Top Commitment

A History of Revitalizing a Desolate Mountain 120 Years Ago

Sustainability at Sumitomo Forestry has always been a part of our history. In 1691, the Sumitomo family opened the Besshi copper mine in Ehime Prefecture and with this, began logging and procuring timber. This was the start of Sumitomo Forestry.

At the time, copper smelting required a large amount of wood. The period from the Edo Era to the Meiji Era saw rapid modernization. With industrial development, the demand for copper rose, which eventually led to deforestation in the mountains. Some 200 years after the opening of the copper mine, Besshi became a desolate mountain region. One person decided to take action and that person was Teigo Iba, the then principal of the mine.

Iba pushed forward “The Large-Scale Reforestation Plan” to revitalize the lush mountains. He knew that as a business that relied on copper, one of the fruits of the earth, it could not allow nature to be destroyed. To bring back the green of the mountains, he created the first private forest management plan. If he merely wanted to plant trees for wood, he would have planted them in areas that would be easy to log later, but this was not the case. From the top of the mountain to the outer ridges and every cliff, he helped to plant as many as two million trees a year.

Planting trees takes energy, money and time. There was no immediate return for top management. However, no one was bothered by this. Their efforts to bring back the greenery to the mountains was purely for the benefit of future generations. With time, the mountains once again became green. This spirit to give back to the earth is shared to this day as a critical element of Sumitomo’s history.

Today, CSR (corporate social responsibility) and ESG (environmental, social and governance) are frequently used terms. However, for us at Sumitomo Forestry, we have long passed down the importance of sustainability of society and business. Sustainable forest management is based on our spirit to give back to the earth, in other words, conservation forestry where we nurture, log, utilize and then replant trees, and is the origin of Sumitomo Forestry’s operations.

Formulation of SBT, Long-Term Goals to Reduce Greenhouse Gases, in 2018

Sumitomo Forestry has undertaken numerous initiatives related to social and environment issues. Like most Japanese companies, we like the phrases, “deeds, not words” and “doing good by stealth.” Japanese consider secret charity a virtue and hence, good deeds are not something to boast about.

However, with globalization, we have come to realize that this Japanese sense of virtue is making it difficult for others to see us for who we truly are. In fact, in our overseas IR activities, many investors have said to us, “I did not know Sumitomo Forestry was involved in such activities,” or “I wish you would have told us about this before.” Currently, we consider it the company’s mission to openly and accurately disclose our initiatives and disseminate information for dialogue.

From “deeds, not words” to “deeds and words.” From the perspective of sustainability, climate change is the most focused upon problem and we have created numerous initiatives with concrete targets, which we are disclosing in various ways.

In July 2018, Sumitomo Forestry formulated SBT (Science Based Targets), long-term greenhouse gas emission reduction goals. To fulfill these goals, we garnered strong internal consensus, incorporated them into our Mid-Term Sustainability Targets and our yearly fiscal budget and are overseeing its progress.

For some companies, these initiatives would only begin after there is a certain degree of understanding about the future. But problems are already apparent and action is being called for. In fact, the TCFD (Task Force on Climate-related Financial Disclosure) set up by the Financial Stability Board has made a clear recommendation that companies should create appropriate internal governance structures and disclose progress related to initiatives dealing with climate change.

While company management must constantly deal with changes in operating environment, the impact of climate change presents a totally different degree of uncertainty. As indicated in the Special Report on Global Warming of 1.5℃ submitted by the IPCC last year in October, the speed at which temperatures are rising is much faster than forecasted. There is no time to waste. We must move forward and try many things to come up with an answer. This is our stance and we will continue to quickly implement a variety of countermeasures.

Increasing Biomass Power Generation, a Renewable Energy

One distinct example of a climate change countermeasure we are undertaking is our biomass power generation operations. We started this business to reduce greenhouse gas emissions, increase the value of our forests and contribute to the promotion of forestry.

As World War 2 progressed, energy sources were being depleted and mountains throughout Japan were being logged. In addition, numerous wood buildings were burned due to the war and natural disasters, creating wood shortages. After the war, to promote tree planting as part of the post-war reconstruction effort, the country provided huge amounts of subsidies for afforestation. After that, with the appreciation of the yen, large volumes of overseas timber were imported. Now, many of the trees in Japan have reached maturation and are ready for harvesting. According to data released by Japan’s Forestry Agency, the cumulative volume of plantation forests continues to increase at a pace of annual 80 million square meters in the recent 10 years. Usage is in increasing trend with annual 30 million square meters, however, more than 45 million square meters are harvested and certain volume are left unused on the mountain because of costs.

Sumitomo Forestry strives to promote initiatives in all areas to enhance the value of trees and as one measure to use wood more effectively, biomass power generation has significant value. We do not want to waste even one tree. We want to use every single log that are harvested. And then we want the mountains to be replanted. Wood is a resource that allows this.

In February 2011 in Kawasaki, we opened an urban-sourced biomass power generation plant, which uses construction waste as its primary fuel source. Since then, in Mombetsu, we opened a forest-sourced biomass power generation plant, which utilizes as its primary fuel source unused wood resources from the surrounding areas of one of our company-owned Mombetsu forests in Hokkaido Prefecture. In addition, we started operations in Tomakomai in Hokkaido Prefecture and Hachinohe in Aomori Prefecture. In 2021, Kanda Biomass Energy in Fukuoka Prefecture will begin operations and with this, power generation will total approximately 177MW, enough to provide electricity to about 370,000 households.

One of Sumitomo Forestry’s greatest strengths in biomass power generation is its network to procure wood left on the mountains. Utilizing our many years of experience in timber operations as a base, we are able to effectively utilize wood fuel from numerous areas in Japan and overseas.

Large-Scale Plantation Forest in the Peatland Areas of Kalimantan, Indonesia

One of the reasons behind climate change is deforestation around the world. In this area, too, Sumitomo Forestry is pursuing numerous sustainability initiatives both in Japan and overseas in terms of forest management and timber distribution.

We procure wood from around the world for not just the wooden houses that we build but also for a wide range of customers. We formulated a procurement policy and set up a Timber Procurement Committee to confirm legality, traceability all the way to be the logging sites, and sustainability. In addition to illegal logging, another reason behind deforestation is agricultural land conversion where natural forests that have high protection value are cleared to make way for oil palm plantations, which are more profitable than forest management. This has become a serious issue. Appropriately evaluating sustainable timber and wood products and increasing their value will serve as an incentive to forest owners to properly own and maintain forests.

In addition to forest management of our domestic company-owned forests, we have been managing to create forests overseas as well. We are developing large-scale plantation forests in New Zealand, Papua New Guinea and Indonesia.

For example, there are many peatlands in West Kalimantan, Indonesia. Peatland areas are degraded and not suitable for agriculture. Revegetation and forest management of these areas requires advanced technology to appropriately control groundwater levels. Peatlands are land with undecomposed plant resource deposits and some hold tremendous amounts of trapped carbon. Peatlands themselves are flammable and in situations where people deliberately use fire, such as for slash-and-burn agriculture, there is an increased risk of a fire disaster. Peatland fires emit a huge amount of carbon dioxide, a greenhouse gas, and this is a significant problem as well.

In West Kalimantan, Sumitomo Forestry is working with a local partner in a government-approved region to manage plantation forests that include peatland areas using a newly developed water level management technology. This technology was developed for forestry operations but can also be applied to agriculture. Bridging both forestry and agriculture, we hope to contribute to alleviating deforestation, and consequently, climate change, and resolving food shortage problems by designing broadly defined sustainable ways to utilize land.

Our efforts in West Kalimantan have been recognized by the Indonesian Government as a pilot peatland program. We had the opportunity to be cited as an exemplary program at COP (Conference of Parties to the Framework Convention on Climate Change) in 2017 and 2018. We have gained global attention and have received on-site visitors, such as the minister in charge of peatland management for the Republic of the Congo in Africa and representatives from international organizations.

We believe that forest management, especially overseas, must be economically viable. Otherwise, there is a risk that forests will be randomly converted to farmland. Our goal is to create a sustainable industry that coexists with nature.

Increasing Demand for Wood Will Lead to Climate Change Countermeasures

In the Sumitomo Forestry Group 2021 Mid-Term Management Plan announced in May 2019, our third basic policy is the acceleration of R&D and technological innovation for utilizing wood. This is a theme that significantly relates to ESG. We are striving for energy conservation and greater efficiencies of our housing and construction business as well as our forestry business through biotechnology, technological development of high-rise wooden buildings and ICT technologies. To achieve these goals, one thing we have done is design a new research building at our Tsukuba Research Institute.

Centering around this new research building, we are currently conducting a research and technological development initiative called the W350 Plan, which sets out to develop a 350-meter high-rise wooden building in year 2041, our 350th anniversary. Raising the added value of wood to its maximum level and utilizing sustainably managed timber can help promote a circular economy that will contribute significantly to the environment.

When trees grow, they absorb carbon dioxide and supply oxygen to the atmosphere, and this is most active when the trees are at a young, early growth stage. In other words, it is important to harvest and use mature trees and afterwards, plant new ones in their place. And as those new trees grow, they once again absorb carbon dioxide and convert it to other forms of carbon. For future generations, we need to plant new trees and create this cycle on a much bigger scale. That is why it is important to actively use wood.

One thing must be made clear, however. Forests used to obtain wood must not be confused with the high conservation value forests that need to be protected. We need to differentiate between the two when considering the best action plans.

Otherwise, there will be misunderstandings. In fact, when you ask Japanese children if cutting down a tree is good or bad for the environment, most would answer that it is bad. This is because in the Japanese educational system, the impression that cutting down trees equals destroying nature is deeply imprinted.

However, European children do not think this way. They are well aware of the importance of circulating forest resources. For example, in Sweden, there is a phrase, “100-year forest.” They say that after 100 years, a forest should be used for wood to make books. Of course, it goes without saying that they should be replanted afterwards to nurture a forest for the next 100 years.

In Japan, we need to teach our children that 40 percent of our mountains have trees planted by people, and that these man-made forests must be properly managed until the end. Nurturing a good environment starts with nurturing good people. It is important to create this positive cycle.

However, demand for wood for housing and other uses is declining in Japan. That is why we are trying to increase demand for wood. Supplying chips for biomass power generation is one example, but we are working on what we call “MOCCA (Timber Solutions) Business,” in other words, promoting the development of wooden constructions and the use of wood materials beyond just detached houses. If we can advance technology, even large buildings can be made of wood. And if that happens, there will be a high demand for wood that will then lead to environmental symbiosis. Utilizing wood to build the future - this is the type of movement we want to instigate throughout society.

For this, we need innovation in every aspect of our operations upstream to downstream, from forest management to distribution and construction. To build cost-competitive high-rise wooden buildings, there are many things we have to do. That is why we launched the W350 Plan as an open innovation platform. Our goal is to create the future Timberized Eco Cities.

Creating a Good Working Environment for a Diverse Group of People

These various initiatives are made possible by the people who work for Sumitomo Forestry Group. With the decline in the working population in Japan, creating a work environment where a diverse group of people can be active is an urgent necessity. In 2013, I signed and released Sumitomo Forestry Group’s Declaration on Empowering Women.

While this declaration specifies women, it is by no means limited to them. We want to create a workplace that embraces people of different values, ages, genders, nationalities, religions, disabilities and other. With that in mind, we chose to use the term “Empowering Women” to symbolize diversity.

There are employees who are actively involved in childcare or elderly care. Promoting diversity and workstyle reform are two sides of the same coin. We want to create an environment where each and every employee can gain fulfillment as a whole person and work energetically.

I began with a story about Sumitomo Forestry’s history. Each and every employee goes to see first-hand that “The Large-Scale Reforestation Plan” in the mountains of Besshi. As we walk those mountains, we try to think about our predecessors and the work they did to bring back the forests. And today, each and every employee at Sumitomo Forestry carries on this spirit by continuing to strive to create a sustainable society.