestry believes that expanding the use and application of timber and wood product will contribute to the revitalization of the forestry industry. With increasing demand for wooden construction from every area of society, Sumitomo Forestry has been promoting its MOCCA business, driving wooden construction and the use of timber not only in the housing sector but also in fields as diverse as commercial and public facilities.

To lay a path for the next stage of its MOCCA business, the Company has formed business alliances with major general contractors and embarked on the challenge of entering the new markets of medium- and large-scale wooden construction.

Satoshi Iijima

General Manager
MOCCA (Timber Solutions)
Department
Housing Division



The Journey of MOCCA Business in Bringing the Unique Appeal of Timber Construction to Sectors Other Than Housing

With the dual goals of creating a sustainable society that makes the most of wood—a renewable natural resource—as well as revitalizing reforestation and forestry in Japan, we have strived to promote the use of timber. In 2010, the Japanese government enacted the Act for Promotion of Use of Wood in Public Buildings, pushing for a shift to wooden construction. In addition, the Ministry of Land, Infrastructure, Transport and Tourism in Japan aims to achieve a low-carbon society through the use of wooden buildings and is promoting Leading Projects for Wood Construction Technology.

Sumitomo Forestry has always advocated manufacturing that makes the most of the appeal of wood, and in light of such social changes the MOCCA (Timber Solutions) Department was established in April 2011 directly under the president. Based on the concept of “MOCCA, a future society inspired by wood,” we promoted our MOCCA business, which aims to drive wooden construction and the use of timber in a diverse array of buildings other than housing. In April 2013, the Company changed the Japanese name of the department in the Housing Division so that it could more actively promote

MOCCA businesses.

The initiative proved to be fruitful, and as a result the Company has since accumulated a wealth of accomplishments and expertise when it comes to exploiting the benefits of wood as a natural resource in a diverse range of sectors, including kindergartens, nursing homes, hospitals, stores, and factories.

Entering the New Fields of Medium- and Large-Scale Wooden Construction

Recent years have seen an increasing call for the “warm” and “soothing” nature of wood from all areas of society, and the demands placed on wooden buildings are becoming ever higher. In addition, the use of large wooden facilities throughout the metropolitan area is being considered in preparation for the Olympic Games Tokyo 2020.

Achieving medium- and large-scale wooden construction takes expertise in both the fields of large buildings and timber, and there is a call for a company that has knowledge in both these areas. Seizing upon this “new market devoid of any players” as the next field for our MOCCA business, in December 2014 Sumitomo Forestry formed a business alliance with Sumitomo Mitsui Construction Co., Ltd. in order to establish a business model before any other company.

MOCCA Business Construction Case Studies for Fiscal 2014

Tully's Coffee, Itami



Stakeholder's Message

Located between the Japan Railway Itami Station and the Hankyu Railway Itami Station, Sakagura Street in Itami is the birthplace of refined sake. Lined with historic breweries, temples, shrines, and traditional townhouses, the street has been designated an urban design formation area. It is here that the Company built this single-story wooden café with meticulous attention to detail in terms of both design and the materials used. Customers are immersed in a cozy environment arising from the sense of space created by the vaulted ceiling and wooden spaces that help absorb sound. Enjoying a cup of coffee here is something truly special.

Itami Sangyo Beverage K.K.
President and
Representative Director



Takaichi Ogino

Kiddy Suzukicho Preschool, Kawasaki



Stakeholder's Message

Surrounded by the warmth that is unique to wood, the Kiddy Suzukicho Preschool in Kawasaki City opened in April 2015 and has a maximum capacity of 90 children. A large cherry blossom tree stands beside the entrance and, in the building itself, a sloped ceiling with exposed beams creates a sense of space. Everyone is barefoot so that they can feel the warmth of the wood amid the homely surroundings. People who visit the preschool even remark on how nice the wood smells.

Principal,
Kiddy Suzukicho
Preschool, Kawasaki

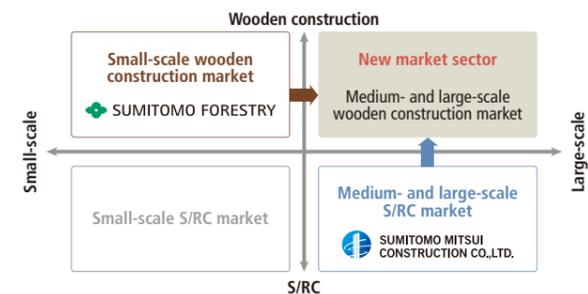


Kayoko Iwasawa

By fusing the wooden construction techniques and expertise that the Company has cultivated as well as our unique strength of a stable supply of high-quality timber with Sumitomo Mitsui Construction Co., Ltd.'s experience and knowledge when it comes to large buildings, our two companies complement each other while aiming to become leaders in this new market.

Envisioning medium-rise buildings of between five and 10 stories, we are currently engaged in joint research for the creation of “hybrid” buildings that incorporate wooden construction techniques, reinforced concrete (RC) and steel (S). Our two companies are also establishing systems for sales and promotion activities that aim to make medium and large wooden buildings more widespread.

Business Alliance



The Journey of Mocca Business

MOCCA Business Trends | Social Trends

Custom-Built Wooden Housing

2010
Act for Promotion of Use of Wood in Public Buildings is enacted
Ministry of Land, Infrastructure, Transport and Tourism begins “Promotion of Wooden Homes Initiatives”

Non-Residential Sectors

2011
MOCCA (Timber Solutions) Department is established

2012
“Promotion of Wooden Homes Initiatives” is renamed Leading Projects for Wood Construction Technology

2013
MOCCA (Timber Solutions) Department is reorganized

Medium- and Large-scale Architecture

2014
A business collaboration agreement is concluded with Sumitomo Mitsui Construction Co., Ltd.

Sumitomo Forestry's Construction Experience



Sumitomo Forestry Home houses



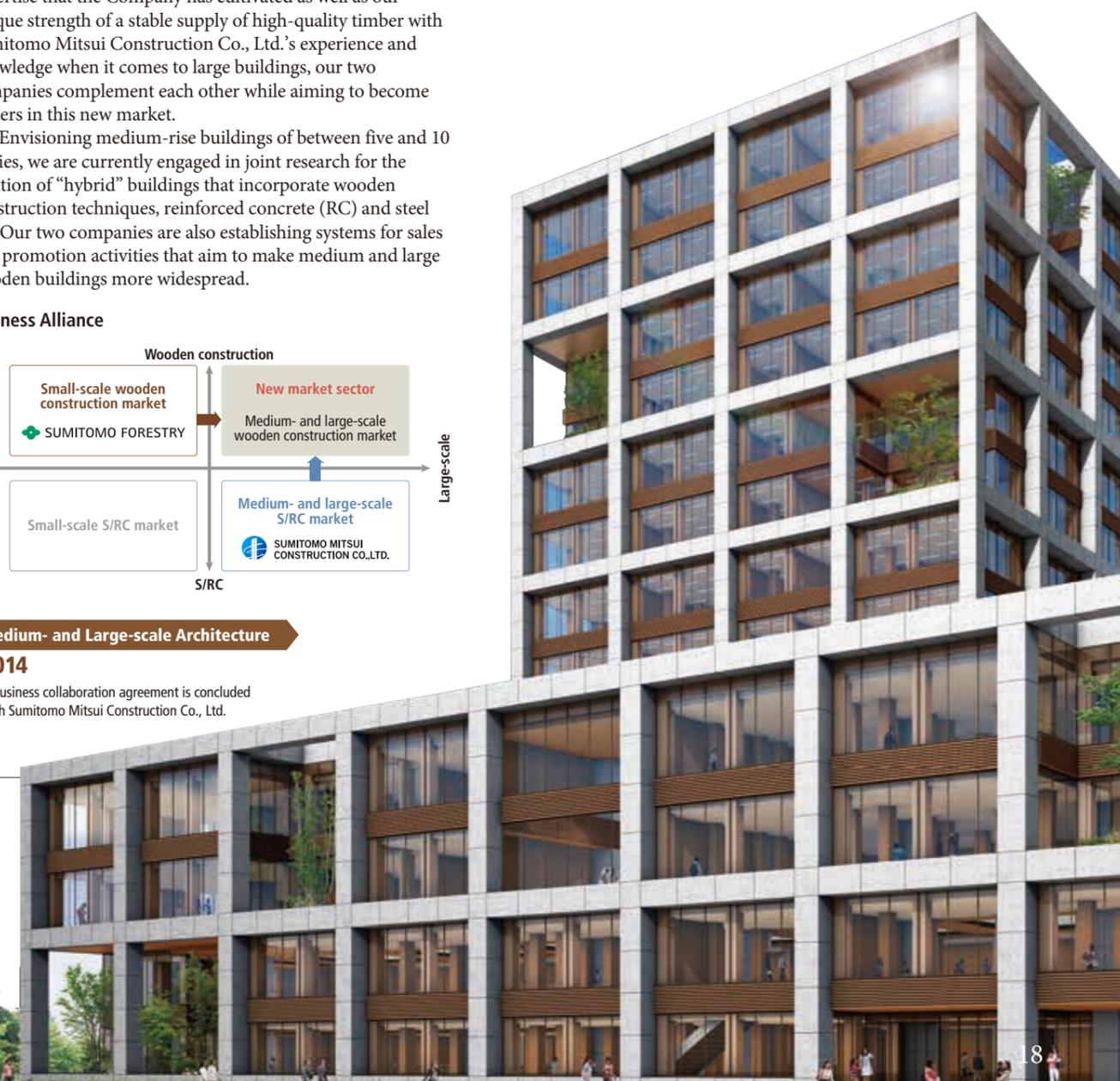
Wooden café



Wooden manufacturing plant



Wooden nursing home





Plantation Forest Operations in Papua New Guinea

Sustainable Forest Management in Harmony with Local Communities and the Environment

In the Pacific Rim area including Asia, population growth has resulted in an increase in the demand for timber, and destructive logging has also resulted in ongoing deforestation. In order to secure a stable supply of timber resources and to help in the development of rich forests, the Sumitomo Forestry Group promotes plantation forest operations in each region.

In Papua New Guinea, the Sumitomo Forestry Group has advanced a number of initiatives since Open Bay Timber Ltd. (OBT), a company that has been engaged in large-scale forest plantation since the 1970s, was added to the Group in 2007. Based on a long-term business contract with the government, OBT has conducted community-based forest management over a long 18-year

cycle from planting to logging, while also giving consideration to the natural environment and to local communities. The company has also earned the solid confidence of the community. In fiscal 2014, OBT planted about 500,000 seedlings on 797 ha of land.

By adding the company to the Sumitomo Forestry Group, the Group further strengthened its organization aimed at sustainable forest management. In 2011, the company acquired FSC™-FM certification*, an international forest certification, the first for a forest plantation project in Papua New Guinea.

Based on ongoing surveys, the company has clearly separated “high conservation value areas” and “areas for the production of timber.” By protecting high conservation value forests while

systematically following the process of planting, nurturing and harvesting, the company is also working to conserve biodiversity. Based on the forest certification, the company will continue to practice sustainable forest management in harmony with local communities and the environment.

* Certification for forest management granted by the Forest Stewardship Council, an international forest certification scheme.



FSC™ certified timber

Stakeholder's Message

As a representative of the local community, I have witnessed OBT's solid contribution.

OBT has played an active part in the area for over 40 years since its establishment, and has contributed to the development of our forestry industry. I have been involved in OBT's programs as both a local employee and as a land owner, and on behalf of the residents living in the area, I relish that, through its considerate business operations closely related to the lives of local residents, OBT has conducted sustainable operations that will lead not only to expansion of the company, but also to development of the local area with a view to the next generation.



Gerard Lagisa

Public Relation Officer/
Land Owner
Representative

P A P U A N E W G U I N E A

CSR Highlights | Sustainable Forest Management

Practicing Sustainable Forest Management in Japan and Overseas



Support Project for a Sustainable Forestry Industry in Japan

Development of Forest Resources through Production of “Container Seedlings” in Partnership with Gifu Prefecture

Around 70 percent of Japan's total land area is covered by forest, but given the increasing use of imported timber and the aging forestry workforce, those forests have not been adequately managed. Consequently, there are concerns about the decline in the functions of forests, such as the preservation of ecosystems and the cultivation of water sources. The Sumitomo Forestry Group aims to promote Japan's domestic forestry industry and to help community revitalization by leveraging its extensive experience and carrying out pioneering activities that contribute to the sustainability of forests and forestry.

An example of such initiatives is the production of afforestation seedlings using “container seedlings,” a technology in which the Group has conducted independent research and development. “Container seedling”

refers to a seedling with soil attached to its roots, grown in a special receptacle containing soil for raising the seedling. Unlike conventional bare seedlings without soil container seedlings allow for year-round planting, and so have been attracting attention as a solution to the nationwide short supply of seedlings. In March 2015, Sumitomo Forestry signed a business agreement with Gifu Prefecture to engage in the large-scale production of seedlings using container seedlings. Gifu Prefecture is one of Japan's foremost forestry prefectures, and is also active in the use of wood. For instance, it is home to a large sawmill and biomass power plant. Any active use of wood or timber requires a stable supply of logs, and seedlings are necessary for reforestation once the mature trees have been felled. The aim of this project therefore is to utilize container seedlings to achieve a stable

supply of seedlings and to regenerate forest resources.

Preliminary surveys and site preparations have already begun in the area scheduled for tree breeding. Annual production of approximately 50,000 seedlings will begin before the end of fiscal 2015, and the plan is for production to reach about 200,000 seedlings of diverse varieties after three years. Facilities will continue to be gradually expanded, with an ultimate aim of a system producing one million seedlings. The production of seedlings based on a public-private agreement has attracted attention as being unusual even on a national scale. Drawing on its unique technologies and know-how, Sumitomo Forestry will continue to contribute to the active use of forest resources and to the revitalization of Japan's domestic forestry industry.

Stakeholder's Message

We hope to build a stable seedling supply system that is essential for sustainable foresting.

To achieve our prefecture's goal of “sustainable forestation,” it is crucial that we develop a system that ensures a stable supply of seedlings. We invited proposals for projects that would help realize this goal, and after making a comprehensive assessment of technologies and achievements in container seedlings and of each candidate's eagerness for the initiative, we decided to adopt the proposal made by Sumitomo Forestry. Going forward, our hope is to improve production technology and promote forestry throughout the prefecture, by disseminating Sumitomo Forestry's state-of-the-art technology to seedling producers within Gifu.



Shigetaka Segami

Director
Forestry Policy
Department
Gifu Prefecture

J A P A N

Securing sources of timber supply to meet a growing demand has been an issue of recent years in emerging countries in Asia.

On the other hand, in Japan, forests have been left unmanaged as the forest industry wanes, and there are fears that the vitality of forests will diminish.

In light of these issues in Japan and overseas, the Sumitomo Forestry Group has developed its own timber procurement policy as well as programs for bringing that policy to fruition. In addition, in order to pass wood, which is a renewable natural resource, down to the next generation, the Sumitomo Forestry Group has expanded efforts for sustainable forest management in Japan and overseas, drawing on the experience and expertise it has built up.

Expansion of Our Wood Biomass Power Generation Business

Tackling the global warming caused by increasing CO₂ emissions is a task that faces the whole of society. In light of this challenge, there is an increasing focus on the use of wood biomass to generate energy from this natural resource. Having gained the cooperation of various enterprises and forest owners' cooperatives, the Sumitomo Forestry Group is currently expanding its wood biomass power generation business at locations far and wide.



The Group's Wood Biomass Power Generation Business

Since wood biomass power generation employs wood, a natural resource as the fuel, the process is expected to become popular and widespread for the generation of carbon neutral* renewable energy. Sumitomo Forestry Group has large-scale plantations and timber building material manufacturing operations in Indonesia, and in April 2008 the Company began the first wood biomass power generation in the country. Since February 2011, it has also been expanding these operations in Japan.

The fuel consists of recycled chips made from construction waste wood as well as fuel woodchips made from unused forest materials. This not only serves to curb the CO₂ emissions that cause global warming, but also contributes to the effective use of wood and the revitalization of regional forestry.

* CO₂ generated when burning wood had previously been absorbed by the trees during their growth process, and so does not lead to any increase of CO₂ in the atmosphere.

Mombetsu Biomass Power Generation Business

Start of operations: December 2016 (scheduled)
Investment: Sumitomo Forestry Co., Ltd. 51%, Sumitomo Joint Electric Power Co., Ltd. 49%
Power generation capacity: **50MW**
 (annual power generation of approximately 300MkWh)
Fuel: Unused forest materials, palm kernel shell, coal
Features: It is planned for unused forest materials procured from a 75km radius around the power plant to be chipped at a neighboring plant before use.



Tomakomai Biomass Power Generation Business

Start of operations: December 2016 (scheduled)
Investment: Sumitomo Forestry Co., Ltd. 20%, Mitsui & Co., Ltd. 40%, Iwakura Corporation 20%, Hokkaido Gas Co., Ltd. 20%
Power generation capacity: **5.8MW**
 (annual power generation of approximately 40MkWh)
Fuel: Unused forest materials
Features: The fuel source planned is woodchips made entirely from unused forest materials from Hokkaido.

Kawasaki Biomass Power Generation Business

Start of operations: February 2011
Investment: Sumitomo Forestry Co., Ltd. 34%, Sumitomo Joint Electric Power Co., Ltd. 53%, Fuluhashi EPO Corporation 13%
Power generation capacity: **33MW**
 (annual power generation of approximately 200MkWh)
Fuel: Construction waste, waste pallets, thinnings, pruned branches
Features: This is the largest urban-sourced wood biomass power plant in Japan to burn biomass exclusively. It mainly uses recycled chips made from construction waste and waste pallets from markets. Various environmental protection equipment to meet Kawasaki City's strict environmental criteria.



Hachinohe Biomass Power Generation Business

Start of operations: December 2017 (scheduled)
Investment: Sumitomo Forestry Co., Ltd. 52%, Sumitomo Osaka Cement Co., Ltd. 30%, East Japan Railway Company 18%
Power generation capacity: **12MW**
 (annual power generation of approximately 85MkWh)
Fuel: Unused forest wood materials, thinnings, palm kernel shell
Features: The main fuel sources planned are thinnings from the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines.

PICK UP Potential of the Hachinohe Biomass Power Generation Business

Expanding Business through Synergy with Sumitomo Osaka Cement and East Japan Railway

Since starting operations at our wood biomass power generation facility in Kawasaki City, Kanagawa Prefecture, in February 2011, Sumitomo Forestry is currently engaged in wood biomass power generation business at three locations. We have now selected Hachinohe City in Aomori Prefecture to be the fourth site of operations and established Hachinohe Biomass Power Generation Co. Ltd. in cooperation with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company (JR East). We plan to begin operations in December 2017.

Specifically, we will build an approximately 12MW power generation facility on industrial land close to the Port of Hachinohe. Woodchips are the intended fuel source and we plan to supply the electricity generated to power companies via the feed-in tariff scheme for renewable energy.

The woodchips to be used as fuel will mostly originate from unused forest materials from the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, which will be collected with cooperation from local parties, along with thinnings from the nearby railway forests, which JR East planted to protect their railway lines from natural disasters. Some imported palm kernel shell will also be used.



Forest railway along the JR East Ominato Line

This joint venture has been realized through cooperation among three parties that each bring their own strengths to the table: The Sumitomo Forestry Group, with its various wood biomass power generation operations of various scales and expertise when it comes to accumulating unused forest materials; Sumitomo Osaka Cement Co., Ltd., with an impressive track record in implementing private power generation facilities at its cement factories and the subsidiary Hachinohe Cement Co., Ltd., which possesses detailed local knowledge; and JR East, which is actively introducing renewable energy in the north Tohoku region.

Eastern Aomori Prefecture and the Shimokita peninsula are hives of activity by private-sector material manufacturers and forest owners' cooperatives, and boast high output from both national and privately-owned forests. Having gained full cooperation from Hachinohe City, it is an ideal location for establishing the systems to procure and collect the resources that are vital for our wood biomass power generation business.

In cooperation with various partners, the Sumitomo Forestry Group will continue to actively engage in the wood biomass power

generation business, which not only serves to create environmentally conscious energy, but also makes major contributions to the maintenance of local forest environments, the advancement of forestry, and job creation.

Stakeholder's Message

Biomass Power Generation Business: Aiding Recovery from the Great East Japan Earthquake

The challenges faced by the city's forestry policy so far have been those of creating demand for and the effective utilization of local timber. By using local unused wood materials as the main source of fuel for its wood biomass power generation business, Hachinohe Biomass Power Generation Co. Ltd. solves these problems. In addition, the processes of harvesting wood, manufacturing woodchips, and generating power create both jobs and an economic ripple effect, which are expected to aid recovery from the Great East Japan Earthquake as well as help revitalize the local economy. In the run-up to the start of operations in fiscal 2017, I will give my full support, both as mayor of the city and in collaboration with the prefecture at large.



Makoto Kobayashi

Mayor
Hachinohe City, Aomori Prefecture

Promoting Joint Initiatives for the Community and the Environment

JR East is actively promoting the introduction of renewable energy and is engaged in various initiatives that aim to make the north Tohoku region a "renewable energy base." In order to realize our slogan of "Thriving with Communities," we and our partner companies will actively utilize each of our strengths in this undertaking as we strive to create green energy (cut CO₂) and make a contribution to the local community.



Hitoshi Nakajima

Deputy Director
Electrical & Signal Network System Department
Railway Operations Headquarters
East Japan Railway Company

Product Development That Leverages the Unique Perspective and Creativity of Women

A diversity of perspectives has become ever more important to provide better services and products suited to the ways people live.

The Sumitomo Forestry Group launched the Development through Women's Perspective Project to offer more comfortable and pleasant lifestyle solutions with product development and services that capitalize on women's unique creative power. A house development is underway.



Eri Makuta
Supervisor
Training & Education
Department
Housing Division



What Is the Development through Women's Perspective Project?

With the March 2013 launch of the Development through Women's Perspective Project, we aim to be a company that can earn support and brand loyalty of all women.

The project members consist of 36 female employees from a wide range of divisions, such as the Housing Division, sales branches across Japan, and Group companies. We share ideas in meetings that are held several times each month, and have conducted discussions and engaged in work for the development of specific products.

Project achievements so far include the "comama" living room space proposal and the East Hills Seya spec homes in Ikoma-gun, Nara Prefecture. All nine houses on the East Hills Seya estate were sold within six months after completion.

Leveraging the Unique Perspective and Creativity of Women in Product Development

Building on our achievements so far, February 2015 saw the Tokyo opening of our new "konoka" model house, which was designed to incorporate the opinions of female customers. Sales of the products commenced in April.

In developing "konoka," we wanted to reflect the thoughts not only of those building the house, but also of the people who would live in the house. To achieve this, we collaborated with Shueisha's women's magazine "LEE," whose readers mainly consist of the parenting generation in their 30s and 40s. Employing reader surveys that received over 1,000

Development through Women's Perspective Project Timeline



Home Building That Incorporates the Voices of Female Customers

konoka



The favorite interior style is a "simple" style that makes the most of natural materials such as wood

The most important part of everyday life is "the happy family circle" and "my own time"



The most comfortable place in the home is the "living room"



Things associated with an affluent lifestyle are "high quality" and "long lasting"

Voices of Customers

We have received many messages of support for the development of an ideal home that is inspired by female perspectives.

- "The thorough care and attention in bringing female feelings to this home give me a sense of affinity with it."
- "It's impressive how every area of the house is a place where women can feel relaxed."
- "I love the woody feeling from the knots in the wood and the way grain has been used in the flooring."

responses and group interviews of readers who intend to purchase a home in the next five years, we garnered views and concerns on ideal floor plans and interiors. Through this, we learned that the space of greatest importance to women in a new home is the living room and that many want to live feeling enriched, cherishing their own style. The members empathized with these findings.

Applying our findings to the product development process, we developed concepts and materials that would resonate with customers, and made maximum use of the knowledge and techniques that the members had acquired in our day-to-day work. This was applied throughout every aspect of product development, right down to how customers are treated.

For example, a high proportion of our salespersons are male, but we focused on having them understand how women

think and feel before beginning marketing. To achieve this, we strived to promote this concept within the company by utilizing nationwide area meetings in which the members could convey the product development history as well as the way women think to sales managers and exhibition managers.

This project has not only made it possible for female employees to cooperate across divisions, but has also allowed us to utilize the experience gained through our day-to-day work and engage in new areas such as product development and product promotion. This has been a valuable experience for all of the members involved.

We will continue to utilize the multiple perspectives cultivated through this project to drive the building of homes that place importance on the viewpoints of the people who will be living in them.

Initiatives to Promote the Active Involvement of Female Employees

One of the Sumitomo Forestry Group's action guidelines is "Respect for Humanity." Based on this principle, it respects all differences, such as age, gender, nationality, race, religion, disability and so on, and is promoting diversity management that is key to the Group's competitiveness. As part of this effort, it released the Sumitomo Forestry Group Declaration on Empowering Women in December 2013 and is endeavoring to optimize systems and create an encouraging work environment for the active involvement of female employees.

Main Human Resources Data for Fiscal 2014

| | | | | |
|---|--|---|--|---|
| Proportion of female employees: 19.2% (fiscal 2013: 18.4%) | Proportion of female managers: 2.6% (fiscal 2013: 2.2%) | Number of parental leave users*1: 40 (fiscal 2013: 41) | Number of short working hours system users*1, 2: 32 (fiscal 2013: 29) | Number of telecommuting system users*1: 19 (fiscal 2013: 21) |
|---|--|---|--|---|

*1. Includes men and women
*2. Total of short working hours system users and 4-day work week users





Support for Construction of monastic school in Myanmar

Sumitomo Forestry is involved in the Myanmar monastic school Support Team, a body it established to support the construction of monastic school in Myanmar. The first monastic school was completed in October 2014 through the generosity of 18 companies and 4 individuals who endorsed the goal of building monastic school to admit children who cannot otherwise attend school for reasons such as poverty. In March 2015, an opening ceremony was held, and there was an opportunity to interact with the local children. The monastic school will also serve as a local refuge during heavy rains. Sumitomo Forestry will continue to provide support with a goal of building one school per year.



Mt. Fuji Manabi no Mori Project

With an aim of restoring the national forest at the foot of Mt. Fuji, which was significantly damaged by a typhoon in 1996, Sumitomo Forestry launched a natural forest restoration project encompassing around 90 hectares of the forest named *Mt. Fuji Manabi no Mori*. In addition to tree-planting and cultivation activities carried out by volunteers, the forest has also been opened up for environmental education programs for children as well as for the activities of NPOs and other organizations. In fiscal 2014, a total of 1,880 people visited the forest. In May 2015, *Fureai no Mori Tree-Planting Tours* were initiated at the Company-owned forest in Niihama, Ehime Prefecture, as a forum for communication with owners of Sumitomo Forestry Home houses. There were 48 participants.



Wooden Facility Constructed as Part of Recovery Assistance

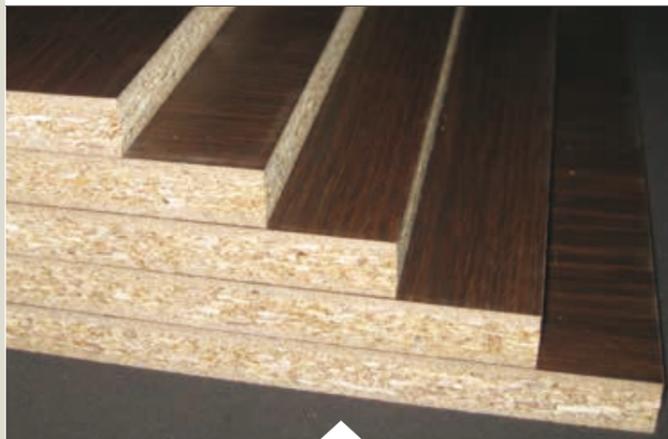
As part of its disaster relief activities for the Great East Japan Earthquake, Sumitomo Forestry participates in the University of Tokyo Otsuchi Innovation Collaboration Project in Otsuchi Town, located in Kamihei-Gun, Iwate Prefecture. On March 1, 2015, an opening ceremony was held for the project's inaugural construction, a community place built of wood. This facility will be managed by the people of Otsuchi Town, and it is hoped that it will play a central role in the development of the town, serving as a venue for various meetings as well as for a café, live music, flea markets and other events.



Tissue Culture from "Sacred Plum Tree" in front of the Kitano Tenmangu Main Shrine

In February 2015, Sumitomo Forestry succeeded in using tissue culture, a biotechnology technique, to propagate a plum tree enshrined in front of the Kitano Tenmangu Honden (Main Shrine) in Kyoto which is estimated to be more than 300 years old. This successful propagation from an old plum tree and the research and development envisaging practical applications is the world first.* In addition to protecting this important sacred tree, it is hoped that the propagated seedlings will contribute to the preservation of landscape and the succession of culture.

* Search of sites providing access to academic materials: Web of Science / Google Scholar / J Dream III



Recycling of Wood Waste Promoted through Group Cooperation

In fiscal 2014, Sumitomo Forestry Home Tech Co., Ltd. began recycling wood waste materials generated at its renovation sites. The recycled wood waste is used as a raw material for particle board, and is processed into wall surfaces, entrance hall storage areas and other products at the Sumitomo Forestry Crest Co., Ltd. manufacturing site. These interior materials are then used at the renovation sites.



Project EARTH: Contributing to Sustainable Forestry

Project EARTH is an activity to plant trees in places such as the degraded areas of Indonesia with an aim of offsetting the CO₂ emitted (approximately 60,000 tons per year) in processes from harvesting through to construction of principal structural members used to build all custom-built and spec homes sold in Japan by Sumitomo Forestry. In an effort to contribute significantly to improving the lives and developing the economy of the local community, in May 2014, a decision was made to extend the five-year planting period, begun in 2009, a further three years. The project involves planting around 4.8 million trees on a total 2,400 hectares of land and managing cultivation of those trees for a period of 10 years after they are planted.



"Renovation of Historic Homes, Living in a Post Office" Receives Good Design Award

This project by Sumitomo Forestry Home Tech Co., Ltd. involved taking a structure, which had been built as a residence around the 1870s and then turned into a local privately-owned post office around the 1930s, and restoring it into a safe and comfortable home again while preserving the building's exterior from those times. In recognition for renovating an important structure with memories for the local people, and allowing its vestiges of history to be preserved for posterity as symbol of the town, the project received a Good Design Award 2014, which is sponsored by the Japan Institute of Design Promotion. This is the fifth consecutive year that the Sumitomo Forestry Group has received this award.



Entry into Day Care Business in Anticipation of an Aging Society

In an effort to address the issues of an aging society, Fill Care Co., Ltd., a Group company engaged in the management of private care facilities for the elderly, entered the day care business supporting home-based care. It plans to open three new day care centers in Tokyo and Kanagawa before the end of fiscal 2015. Utilizing its design capabilities built up in the housing business, it will provide high quality day care services to meet community needs, such as making proposals for living room spaces in which residents can relax as if they were in their own homes, and providing services having a high degree of freedom by way of multiple program offerings.

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

- 1 Develop business operations centered on wood and forests** We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.
- 2 Develop and offer environmentally conscious products and services** We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.
- 3 Minimize and improve environmental impact** To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.
- 4 Ensure strict legal compliance** We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.
- 5 Make continual improvements to our environmental management system** We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.
- 6 Promote environmental education** We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.
- 7 Pursue active communication** We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

Revised July 23, 2015
 President/Representative Director
Akira Ichikawa

Sumitomo Forest Group Procurement Policy

The Sumitomo Forest Group utilizes wood as a renewable natural resource in its business operations. To contribute to a sustainable society, we are committed to procurement activities that take into account economic, environmental and societal interests and comply with the following policy:

- 1 Procurement based on legal and highly reliable supply chains** Our procurement activities will strictly adhere to all relevant laws, regulations and societal norms, and be built on mutual understanding and trust with our business partners. Furthermore, to provide the highest quality products and services, we will work with our business partners to ensure that our procurement takes place within a sound and fair supply chain.
- 2 Procurement based on fair opportunity and competition** We will provide all our suppliers, both Japanese and foreign, a fair opportunity for business. Selection of our business partners will be based on a comprehensive evaluation of the company's reliability and technological expertise, the product's quality, economic efficiency, delivery date and environmental performance, and the company's CSR (Corporate Social Responsibility) initiatives, such as advocacy of basic human and worker rights, anticorruption efforts and so on.
- 3 Procurement of sustainable timber and wood products** Wood is a renewable natural resource. To actively utilize it, we will work with our business partners on the following initiatives related to the procurement of timber and wood products:

 - Procure timber from forests that are sustainably managed
 - Work to improve the traceability of procured timber and wood products
 - Strictly adhere to the laws and regulations of the countries and regions we log in, protect biodiversity and forests with high conservation value, and respect the cultures, traditions and economies of regions that coexist in harmony with forests.
- 4 Communication** To ensure the transparency of our procurement efforts, we will disclose information appropriately. In addition, we will communicate with our stakeholders to further improve our procurement activities.

Revised July 23, 2015
 President/Representative Director
Akira Ichikawa

Sumitomo Forestry Group Declaration on Empowering Women

Sumitomo Forestry Group is committed to creating “an open and inclusive corporate culture that values diversity,” as set out in its Action Guideline. We believe a diverse workforce and a business strategy developed from a wide range of ideas is important for the Company. As part of this effort, we are striving to promote the participation of women in the belief that this will meet the social needs and significantly contribute to increased corporate value. By expanding opportunities for women and by leveraging the creative power of women, we will integrate a diverse range of values that will spur innovation and enhance corporate value.

- We will create a positive work environment for women**
In Japan, with a falling birthrate and aging population, worker population is projected to decline. By utilizing a workforce made up of individuals without regard to values, age, gender, nationality or disability, and by respecting the individual lifestyles of each and every female employee, we are working to create an open corporate culture and positive working environment where everyone can gain a sense of fulfillment in their work.
- We will leverage women’s unique creative powers**
Women’s success in business is gaining prominence, such as with companies that utilize the perspective and creative powers of women to develop new products and services. In all business sectors, Sumitomo Forestry is striving to nurture the culture and processes that will harness women’s unique creative powers and create new value.
- We will spur innovation through the participation of women**
Lively interaction among employees of different values, ages, gender, nationalities and other qualities leads to new ideas. Expanding work opportunities for women employees, in particular, spurs innovation in all areas, from sales and marketing to product development, business strategy and operational efficiencies.

December 24, 2013
President/Representative Director
Akira Ichikawa

Our Values and Ideals

Inspire Emotion

- | | |
|------------------------------|--|
| 1 : Customer Satisfaction | We always take the customer’s perspective to ensure that we offer impressive products and services. |
| 2 : Partnership | We collaborate with partners both inside and outside the company, and grow along with society. |
| 3 : Independence and Support | We enjoy our work, challenge ourselves with ambitious goals, and take the initiative as professionals. |
| 4 : Freedom and Vigor | We express our opinions freely and vigorously and address issues with singleness of purpose. |
| 5 : Reflection and Learning | We are committed to learning from our mistakes and applying what we learn to our future work. |

Blaze a Trail to the Future

- | | |
|----------------------------------|--|
| 1 : Sustainable Development | We work for the Group’s sustainable development from a long-term perspective. |
| 2 : Respect for Families | We maintain respect for ourselves and our families, and strive to build an abundantly rewarding future. |
| 3 : Accumulation and Creation | Using our proprietary technology and expertise, we create work that the next generation can be proud of. |
| 4 : Giving Back to the Community | As a good corporate citizen, we actively contribute to community development. |
| 5 : Environmental Responsibility | We take the initiative to protect the global environment and pursue sustainability. |

Act with Dignity

- | | |
|--|--|
| 1 : Passing on Sumitomo’s Business Spirit | We treasure Sumitomo’s Business Spirit, which emphasizes trust and giving back to society. |
| 2 : Legal Compliance | We observe laws and regulations, and compete openly and fairly. |
| 3 : Information Handling | We protect information and intellectual assets, and we do not hesitate to disclose information that should be made public. |
| 4 : Respect for Human Rights and Diversity | We respect human diversity and do not tolerate any discrimination. |
| 5 : Autonomous Actions | We clearly differentiate between public and private activities, and always act with awareness and pride in representing the Sumitomo Forestry Group. |

Corporate Profile

Company name: Sumitomo Forestry Co., Ltd.
Address of Headquarters: Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Paid-in capital: ¥27,672 million
Incorporated: February 20, 1948
Founded: 1691
Employees: 4,499 (non-consolidated)
 18,137 (consolidated) (As of March 31, 2015)
Company-owned forests: 46,247ha (As of March 31, 2015)

External Evaluation

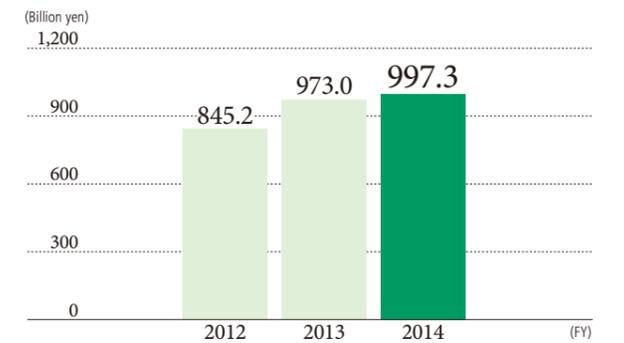
- Sumitomo Forestry has been continuously included in the Dow Jones Sustainability Indices since 2005. 
 - Sumitomo Forestry has been included in the FTSE4Good Global Index every year since 2004. 
 - Sumitomo Forestry has been consecutively included in the Morningstar Socially Responsible Investment Index (MS-SRI) since 2008. 
 - The Company was selected as Industry Leader, Gold Class and Industry Mover in RobecoSAM’s The Sustainability Yearbook 2015. 


 - The Company was awarded the top score for a Japanese business in the Climate Disclosure Leadership Index (CDLI) in the CDP Climate Change 2014. 
- (As of March 31, 2015)

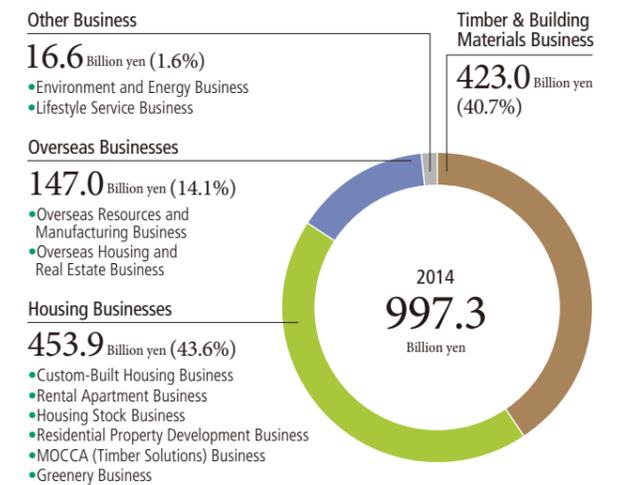
Global Network



Sales



Sales by Segment



* Sales of each segment shown include inter-segment transactions.