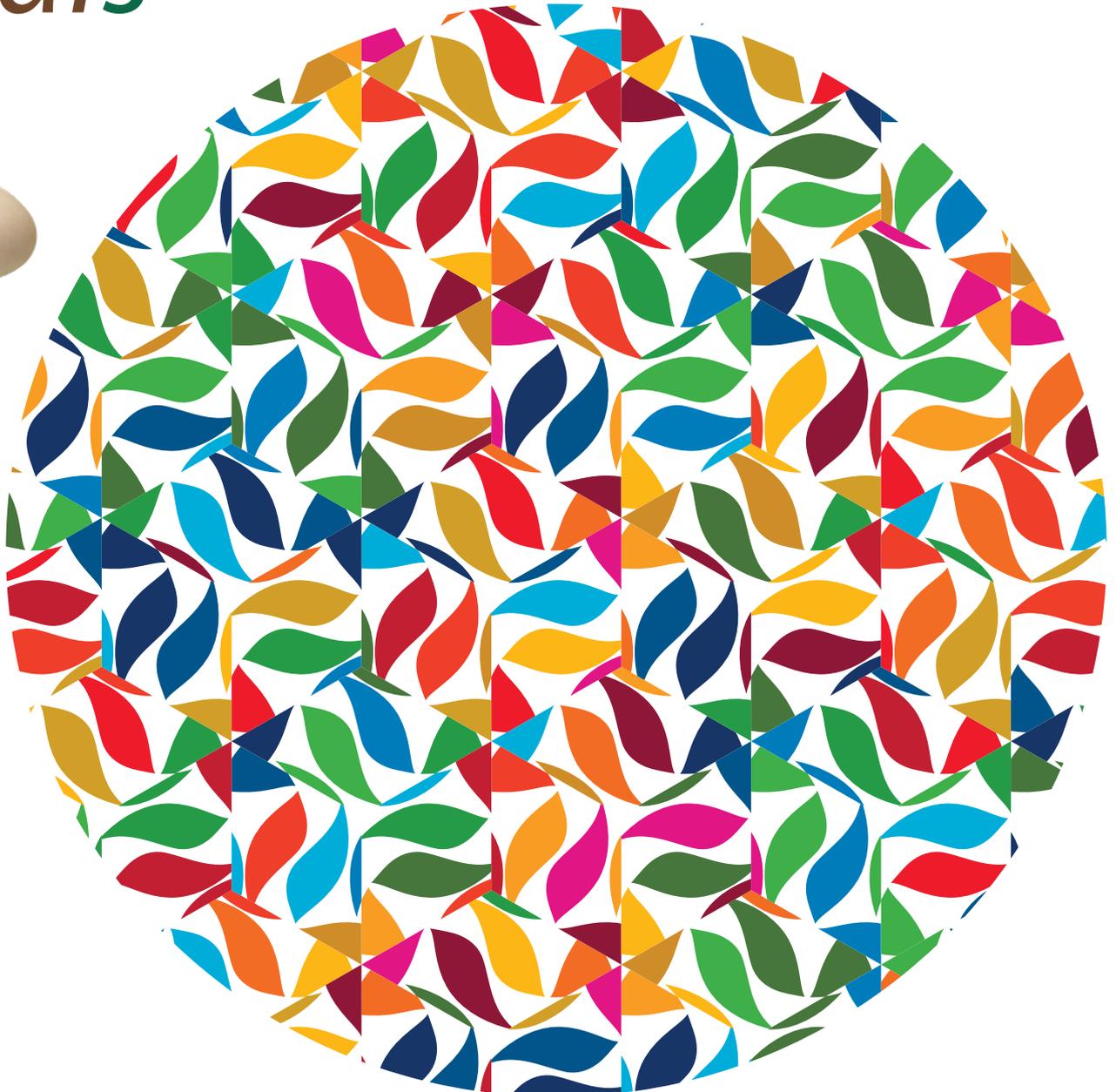


# *For Sustainable Development Goals*



# Contents

2	<b>Top Commitment</b>	74	<b>Governance</b>	228	<b>Social Report</b>
	<b>Sustainability Activity Highlight</b>	75	Corporate Governance	229	Human Rights
4	HIGHLIGHT 1 Enhancing Our Timber and Materials Procurement to More Effectively Embrace Human Rights and the Environment	84	Risk Management	232	Health and Safety
6	HIGHLIGHT 2 Building Homes that Protect Lives and Lifestyles	91	Compliance	242	Employment and Human Resources Development
8	HIGHLIGHT 3 New Dimensions in the Benefits of Wood Born from Collaboration	95	Tax Strategies	256	Social Contribution
10	HIGHLIGHT 4 The Power of Greenery in Elevating the Value of Communities and Living	96	Business Continuity Management	277	Quality Management
12	HIGHLIGHT 5 Aiming for 100% Renewable Energies by 2040	99	Responsible Advertising/Promotional Efforts	279	Social Data
14	HIGHLIGHT 6 A Diverse and Vibrant Workplace	100	Information Security	285	<b>Environmental Report</b>
16	HIGHLIGHT 7 A Strategic Response to Climate Change	102	Intellectual Property Management	286	Environmental Management
18	<b>Sumitomo Forestry Group's Sustainability Management</b>	103	Return to Shareholders and IR Activities	295	Environmental Impact of Business Activities
19	Corporate Philosophy and Sustainability Management	107	<b>Contribution Through Our Business</b>	304	Responding to Climate Change
24	Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues	108	Overall Business and Scope of Impact	321	Responding to Waste and Pollution
31	Contributions to the SDGs and Material Issues	109	Housing and Construction Business	340	Biodiversity Conservation
38	Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity	163	Distribution Business	347	Efficient Use of Water Resources
42	Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society	182	Manufacturing Business	350	Environment Related Data
46	Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities	190	Forest Management	358	Editorial Policy
50	Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality	218	Environmental Energy Business	359	External Recognition
55	Material Issue 5: Corporate Ethics and Governance Structures	225	Business Responding to the Super-Aging Society	364	GRI Content Index (GRI Standards)
58	Stakeholder Engagement			382	Independent Assurance Report
66	Sustainability-related Policies and Philosophy				

## Boundary of the Report and Publication Date

### Boundary of the Reporting:

The scope of this report is Sumitomo Forestry, its consolidated companies, and some affiliated companies accounted for by the equity-method. The environmental data is an aggregation for Group companies, including all consolidated subsidiaries in and outside of Japan unless otherwise noted. The boundary of target organizations and calculations are as below.

\* In this report, Sumitomo Forestry refers to Sumitomo Forestry Co., Ltd. and the Sumitomo Forestry Group includes consolidated companies in Japan and overseas as well as some affiliated companies accounted for by the equity-method

### Published:

November 2020

### Reporting Period:

Japan: April 2019 to March 2020

Overseas: January 2019 to December 2019

\* Some activities started before the period and after April 2020 in Japan and after January 2020 overseas, and future forecasts are also included.

### Contact:

Sustainability Department

Sumitomo Forestry Co., Ltd.

Phone: +81-3-3214-3980 URL: <http://sfc.jp/english/>

## TOP COMMITMENT

# Resolving Societal Issues as a Guidepost in Our Growth Strategy



## Toshiro Mitsuyoshi

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

### Preparing for New Infectious Diseases and Frequent Natural Disasters

In today's global society, we are facing the threat of a novel coronavirus pandemic that is rapidly expanding beyond our forecasts. In addition, large-scale forest fires and natural disasters stemming from torrential rains are becoming more frequent, causing extensive damage in regions around the world. Even in Japan, Typhoon Faxai and Typhoon Hagibis in October 2019 resulted in tremendous damage, followed by heavy rains in July 2020 in Kyushu, which took many lives. My sincerest condolences to everyone affected by these disasters.

### Integrating Business Contributions with ESG Promotion

Sumitomo Forestry's management philosophy is to contribute to a sustainable and prosperous society through businesses that utilize the renewable natural resource, wood. The Company began operations in 1691 at the Besshi cooper mine in Ehime Prefecture. With development over time, excessive logging and smog from cooper smelting led to degradation of the adjacent forests. However, the Great Reforestation Plan was started in 1894, revitalizing the lush mountains. At times, more than 2 million trees were planted annually, which were harvested, used and then replanted and cultivated based on cyclical sustainable forestry, a concept that is engraved into our DNA.

Currently, Sumitomo Forestry provides a wide variety of products and services that play a part in people's lives, from forestry management, the manufacture and distribution of building materials, and the development of safe and reliable houses that are resilient to disasters and that support healthy lifestyles, to the use of wood and timber solutions in non-housing buildings, renewable energy operations and the management of nursing homes.

In the Sumitomo Forestry Group 2021 Mid-Term Management Plan, which we started last fiscal year, one of our basic policies is the integration of our operations with our ESG initiatives. For specific important sustainability issues, each division must set their own numerical targets that will contribute to the SDGs (sustainable development goals), with the aim to achieve them in three years as set out in our Mid-Term Sustainability Targets. For example, one material issue is "promoting the reduction of the environmental burden of our business activities." Towards this, we created an SBT-certified long-term greenhouse gas emissions reduction target in July 2018 (a 21% reduction by fiscal 2030 compared to fiscal 2017 levels). Each division then set its own individual numerical targets. As a Group, we have supported the TCFD (Task Force on Climate-Related Financial Disclosures) and have participated in the TCFD Consortium organized by the Ministry of Economy, Trade and Industry and the Financial Services Agency since its launch in May 2019. In addition, we are working to disclose climate-related financial information to investors.

In November 2019, with the end of the 10-year fixed-price purchase period for household solar power generation, we began “Sumirin Denki,” a service where we purchase excess electricity from owners of Sumitomo Forestry home houses. With this and similar initiatives, in March 2020, we became a member of RE100 and declared a goal to have all our operations use 100% renewable energy, a move we consider essential to achieving our SBTs. While “Sumirin Denki” is a service to enhance customer satisfaction after the completion of the government’s FIT fixed-price purchase system, at the same time, it is an example of how we are integrating our businesses with our ESG initiatives by shifting to renewable energies used in our own operations and reducing environmental burden.

## Creating a “Circular Business” in Our Supply Chain

When choosing products or services, customers are beginning to examine the processes, such as where and how the materials to make them were procured and manufactured, much like the way they look at the quality, function and price of the finished product. With strong concerns about deforestation resulting from illegal logging, Sumitomo Forestry was one of the first to formulate a procurement policy and establish a Timber Procurement Committee to confirm legality of the products procured, protect biodiversity and confirm sustainability. In addition to these environmental measures, the Company promoted human rights due diligence in its supply chain to ensure the protection of the rights of indigenous people and safe working conditions. In addition, the Company is engaged in sustainable forest management by obtaining FSC, SGEC and other forest certifications for its 48,000 hectares of Company-owned forests in Japan and the approximate 230,000 hectares of forests in New Zealand, Indonesia and Papua New Guinea.

Reducing greenhouse gas emissions in the supply chain is also an important issue. Up until now, the industry has focused on energy-saving measures for buildings during occupancy, but now we have shifted our gaze to CO<sub>2</sub> emissions associated with procuring and processing raw materials, transport and construction. The CO<sub>2</sub> emissions from these building construction processes are called embodied carbon and wooden structures are being perceived as superior in terms of environmental burden when compared with steel and concrete building materials. In our detached wooden house business, we have conducted life-cycle assessments (LCA) where we analyze the environmental burden of our products from raw material procurement to processing, distribution and demolition. The opportunity for business negotiations related to non-residential, mid- to large-scale wooden buildings has increased and we are steadily working on project proposals based on embodied carbon calculations and analyses. In combination with the carbon absorption and fixed amounts from planted trees, net zero carbon and carbon neutral are achievable goals.

In addition to helping to reduce greenhouse gases, utilizing wood for buildings has many merits. Wood is superior in terms of cascading use in that the waste produced from the

demolition of wooden buildings after many long years of use can be upcycled into raw material for wooden boards, fuel chips for biomass power generation and other materials. Wood is the star of the increasingly popular concept of a circular economy. As a resource that will support the lives and lifestyles of the more than 9 billion people who will inhabit this earth in 2050, wood plays an important role. In addition, biological resources such as wood and wood fibers hold unlimited potential in terms of innovation. According to estimates by the OECD and others, the bio economy and circular economy will respectively grow to ¥1.6 trillion and ¥4.5 trillion in terms of market size by 2030. Not only in terms of economic value, but also in terms of creating a sustainable future, wood is an essential element.

Sumitomo Forestry Group is harnessing its experience and know how to propose solutions to various societal problems. By utilizing wood and maximizing demand, in addition to the economic value of our conventional business activities, we are able to create a public benefit value that includes environmental and social values, such as conserving biodiversity, suppressing greenhouse gases, and securing labor safety and employment. In our supply chain, offering our customers products and services that score high in terms of ESG, in other words, resolving societal issues as symbolized by the 17 SDG goals, is serving as a guidepost in our growth strategy.

## New Lifestyles, New Work Styles

The spread of the novel coronavirus infection has brought to light many different issues, from the way we communicate with our customers to how we operate our businesses with disruptions in the supply chain. At the same time, it has immediately made remote work, which until now was perceived as difficult to achieve, a new standard in workstyles. With a new sense of awareness gained in 2020, we believe we can find more answers to our Workstyle Reform, where we sought to embrace diverse workstyles and rectify long work hours. In terms of diversity management, starting with our Declaration on Empowering Women, instead of going back to our old ways, we will pursue how Sumitomo Forestry Group should define itself to make it attractive and appealing not only to employees of different positions and generations but to our customers as well.

A new way of life, a new way of work – as we draw up plans for how people will live in the future, our expectations for mid- to large-scale wooden buildings have grown. Up until now, people spent most of their time in the office in a big city. Their homes were a place to rest and live. In addition to a sense of reassurance with disaster-resistant measures, we now must add the functionality and comforts of a workplace as well. This work-from-home trend is providing business opportunities for our renovation operations and creating demand for added value in our newly built houses.

Sumitomo Forestry Group’s new management team and employees pledge to work together in pursuing ESG management for a sustainable and prosperous future for all our stakeholders.

# HIGHLIGHT 1

Related SDGs



## Enhancing Our Timber and Materials Procurement to More Effectively Embrace Human Rights and the Environment

Material Issue 1

Ongoing timber and materials procurement that considers sustainability and biodiversity

Related goals	Fiscal 2021 Plan	Fiscal 2019 actual results
Building sustainable supply chains	80% implementation rate of our sustainability procurement survey in the supply chain of the domestic housing department 100% implementation rate of our sustainability procurement survey for suppliers of imported timber	86.0% 100%

With increasing awareness of human rights and environmental issues in the supply chain, measures to ensure a sustainable society over the entire supply chain are being sought. In accordance with the Sumitomo Forestry Group Procurement Policy, we are promoting the procurement of timber and wood products from properly managed forests and reinforcing responsible procurement measures for non-wood materials as well.

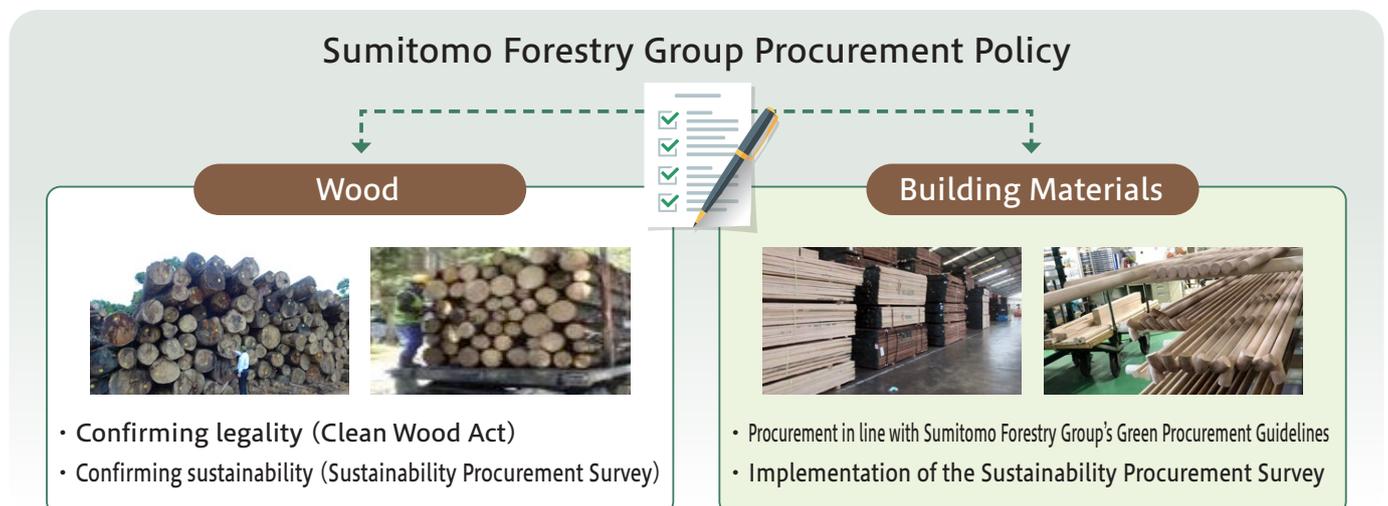
### Responsible Procurement in Our Housing and Construction Business

In 2002, Sumitomo Forestry Group formulated its Green Procurement Guidelines to build a sustainable supply chain. In 2015, our Timber Procurement Philosophy and Policy was revised and renamed to the Sumitomo Forestry Group Procurement Policy. In 2017, we drew up the Sumitomo Forestry Group Code of Conduct, which was expanded to include the supply chain. Through this and other measures, we have reinforced our efforts to build a sustainable supply chain.

In the Housing and Construction Business, one of the main

pillars of our Group's operations, sustainable materials procurement is positioned as one of our material issues for management. The structural materials and small cross-sectional wood slabs called hagarazai\* are procured through our trading arm, the Timber and Building Materials Division, which confirms legality and sustainability of timber and wood products. In addition, we have been responding to the Clean Wood Act, which seeks to promote the distribution and utilization of legally harvested wood and related products from May

#### Engaged in procurement activities based on the Sumitomo Group Procurement Policy



2017. The Housing and Building Materials Division registered as a Type 2 Registered Timber-Related Operator under the Clean Wood Act in March 2018. For housing equipment, insulation, resin parts and other building materials, procurement is conducted in accordance with the Sumitomo Forestry Group Green Procurement Guidelines. Before we begin transactions with a new supplier, we first conduct checks of their various practices at our supplier evaluation meetings. Areas for examination include quality, cost and delivery times as well as environmental conservation, human rights, labor safety,

information security and a wide range of other categories.

In an aim to further enhance our practices at Sumitomo Forestry, in May 2019 in our Mid-Term Sustainability Targets, we set out a goal to build a sustainable supply chain and are regularly conducting sustainability surveys and other efforts to reinforce our management system.

\* Structural materials are a wooden house's foundation, posts, beams and other wood materials used for the structure. Hagarazai are materials and base materials used to supplement the structural materials of a wooden house.

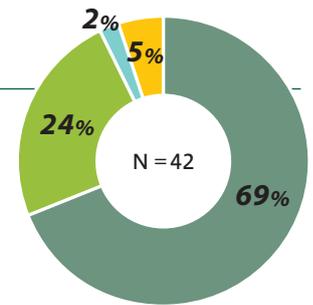
## Conducting Sustainability Procurement Survey

Starting in fiscal 2019, the Housing and Construction Division began subjecting new suppliers to an annual Sustainability Procurement Survey in addition to the Green Procurement Survey that was required in the past. This Sustainability Procurement Survey was originally aimed for existing building materials and housing equipment manufacturers and suppliers. In addition, we conduct surveys of 30 companies we transact with directly (making up for about 86% of our total fiscal 2018 purchase amount) and the top 12 companies (in terms of fiscal 2018 purchase amount) that we transact indirectly with. These surveys cover a total of 53 categories and help us grasp each company's status regarding governance, human rights, labor safety, environmental initiatives as well as sustainable wood procurement and other relevant issues.

In October 2019, we held a sustainability survey briefing to all suppliers who were asked to respond to our survey. Approximately 50 people attended, and we shared with them the Sumitomo Forestry Group Code of Conduct, the Sumitomo Forestry Group Procurement Policy and our thinking regarding responsible procurement to promote mutual understanding.

### Fiscal 2019 Sustainability Survey Results (100% indicates a perfect score)

- S 90-100%
- A 80-89%
- B 70-79%
- C below 70%



The survey conducted had a 100% response rate, and based on their responses, suppliers were evaluated on a four-scale ranking of S, A, B or C.

Through the surveys, we were able to confirm that many suppliers share our own understanding of what responsible procurement means. On the other hand, some suppliers fell short of

our expectations and after discussions at our supplier evaluation meetings, we provided feedback, which we will continue to follow up on to ensure ongoing improvement.



A sustainability procurement survey explanatory meeting

## Towards Building an Even Better Partnership

The surveys provided us with feedback, as well. Our suppliers commented that the surveys prompted them to advance their own measures and gave them impetus to improve on areas that fell short of expectations. In addition, we realized that we were not able to get valid responses on some of the survey questions because they were difficult

to understand. To enhance mutual understanding, we will continue to devise new methods and work in cooperation with the relevant divisions to make improvements. With the expansion of our survey subjects and the improvement of its content, we will work to foster positive partnerships with our suppliers to build a strong supply chain.

### A Comment from One of Our Suppliers

The TOTO Group is striving to be an ongoing presence that contributes to societies and the global environment. For this purpose, TOTO has integrated management and CSR and is working to create value that harnesses its strengths for the benefit of all stakeholders. At Sumitomo Forestry Group's procurement seminar, we were able to get information about the company's ESG initiatives and stance, how ESG surveys are handled to confirm responsible procurement and specific checklist items. This enabled us to better

understand Sumitomo Forestry's thinking regarding a sustainable supply chain.

In its business activities, the TOTO Group will fulfill its responsibilities by balancing management, the environment and society for the sustainable development of the company, of societies and the earth.

Masami Sasaki,  
sales chief, Housing Marketing Department 1,  
Housing Company Marketing Division,  
Special Sales Division, TOTO Ltd.



# HIGHLIGHT 2

Related SDGs



## Building Homes that Protect Lives and Lifestyles

Material Issue 2

The development and sale of products and services that consider the environment and society

### Related goals

#### Increasing environmentally conscious products and services

\*Including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)

### Fiscal 2021 Plan

#### 80% of new custom-built detached housing orders are for ZEH type houses

\*ZEH (Net Zero Energy House) are houses with an annual primary energy consumption of net zero or below thanks to a combination of high insulation specifications that suppress energy consumption, high-efficiency equipment that conserve energy, and solar power generation systems and other equipment that produce energy.

### Fiscal 2019 actual results

# 48.2%

\*Values based on orders include ZEH and Nearly ZEH. ZEH Standardization Performance (FY2019) submitted to Sustainable Open Innovation Initiative is 51%

In recent years, there has been an increase in large-scale natural disasters, such as earthquakes, tsunamis and typhoons, causing significant economic damage and threatening our society and lifestyles. By providing safe and reliable housing, Sumitomo Forestry wants to contribute to protecting people's lives and lifestyles.

### A house that protects life

#### Guard Life

Providing the daily comforts of life while protecting its occupants from unexpected natural disasters

1. Resistant to earthquakes
2. Resistant to fires
3. Resistant to strong winds and rain

### A house to live in a long time

#### Keep Life

Providing energy-saving and insulation specifications and installing the latest equipment to make life comfortable at home even after a disaster

1. Produces electricity
2. Secures water supply
3. Protects from heat or cold
4. Stores food supplies



## Guard Life

### Sumitomo Forestry Homes – Resistant to Earthquakes, Fires and Typhoons

Sumitomo Forestry's wooden homes utilize a unique Big Frame (BF) construction method as one of its distinct characteristics. This method uses posts that are approximately five times thicker than standard posts as the primary structural material. These posts are then secured with strong metal for high resistance to external forces such as earthquakes. Using a three-story actual-sized model home, we conducted tests to confirm that our houses can withstand the shaking and repeated aftershocks of an earthquake on the scale of the Great East Japan Earthquake in 2011. In addition, our houses have adopted the Ministerial Ordinance on Semi-Fireproof Houses as a standard specification, which in terms of fire insurance, make them equivalent to reinforced concrete construction (RC construction) and steel frame construction buildings. In addition, our houses can withstand winds of 88m/second, much higher than Typhoon Faxai (highest wind speed: 57.5m/second) that hit the Tokyo metropolitan area in 2019. Sumitomo Forestry houses are resistant to earthquakes, fires, typhoons and other natural disasters.

### Zero Damage in a Scale-7 Intensity Seismic Tremor

Mr. I, a resident of Mashiki in Kumamoto Prefecture, was away from home when the Kumamoto Earthquake of 2016 hit. He decided to take refuge in his parents' home. Several days later, he checked in on his own home and was surprised to discover that despite two scale-7 earthquakes, there was little change either inside or outside to indicate that an earthquake had occurred. Even with strong aftershocks, the house did not creak, giving him a sense of security that the house was safe.

### Houses That Protect Lives – Offering Safety to Customers and the Community

With the Nankai Trough Earthquake, major typhoons and other natural disasters forecasted in the near future, customer awareness of disaster prevention is growing yearly. To respond to these needs, we want to build more homes that are resistant to disasters and give both customers and communities a sense of security and safety that their lives are protected even in the event of a disaster.

## Keep Life

### The Thinking Behind “Taking Refuge at Home”

Many people after a large-scale disaster find themselves falling ill. And sometimes it takes days before utilities such as electricity and running water are restored.

What is important during times like these is the thinking behind “taking refuge at home.” However, with the fear of aftershocks, with the lack of electricity or water, this was not possible.

Sumitomo Forestry's ZEH houses are not only earthquake and fire resistant, but they have high insulation properties, as well. In addition, electricity produced with solar power generation systems can be stored in energy storage systems, which combined with Enefarm household fuel cells, can supply power for up to eight consecutive days, enabling the use of hot water and floor heating. Because hot water stored with Enefarm can be used for daily needs, occupants can safely and securely take refuge at home even when various essential utilities are disrupted.

### A Low-energy Lifestyle That Reduces Environmental Burden in a Healthy, Comfortable Way

Of course, the benefits of Sumitomo Forestry's ZEH houses are evident not only during times of disaster. With high insulation properties and energy-saving housing equipment, occupants can enjoy a comfortable lifestyle while reducing their energy consumption. In addition, Sumitomo Forestry ZEH houses, which use high-insulation wood, can protect the health of the people who live in them, such as preventing violent fluctuations in blood pressure due to sudden changes in room temperatures when bathing or getting out of bed in the winter.

### Taking Refuge at Home Made Possible with Double Power Generation

Mr. S's house is located in the central area of Boso Peninsula, Chiba Prefecture in Japan, and was directly hit by Typhoon Faxai in September 2019. Several hours of this record-setting storm resulted in a power outage that lasted three-and-a-half days, forcing many to evacuate to shelters. However, Mr. S's family used their solar power generation system and Enefarm to get electricity both day and night. They were able to use air conditioning and other electric products and take refuge at home in a manner that was almost like life as usual.

### Comment from the Branch Manager

I am in charge of the Boso Peninsula, Chiba Prefecture, an area that was heavily damaged by a typhoon in 2019. I am proud of the fact that right after the typhoon, many customers called to express their gratitude, saying that their homes were almost totally unscathed and that they were able to stay safe at home even with the disaster thanks to the installation of Enefarm. In recent years, I am sensing a change in customer needs with an increase in natural disasters. In particular, people are

expressing more interest in ZEH houses, home energy storage systems and Enefarm for its safety features, and the ratio of orders for these products has increased significantly. As one of the people in charge of creating the Ichihara Exhibition Space, which enables customers to have a hands-on experience of these types of equipment, I am strongly promoting these features as a means for current and future generations to live safely.

Hirotsugu Mori,  
assistant manager, Chiba Branch,  
Housing and Construction Division



# HIGHLIGHT 3

Related SDGs



## New Dimensions in the Benefits of Wood Born from Collaboration

Material Issue 2

The development and sale of reliable and safe products and services that consider the environment and society

### Related goals

**Increasing environmentally conscious products and services**

### Fiscal 2021 Plan

**Carbon stock in wooden architecture in Japan of 199,509t-CO<sub>2</sub>**

### Fiscal 2019 actual results

**193,072t-CO<sub>2</sub>**

Kurkku Fields, a sustainable farm and park, was created in Kisarazu, Chiba, Japan in the autumn of 2019. Here we introduce how Sumitomo Forestry was involved in this facility's efforts to enrich lives and society.

### Creating a Place where People can Experience How to Coexist with Nature

Kurkku Fields is a sustainable farm and park comprising approximately 30 hectares of farmland, pastures and poultry farms interspersed with artwork. Through workshops and harvesting activities where participants can eat freshly gathered produce and eggs, Kurkku Fields offers experiences in farming, food and art all in one spot. Sumitomo Forestry was in charge of creating spaces for these experiences that integrated nature. Specifically, we built four facilities – a dining/bakery building, a charcuterie

where meat is processed and sold, a chiffon area where chiffon cake is produced and sold, and the Center House, a building with showers and a living room space for guests of Tiny House Village, a collection of trailer houses that serve as accommodation facilities. We participated from the earliest concept-development stages and worked diligently on this new challenge, developing ways to harness the huge open space and discussing what types of experiences should be conveyed.



First floor dining area

## Wood Conveys the Touch of Life

The touch of life – this is one of the important concepts behind Kurkku Fields. In a city, it is often difficult to feel the existence of “life,” so Kurkku Fields aims to give this sensation through farming, eating and art. To play up on this concept, we utilized plenty of wood and paid close attention to structural details. We tried to create a tactile-oriented space that allows people to directly touch and feel wood, which is a form of nature and life itself. In particular, the dining/bakery building uses wood not only for the interiors but the exterior walls, the roof, the flooring and many other parts. Knowing that wood changes and gains more character over time, our design took into consideration ways to enjoy this change. By using scrap wood from the barn for flooring, we also tried to show our consideration for the environment and our desire to not waste limited resources. In addition, a portion of the roof uses natural slate called ogatsuishi from Ishinomaki, Miyagi Prefecture, one of the disaster sites of the Great East Japan Earthquake in 2011. The building reflects the thoughts and wishes of a wide variety of people who were involved in the project.



Dining/bakery building exterior view

## A New Appeal of Wood, Discovered through Collaborative Work with People from Different Fields

This project was created by a group of artists, architects, government officials, farmers, landscapers, permaculture designers and a variety of other specialists led by musician Takeshi Kobayashi, who served as chief producer.

For Sumitomo Forestry, working with professionals from different fields on the project’s overall design and the building of each structure exposed us to novel methods and thinking that differed from our standard construction practices and provided us with new learning experiences, stimulation and ideas.

These diverse encounters and collaborations offered us a fresh angle and perspective about the appeal and value of our ongoing commitment to wood. While different from our usual timber solutions for buildings, we hope that this added dimension of the benefits of wood will help to elevate interest in wooden buildings.



Living room space of the Center House



### Comment from the Owner and Chief Producer

Broadly speaking, the concept behind Kurkku Fields is sustainability. Creating a space that reflects this concept, which constantly evolved in different ways, was frankly very difficult. However, it was fun to continuously ask ourselves such questions as, “Where are we coming from?”, “Where do we want to go to?” and “Where are we now?”

I worked with Sumitomo Forestry on this project until the very end, closely enough to get to know them all as individuals, and I know they gave it their all. Sustainability requires individual freedom, thought and strength. Even if it is an accumulation of small achievements over time, we must move toward sustainability to protect the interests we have now. While our work with Sumitomo Forestry has concluded for this stage, we will consult them for our next stage. For certain, trees, wood and forests are an indispensable factor in our efforts to coexist with the earth.

Takeshi Kobayashi, musician

# HIGHLIGHT 4

Related SDGs



## The Power of Greenery in Elevating the Value of Communities and Living

Material Issue 2

The development and sale of reliable and safe products and services that consider the environment and society

Related goals	Fiscal 2021 Plan	Fiscal 2019 actual results
Increasing environmentally conscious products and services	Order ratio of 63.0% for environmentally-friendly products* in our Environment Business	56.8%
Creating an environment that considers biodiversity	500,000 in sales of native species logs	424,000 logs

\* (1) local seedlings, (2) permeable paving material, (3) green wall construction, (4) rooftop greening, (5) biotope and (6) use of recycled materials

In recent years, there has been an increasing focus on the various effects and benefits of greenery. Incorporating greenery in real estate enhances value. We want to build lifestyles and communities that are enriched through coexistence with nature and link this with people's health. Sumitomo Forestry Group is challenging itself to create new greenery value in houses, office buildings and entire neighborhoods with a view to sustainability.

### Creating Communities – What are We Seeking?

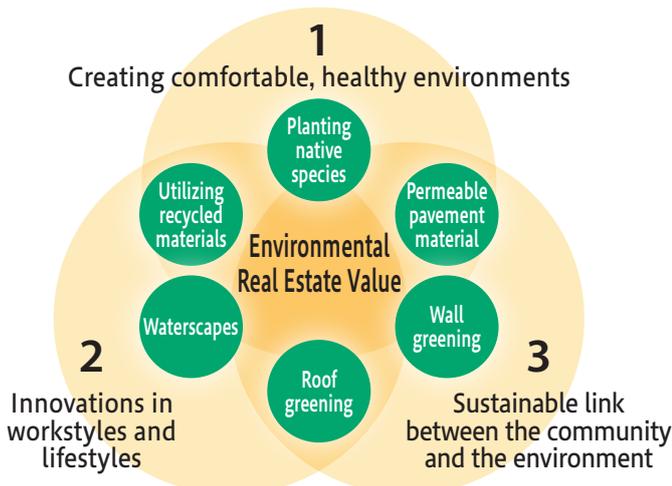
With growing concerns about climate change and other environmental issues, and with low birthrates, an aging society and changes in work style, our societal environment and lifestyles are undergoing tremendous change. This is resulting in renewed interest in the value of creating greenery in our communities. By harmonizing greenery with buildings and spaces, we enhance the value of not only the buildings themselves, but the surrounding areas as well. With worries about changes in climate and societal structures forecasted to grow in the years ahead, we must envision how we wish our lives to be over the next several decades. We believe community planning needs this type of long-term perspective.

### Comprehensive Environmental Real Estate Born from Collaboration

Sumitomo Forestry Landscaping, which plays a central role in Sumitomo Forestry Group's greening business, has a business and capital alliance with Kumagai Group, major construction company. The two companies are working together from the planning and design stages to create environmental real estate that utilizes greenery needed for a sustainable society. To measure the companies' contributions to the region and environment, six quantitative targets have been set. However, to avoid overreliance on indices and numbers, we are also planning and designing with an emphasis on the added value to the people who use the space, the community and society as a whole.

#### Six Indices for the Greening of Environmental Real Estate

- A planting plan that uses primarily native species
- Avoiding the use of plants/vegetation that may lower the region's biodiversity
- The greening of buildings with roof, wall and other greening
- The use of permeable pavement material
- The use of recycled materials
- The creation of waterscapes, biotopes





## A High-Rise Japanese Garden That Conveys the Beauty of Nature and Harmony

One example of an environmental real estate project that Sumitomo Forestry Landscaping designed is Hotel Yaenomidori Tokyo that opened in the Yaesu Hatchobori area of Tokyo in July 2020. The hotel's concept is to present the multiple aspects of Japan's beauty. On the very top floor is a Japanese garden for guests to experience a spiritual, Japanese-style, sophisticated calm despite being in the middle of the Tokyo business district. By using shishiodoshi (water-filled bamboo tubes that clack against stones when emptied to frighten wild), water basins and other waterscape devices, by planting trees that respond to the change in seasons, Sumitomo Forestry Landscaping carefully designed and constructed a space that conveyed the beauty of nature and Japanese culture through the five senses. It harnessed its experience and technology to secure trees both below and above ground, to consider load limits and rain and wind conditions of high-rise buildings, and to commit to planting native species.

## With an Aim to Create Greater Value for Society

People who use offices, residential areas, hospitals, hotels or other types of spaces seek greenery for different reasons. At Sumitomo Forestry Group, we create greenery with a purpose, such as a place to re-energize during work, to enrich biodiversity, or a variety of other needs. We will continue to keep abreast of societal changes and try to contribute to SDGs and the resolution of a wide variety of other societal issues. To do so, we will try to quantify the effects of greenery in terms of reducing temperature increase, promote proposals for acquiring environmental certifications and disseminate more widely the value that greening provides to society.



### Message from the Hotel Management

Just as our name indicates, Hotel Yaenomidori Tokyo seeks to represent the multi-layered beauty of Japan with its emerald-like sophisticated space and services. That is why I love that the first thing guests see when they enter our hotel is a Japanese garden located across the front lobby on the uppermost floor. This Japanese garden, with a view of Tokyo as a backdrop, is as beautiful as a painting. Here we hope our customers are stirred emotionally and feel something out of the ordinary. To have our guests enjoy the

garden, we proactively invite them to the veranda. We hope the murmur of the stream, the scent of the flowers and other aspects of the garden that can be enjoyed with the five senses will give our guests a sense of calm. Sumitomo Forestry Landscaping helped realize this by providing advice from many different perspectives. While there were construction challenges along the way, I am grateful that they successfully realized our vision.

Tomomi Takahashi,  
general manager, Hotel Yaenomidori Tokyo

# HIGHLIGHT 5

Related SDGs



## Aiming for 100% Renewable Energies by 2040

Material Issue 3

The reduction of the environmental impact of our business activities

### Related goals

**Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)**

### Concrete Measure Greenhouse gas emissions (t-CO<sub>2</sub>e)

**Scope 1, 2: By 2030, reduce greenhouse gas emissions 21% compared to 2017 (base year)**

\*SBT Scope 3 targets are incorporated into our Material Issue 2, the development and sale of reliable and safe products and services that consider the environment and society. Scope 3: A 16% reduction compared to 2017 (base year) of total Category 1 and 11 greenhouse gas emissions by 2030.



Sumitomo Forestry Group has set forth the reduction of the environmental impact of our business activities as one of its material issues. In July 2018, we formulated a Group target for reducing greenhouse gas emissions, which was certified by the SBT Initiative\*<sup>1</sup>. In addition to energy conservation efforts, we are accelerating our use of increasingly important renewable energies to achieve our goal and have become a member of RE100\*<sup>2</sup> in March 2020.

### Joined RE100 with the Aim for 100% Renewable Energies

In October 2018, the Intergovernmental Panel on Climate Change (IPCC) issued its Special Report on Global Warming of 1.5°C, which published the latest scientific findings regarding global warming. According to this report, limiting global warming to 1.5°C compared with 2°C above pre-industrial levels by the end of this century will have a significant difference in impact on the global environment. Given these scientific findings, COP24 and other international discussion forums are rapidly aligning with the Paris Agreement and shifting their targets from 2°C to 1.5°C.

Sumitomo Forestry Group's long-term greenhouse gas emissions reduction target was certified by the SBT Initiative in July 2018. However, prompted by these new findings and in preparation for revisions in SBTs, we have decided to further reduce the greenhouse gas emissions from our business activities. As part of this effort, in March 2020, we became a member of RE100 and are aiming to use 100% renewable energies.

**By 2040, we aim to utilize 100% renewable energy for the electricity used for our Group business activities and for the fuel for our power generation operations.**

Sumitomo Forestry Group's implementation of renewable energy includes solar power generation panels installed at our housing exhibition sites and generated power for our own use (including an adjacent wood fuel chip factory) from our biomass power generation sites. In fiscal 2019, renewable energy accounted for about 16% of our total group electricity usage. To accelerate the implementation of renewable energy, we plan to have each business division set its own targets and tackle the issue as a company-wide initiative.

For Sumitomo Forestry Group to achieve 100% renewable energy for the electricity for our operations, we are utilizing Sumirin Denki, a service where we purchase surplus power as well as supply electricity generated from solar power systems of Sumitomo Forestry home houses. We are also considering installing solar power generation systems in our factories both in Japan and overseas. Furthermore, we will consider a diverse range of procurement methods that take advantage of programs in each country we operate.

Sumitomo Forestry Group will continue to proactively utilize renewable energies to reduce greenhouse gas emissions and contribute to the realization of a sustainable society.

**2040 RE 100**



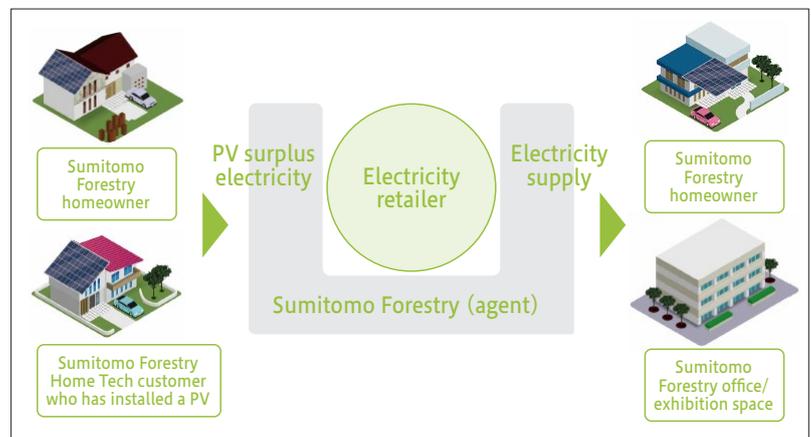
<sup>\*1</sup> SBT (Science Based Targets) Initiative:  
An international initiative established in 2015 by four organizations, including the United Nations Global Compact and CDP. On October 15, 2019, the SBT Initiative updated its target validation criteria to 1.5°C. Our decision to become a member of RE100 is part of our effort to aim for greenhouse gas emissions that are in line with this new validation criteria level.

<sup>\*2</sup> RE100: An international initiative operated through an alliance with the Climate Group, an NGO, and CDP. As of March 25, 2020, 229 companies worldwide are members, of which 32 companies are Japanese.

## Utilizing Sumirin Denki Solar Power Generation for Domestic Electricity Usage

In November 2019, Sumitomo Forestry Group launched Sumirin Denki, a service for owners of Sumitomo Forestry Group homes where we purchase surplus energy generated by their household solar power systems and supply it to others. We began this service with the completion of the government's FIT (feed-in tariff) fixed-price renewable energy purchase system.

We are working on ways to utilize this energy from Sumirin Denki for our business offices and appropriate it to our domestic electricity consumption. Because Sumirin Denki is based on solar power, we need to think of ways to supply electricity at night and are working on the installation of batteries as well as the procurement of other electricity sources, such as biomass power generation from our own Group operations.



## Expanding Solar Power in Our Factories

As Sumitomo Forestry Group, our manufacturing facilities account for about 30% of our total greenhouse gas emissions. To achieve RE100, it is vital that we conserve energy and expand the use of renewable energy in our factories.

In May 2020, a new plant was opened in the Kagoshima Plant site of Sumitomo Forestry Crest, which manufactures interior materials. Under a PPA (Power Purchase Agreement) model to hold down initial costs, we plan to install 1,540 solar power panels in this new factory building, which is forecasted to generate approximately 549 MWh of power annually, reducing greenhouse gas emissions by 260t per year. In addition, PT AST Indonesia, which manufactures and sells musical instruments, parts for musical instruments, wooden building materials and interior housing materials, is constructing a new plant to expand production. About 90% of AST's greenhouse gas emissions comes from electricity consumption and with the operation of the new plant, electricity consumption is expected to increase. However, we are planning to install 3,384 solar power panels on the roof of the new plant, which will produce approximately 2,181 MWh of power annually, reducing greenhouse gas emissions by about 1,600t.

Both in Japan and overseas, Sumitomo Forestry Group is considering the installation and expansion of solar power panels in our manufacturing sites in an ongoing effort to increase the ratio of renewable energy.

\* PPA Model: A system whereby a host loans out factory rooftop space to a power generation company to install solar energy panels and then purchases the electricity generated from these panels for its own use.



Exterior view of the Kagoshima Factory  
Installation of solar panels is scheduled for completion in September 2020

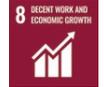
## Overseas Approaches to Realizing RE100

Our New Zealand subsidiary Nelson Pine Industries Ltd., which manufactures and sells MDF (medium-density fiberboard), veneer and LVL (laminated veneer lumber), consumes the most electricity within our Group. In New Zealand, a high ratio of power composition is from hydropower, geothermal power and other forms of renewable energy, and was approximately 80% as of 2016. The New Zealand government has set out a goal for 100% renewable energy by 2035, which is when we forecast to achieve RE100.

With the momentum for implementing renewable energy growing in Southeast Asia, we are considering the installation of solar power generation systems at our other manufacturing sites in Indonesia and Vietnam. In the United States and Australia where we are primarily involved in the housing business, we plan to steadily transition to renewable energy thanks to the ability to procure renewable energy at low cost and the issuance of sufficient renewable energy certificates.

# HIGHLIGHT 6

Related SDGs



## A Diverse and Vibrant Workplace

Material Issue 4

A vibrant work environment where a diverse workforce can unharness their skills and individuality

Related goals	Fiscal 2021 Plan	Fiscal 2019 actual results	
Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	5.5% female employees in management positions at Sumitomo Forestry, 7.3% at domestic affiliated companies	Sumitomo Forestry <b>4.2%</b>	Domestic affiliated companies <b>6.1%</b>
Securing human resources by nurturing younger generations and utilizing older ones	Employment rate of people over 60 years old (including re-employment) of 87.0% at Sumitomo Forestry, 78% at domestic affiliated companies	<b>79.6%</b>	<b>69.4%</b>

With falling birthrates and an aging population, Japan's working population continues to decline. To secure a good workforce, it is ever more important to promote diversity and create a work environment where women and senior citizens can succeed. In its Action Guideline and Code of Conduct, Sumitomo Forestry Group has formulated ways to secure and respect diversity and is focusing on initiatives that will enable a diverse workforce, regardless of nationality, gender, age and other factors, to play an active role.

### Promoting Women's Empowerment by Breaking Away from Stereotypes

In 2013, Sumitomo Forestry Group announced as part of its diversity management its Declaration on Empowering Women, which has three major pillars: to create a positive work environment for women, to leverage women's unique creative powers and to spur innovation through the participation of women. By drawing out women's potential, the Declaration seeks to integrate a wide range of viewpoints to vitalize the work environment. In 2016, the Company formulated its Voluntary Action Plan on the Appointment of Women Directors and Managers. Currently, we aim to have at least a 5.5% ratio of women in management positions by 2021.

To make this goal a reality, in 2020, we established a new job description called administrative planning to provide more opportunities for active participation and open a path for employees in many different departments and roles to become managers. In addition, we are continuing our Mentor System that we adopted in fiscal 2016

where division managers and group manager-class supervisors serve as mentors and support junior female managers, manager candidates and other mentees. In fiscal 2019, six mentees participated in this program.

In fiscal 2019, we held an event called the Women's Conference 2020, aimed primarily at young women employees in their 20s and 30s. Participants were given the opportunity to hear from people who could serve as role models, namely female managers and female directors. The response was very positive, with participants saying that they gained a better idea of what they should strive for and that it served as an opportunity to reevaluate their position and job description. Feedback was shared widely among the directors and president, who also attended, and discussed at management training seminars. It was an opportunity for all employees to dispel their unconscious biases, including their perceptions of gender roles, and raise awareness that a diverse workforce benefits the company's development.



**Comment from a Participant of the Women's Conference 2020**

We had the opportunity to attend the Women's Conference 2020. I was impressed at how motivated all the participants were in their work and how they each carved out their own workstyle. This conference was both stimulating and fulfilling in helping me realize that there are many such women. I now know that the company needs me and has high expectations of me, and this has given me both confidence

and courage. I realized that I sometimes take things too seriously and hesitate, so in order to advance in my career, I will try to take on new challenges and be more proactive. The conference encouraged me to have a positive attitude to try new things, including moving up the career ladder.

**Seiko Kitajima,**  
Housing and Construction Division, Fukui Branch



Participants of Women's Conference 2020 displaying their individual goals

## Creating a Company where Employees can Continue to Work with a Sense of Security

To expand work opportunities for older generations, in fiscal 2020, Sumitomo Forestry raised the retirement age from 60 to 65 and implemented a flexible age retirement system where employees can choose when to retire. In addition, we abolished the upper age limit of our Senior Human Resources Bank, a system for employees over the age of 65 to continue working. Providing opportunities for employees to continue working for a long time with a sense of security and enabling everyone to develop career paths at an early stage leads to securing better people. Having employees with a wealth of experience pass on their valuable knowledge and skills to younger generations is also an aim. Since fiscal 2018, we have also begun promoting the Universal Manner Test, which teaches people how to interact with individuals with physical, mental or other challenges. We are aiming to have all employees pass Level 3 of this test. Because we believe a clearer understanding of the difficulties associated with disabilities and of the importance of diversity will lead to better product development that responds to diverse customer needs, employees in our research and design departments are also required to take the higher Level 2 of this test in-house.



Veteran employees supporting younger staff (Senior Human Resources Bank Center)



Being awarded a certificate after the company's first Universal Manner Test by then-President Ichikawa

## Supporting Employee Health, the Foundation of Everything We Do

The most important element in the company's management is employee health. Sumitomo Forestry conducts regular stress checks of its employees and promotes the use of a workplace mental health service called EAP (Employee Assistance Program). We also hold health-related seminars and events and promote other initiatives to protect employee health. In addition to a 100% compliance rate for primary-level medical checkups for all employees, we are working to create a structure that will raise the percentage of employees undergoing secondary-level checkups as well. We will continue to implement more effective wellness promotion measures by communicating closely with our employees and incorporating improvements. With the spread of the novel coronavirus, we have significantly accelerated the timetable for expanding the scope of eligibility for teleworking, one element of our workstyle reform. In addition, in an environment where working from home will continue indefinitely, we are looking into ways to support teleworking, such as providing information on ways to prevent the lack of exercise. Not only will we try to respond to the current situation, we will also consider different workstyles that reflect each employee's home environment, aptitude and other factors to promote workstyle reform and health management.



Working from home

# HIGHLIGHT 7

Related SDGs



## A Strategic Response to Climate Change

Material Issue 5

Reinforcing corporate ethics and governance structures

Related goals	Fiscal 2021 Plan	Fiscal 2019 actual results
Enhancing risk management and compliance structures	Have all business divisions revalidate the TCFD scenario analysis results and incorporate their findings into the next Mid-Term Management Plan	Analysis results have been revalidated, the scope has been expanded and the results disclosed for two divisions, the domestic Housing Division and the Timber and Building Materials Division

In 2018, Sumitomo Forestry expressed its support of the recommendations made by the Financial Stability Board’s TCFD\*<sup>1</sup> (Task Force on Climate-Related Financial Disclosures) in recognition of the risks and opportunities that come with climate change. In the same year, we initiated a scenario analysis\*<sup>2</sup> in accordance with TCFD’s recommendations.

\*1 An abbreviation of Task Force on Climate-Related Financial Disclosures. Established in April 2015 by a directive from the FSB (Financial Stability Board), this task force on climate-related financial information disclosure provides a framework for companies who voluntarily wish to disclose information on climate-related risks, opportunities and financial impact.

\*2 A method that forecasts of the impact of climate change itself, as well as what changes long-term policy trends related to climate change may create in the business environment, to consider the possible impact on a company’s business and management.

### Identifying and Evaluating Risks and Opportunities Based on a Scenario Analysis of 2030

A recommendation released by TCFD in June 2017 set out four thematic disclosure areas – governance, strategy, risk management and metrics/targets – for a company’s climate-related financial information. For Sumitomo Forestry, which handles wood as its primary resource and product, a major transition risk is the increase in timber procurement costs with stricter forest conservation policies, logging restrictions and other regulations in each of the countries we operate in. Physical risks include the intensification of natural disasters and the increase in housing construction costs due to delays related to temperature rises, among others. For our scenario analysis, the relevant headquarters departments worked with each business division. Two divisions, the Timber and Building Materials Division and the Housing and Construction Division, constructed scenarios forecasting both a +2°C and +4°C increase in average global temperature compared to pre-industrial levels and considered how each scenario would impact our situation in 2030.

In a +2°C scenario, we forecasted that with aggressive government promotion, the market for net zero energy houses (ZEH) would mature. We also predicted the entry of competitors from other industries with the development of advanced ZEH and the move toward lower costs. In addition, forest regulations and an increase in forest fires may actualize procurement risks. In a +4°C scenario, we forecasted that with government promotion of energy conservation measures in homes, the popularization and demand for ZEH and high-durable houses would continue to grow, but that the Timber and Building Materials

Division would see changes in the supply chain as a result of increased fires and spread of pests that would make procurement difficult.

With these scenarios in mind and using science-based forecasts, we evaluated the financial impact on our operations if we continued our business as usual. Results of these scenario analyses were reported to the Sustainability Committee and the Board of Directors and were shared among top management. In the future, in addition to enhancing the accuracy of these analyses, we will discuss ways to incorporate our findings in our business plans and build resilience into our corporate strategy so that we can respond to an uncertain future.

#### The four TCFD disclosure categories

Governance	The organization’s governance and climate-related risks and opportunities.
Strategy	The actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.
Risk management	The processes used by the organization to identify, assess and manage climate-related risks.
Metrics/Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Risk assessment

Timber and Building Materials Division			
Risk category	Impact on operations	Risk level	
Transition Risks	Carbon emission targets, policies in each country	Increased timber procurement costs due to policies related to forest carbon sinks.	High
	Forest conservation policies	Increased timber procurement costs due to logging taxes, logging fees and other. A continuation of the subsidy program will create a monetary incentive. Depending on the policy, this may impact market competitiveness and revenues.	High
	Energy conservation and other subsidy policies	Increased revenues from the promotion of wood biomass operations. On the other hand, if subsidy policies are abolished, decreased revenues.	High
	Changes in energy mix	Increased revenues if biomass is incorporated into each country's sustainability criteria. On the other hand, higher costs of biomass fuel (wood chips) with an increase in demand.	High
	Economic stagnation with global warming regulations	A fall in demand for wood building materials and a decrease in revenues if construction demand is suppressed.	High
	Advances in next-generation technologies		Low to moderate
	Popularization of renewable energy/energy conservation technologies		Low to moderate
	Changes in investor evaluation		Low to moderate
Physical Risks	Rise in average temperatures	Increased timber procurement costs with forest fires and tree diseases, insects and other. On the other hand, rising temperatures and increased precipitation will lengthen the growth period. This will increase productivity, which may reduce timber procurement costs.	High
	Changes in precipitation and climate patterns	Increased timber procurement costs with changes in the regions of vegetation and our procurement.	High
	Intensification of extreme weather	A fall in revenues due to factory shutdowns. Increased timber procurement costs with a decline in forest resources.	High

Housing and Construction Division			
Risk category	Impact on operations	Risk level	
Transition Risks	Carbon emission targets, policies in each country	Increased timber procurement costs due to policies related to forest carbon sinks.	High
	Forest conservation policies	Increased timber procurement costs due to logging taxes, logging fees and other.	High
	Policies related to buildings	Additional investments and renovation costs to comply with policies. A continuation of the subsidy program will create a monetary incentive. Depending on the policy, this may impact market competitiveness and revenues.	High
	Changes in customer evaluation	If customer awareness of climate change increases, customer preference will move toward the use of certified timber, increasing procurement costs.	High
	Fossil fuel subsidy program		Low to moderate
	Changes in energy mix		Low to moderate
	Changes in investor evaluation		Low to moderate
Physical Risks	Intensification of extreme weather	In the event of a major natural disaster, increased construction costs due to schedule delays, equipment repairs or replacement, and other factors. Increased days of excessive heat will lower outdoor work productivity. Increased costs due to construction delays and maintaining and enhancing worker health.	High

Science-based world view for 2030 (excerpt)

		Current	2030	
			4°C	2°C
Carbon emission targets, policies in each country	Each country's targets	Indonesia deforestation 325ha (2030 goal)	450ha (assumed)	300ha (assumed)
		Logging regulations for natural forests	none	Set by each country (20-100%)
Construction policies	ZEH target	Number of new constructions	XX units (maintaining status quo)	XX units (XX% lost opportunity)
		ZEH ratio	ZEH XX%	XX%, advanced ZEH XX%
Energy conservation and other subsidy policies	Subsidy amount Biomass energy ratio	Power supply composition in Japan, 1.7%	3.7%	4.6%
Changes in energy mix				
Rise in average temperature	Changes in vegetation Increase in fires	Forest fire area 0.951%/year (Canada)	1.594%/year	1.690%/year

Opportunity examples related to climate change

1. The expansion of housing sales in response to government promotion of ZEH

**+2°C scenario**  
ZEH with a much higher energy efficiency than currently becomes the standard

With the setting of a ZEH sales target, the Company's technology development capabilities and market competitiveness increase, leading to greater market share and revenues.

**+4°C scenario**  
The government requires an even higher ZEH ratio

2. A growth in the need renewable energy

**+2°C scenario**  
The ratio of biomass power in Japan's power supply composition grows to 4.6%

Revenues increase for biomass energy fuel chip suppliers.

**+4°C scenario**  
The ratio of biomass energy in Japan's power supply composition grows to 3.7%

**WEB** For details on our initiatives related to climate change, please check our web page.



# Sumitomo Forestry Group's Sustainability Management

Corporate Philosophy and Sustainability Management

---

Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues

---

Contributions to the SDGs and Material Issues

---

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

---

Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society

---

Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities

---

Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality

---

Material Issue 5: Corporate Ethics and Governance Structures

---

Stakeholder Engagement

---

Sustainability-related Policies and Philosophy

---

## Corporate Philosophy and Sustainability Management

### Sumitomo Forestry Group Corporate Philosophy and Sustainability Management

The Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy of "The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society".

We have been operating based on this philosophy and engaging in sustainable management. We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives. We formulate various policies and guidelines according to these principles, such as our environmental, procurement and human rights policies. In addition, to ensure Group-wide adoption of the Sumitomo Forestry Group Code of Conduct, we explain the Sumitomo Forestry Group Code of Conduct by distributing a Sumitomo Forestry Group Code of Conduct Handbook to each and every employee of Group companies in Japan and by carrying out e-Learning. This information is translated into English and other languages to implement the Code of Conduct along with Corporate Philosophy and Our Values among affiliated companies outside of Japan.

This information has also been disclosed on our website to our business partners and other stakeholders.

At the Sustainability Committee convened four times a year, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct.

Moreover, based on the ISO26000, the International standard requiring organizations to practice social responsibility, the Sumitomo Forestry Group actively communicates with all stakeholders.

Incorporating the Sumitomo Group's shared values into its brand message "Happiness Grows from Trees," we will further promote sustainable management, thereby contributing to a sustainable society.

#### Corporate Philosophy

The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

#### Our Value

- We provide high-quality products and services that bring joy to our customers.
- We create new businesses that lead to happiness for generations to come with a fresh perspective.
- We promote a free and open-minded corporate culture that respects diversity.
- We set and strive to achieve ambitious goals through ongoing effort.
- We do work that wins us the trust of society with fair and honest conduct.

## Sumitomo Forestry Group Code of Conduct

### Purpose and scope of application

Based on its corporate philosophy and Our Value, the Sumitomo Forestry Group shall manage its operations, including the supply chain, in accordance with this Code of Conduct.

### Fair and transparent corporate activities

#### 1. Strict adherence to laws and regulations

We shall adhere to all domestic and overseas laws and company regulations and respect international norms of behavior.

#### 2. Prevention of corruption

We shall have absolutely no involvement in corrupt practices, including bribery, embezzlement and money laundering.

#### 3. Fair business transactions

We shall pursue fair business transactions and refrain from any involvement in cartels, bid rigging or other such activities.

#### 4. Fair accounting procedures

We shall conduct fair accounting and tax practices based on accurate records.

#### 5. Communication with stakeholders

In consideration of the interests of our shareholders and other stakeholders, we shall disclose necessary information in a timely and fair manner and promote dialogue.

#### 6. Maintaining confidentiality

We shall ensure the protection of confidential information, both our own and that of third parties.

#### 7. Information Security

We shall install appropriate information security measures to prevent information leaks and other breaches.

#### 8. Relationships with companies we do business with

We shall build and maintain constructive relationships with the parties we do business with and refrain from inappropriate behaviors, such as the abuse of power.

#### 9. Protection of intellectual property rights

In addition to protecting our own Company's intellectual property rights, we shall not infringe on the intellectual property rights of others.

#### 10. Protection of personal information

We shall appropriately manage personal information, use it only for authorized purposes and prevent leaks.

#### 11. Responsible advertising/promotional efforts

We shall engage in accurate and appropriate advertising and promotional efforts that do not cause misunderstanding or offense.

#### 12. Healthy relationship with the government

We shall maintain a healthy and transparent relationship with the government that is in conformance with all laws.

#### 13. Stance on organized crime

We shall have absolutely no involvement in organized crime.

#### 14. Establishment of a whistleblowing mechanism

We shall establish a mechanism for people to report any suspicions of breaches to any laws or this Code of Conduct. By allowing reports to be made anonymously and strictly prohibiting retaliation against informants and other measures, we will actively promote its use.

### Ethical conduct

#### 15. Avoidance of a conflict of interest

We shall make a clear distinction between professional and personal matters and refrain from activities that may constitute a conflict of interest with the company.

#### 16. Prohibition of misappropriation of company assets

We shall not use company funds or assets for personal purposes.

#### 17. Prohibition of insider trading

We shall take no part in insider trading, including being complicit with others.

**18. Appropriate gift giving and entertainment**

We shall neither accept nor offer gifts or entertainment that would be considered inappropriate according to socially accepted norms.

**19. Prohibition of political or religious activities**

During work hours, we shall not recruit or otherwise promote political, religious or other activities based on personal ideology.

**A respectful, healthy workplace****20. Respect for human rights**

According to internationally accepted human rights norms, we shall respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people.

**21. Prohibition of discrimination and the promotion of diversity**

We shall not discriminate on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. In addition, we shall work to secure and promote diversity.

**22. Prohibition of forced labor and child labor**

We shall not tolerate forced labor or child labor in any form.

**23. Freedom of association and collective bargaining rights**

In accordance with laws, we shall secure workers' rights for freedom of association and collective bargaining.

**24. Appropriate working hours and wages**

In accordance with laws, we shall ensure that working hours and wages are appropriate.

**25. Work/life balance**

We shall secure the appropriate balance between work and individual commitments, such as caring for children and the elderly.

**26. Occupational health and safety**

We shall strive to maintain a safe and healthy work environment. In addition, we shall implement regular educational and training programs to prepare for disasters, accidents and other.

**27. Human resources development**

We shall strive to nurture human resources by providing skill enhancement opportunities, such as training seminars.

**28. Prohibition of harassment**

We shall not commit or tolerate acts of sexual harassment, power harassment, inhumane punishment or other.

**29. Protection of privacy**

We shall respect and protect the individual's right to privacy.

**Business activities that respect society and the environment****30. Customer satisfaction and safety**

We shall secure the safety and security of our customers and at the same time, sincerely engage with them and work to improve quality and customer satisfaction.

**31. Coexistence with the environment**

We shall strive to reduce the environmental impact of our products and services throughout their entire lifecycle, prevent global warming, recycle resources, prevent pollution and maintain biodiversity.

**32. Contribution to the local community**

We shall respect the local region's culture and customs and through dialogue, shall seek to contribute to their sustainable development.

Established July 1, 2017

- ▶ [Sumitomo Forestry Group Code of Conduct Guidebook \(English\)](#) 
- ▶ [Sumitomo Forestry Group Code of Conduct Guidebook \(Indonesian\)](#) 
- ▶ [Sumitomo Forestry Group Code of Conduct Guidebook \(Vietnamese\)](#) 
- ▶ [Sumitomo Forestry Group Code of Conduct Guidebook \(Chinese\)](#) 

## Participation and Sponsorship of Initiatives

### United Nations Global Compact

In December 2008, Sumitomo Forestry formally signed the United Nations (UN) Global Compact to declare our support for its principles. The ten principles of the UN Global Compact are based on globally established agreements, including the Universal Declaration of Human Rights, and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. They incorporate support of and respect for the protection of human rights and the eradication of forced and child labor.

#### The Ten Principles of the UN Global Compact

##### Human Rights

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

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

##### Labor

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

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

Principle 5: the effective abolition of child labor; and

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

##### Environment

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

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

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

##### Anti-Corruption

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



### World Business Council for Sustainable Development (WBCSD)

Sumitomo Forestry has been a member of the WBCSD\* since January 2020.

We advance efforts to resolve social issues through business to contribute to the SDGs and build a sustainable society.

\* World Business Council for Sustainable Development is a CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world.



### Task Force on Climate-related Financial Disclosures (TCFD)

Sumitomo Forestry Group recognizes the risks associated with climate change as serious risks, and announced its support to the TCFD\* in July 2018. Based on the TCFD recommendations scenario analysis was begun the same year.



\* Task Force on Climate-related Financial Disclosures was established by the direction of the Financial Stability Board (FSB) in April 2015 as a framework for voluntary informational disclosure by companies on risks and opportunities related to climate change.

## Science Based Targets (SBT)

The Sumitomo Forestry Group has announced the formulation of SBTi<sup>\*1</sup> and set new greenhouse gases reduction target for the entire Group in June 2017 and was certified as SBT in July 2018.

- 1. Scope 1&2<sup>\*2</sup>: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.**
- 2. Scope 3<sup>\*2</sup>: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11<sup>\*3</sup> compared to 2017 (base year) by 2030.**

\*1 The SBTi was established in 2015 as a collaboration of four organizations - CDP (formerly the Carbon Disclosure Project), the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting, to help companies determine a pathway for reducing their emissions in line with what is required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures. In Japan, the Ministry of the Environment has translated this in Japanese as "Corporate 2°C Target" and is supporting company efforts.

\*2 Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO<sub>2</sub> emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. E.g. CO<sub>2</sub> emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. E.g. CO<sub>2</sub> emissions generated during the use of products sold.

\*3 Category 1: Greenhouse gas emissions during collection, manufacture, and transport of purchased or acquired goods and services included in Scope 3.

Category 11: Greenhouse gas emissions during use of sold products and services included in Scope 3.

### ► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

## RE100

Sumitomo Forestry joined the international RE100\* initiative in March 2020 that aims for 100% renewable energy in power used for business. Our goal is to transition fuel to generate power to 100% renewable energy in Sumitomo Forestry Group power and power generation businesses by 2040.

\* RE100 is an international initiative run jointly by The Climate Group, a global environmental NGO, and the CDP.



## Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues

### Formulation of the 2021 Mid-Term Management Plan to Promote Further Integration of ESG initiatives

In 2015, Sumitomo Forestry Group identified five Material Issues related to sustainability and established a Mid-Term CSR Management Plan that specified strategies and targets for each issue. With fiscal 2020 set as the target year, each company and division within the Group has been working toward achieving those goals.

Interest in ESG is higher than ever from attention to technological innovations driven by the evolution of IT and significant industrial transformation driven by rapid globalization to concerns about climate change and human rights risk measures as well as stronger governance systems. Companies must contribute to the SDGs by addressing these issues in the pursuit of growth.

In response to the changing business environment, the Sumitomo Forestry Group sees a need to promote sustainable management to an even greater extent. We formulated new Mid-Term Sustainability Targets that incorporate the sustainability strategies and material issues within the 2021 Mid-Term Management Plan (FY2019 to FY2021). This plan includes the further promotion of integration between business operations and ESG initiatives as one of the basic policies.

We will strengthen our management platform and further promote future businesses through sustainable management that creates synergy between business and ESG initiatives.

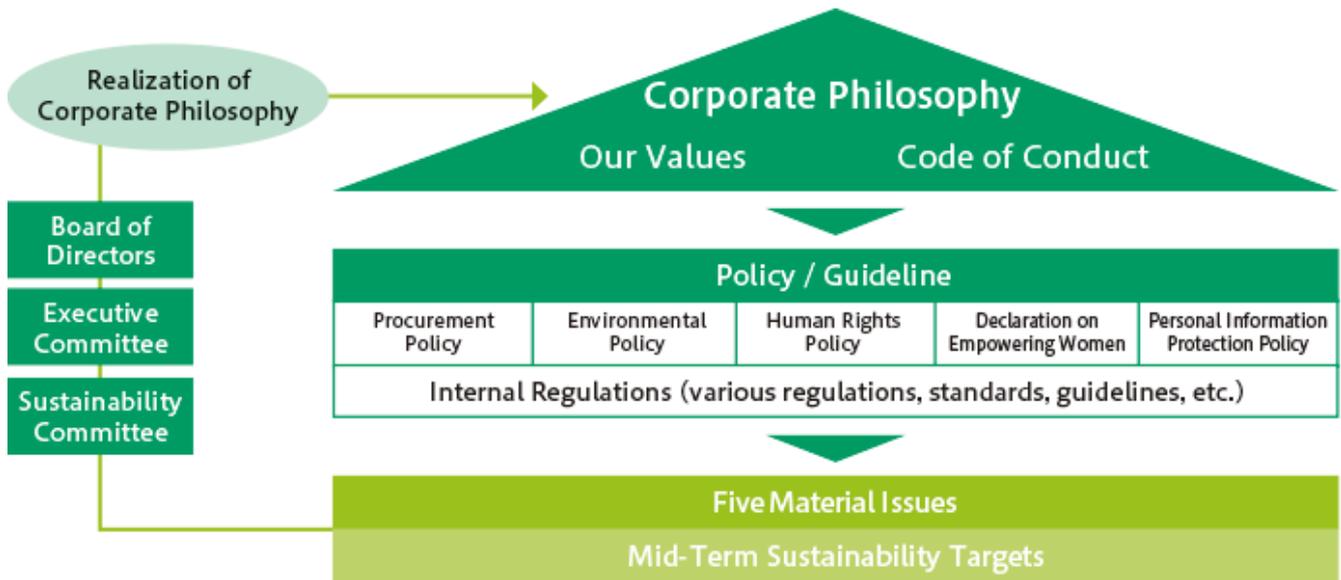
#### Sumitomo Forestry Group 2021 Medium-Term Management Plan -Four Basic Policies-



## Formulation of Mid-Term Sustainability Targets

“The Mid-Term Sustainability Targets” announced in May 2019 is a revision of our previous Mid-Term CSR Plan based on our contributions to achieving the SDGs and the five material issues related to sustainability. Deliberations have been held in each business division and at management level, resulting in the expansion of our list of qualitative targets from 12 to 15 items.

Incorporating specific non-financial targets into our 2021 Mid-Term Management Plan has enabled us to further strengthen the link between our business and sustainability strategies. Not only does this enable us to meet the expectations of society such as SDGs, we believe it will also lead to an increase in corporate value which cannot be determined from a financial perspective alone.



Five Material Issues	Mid-Term Sustainability Targets	Related SDGs
1. Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity	① Management forests while mitigating climate change and protecting biodiversity ② Expanding the utilization of sustainable forest resources ③ Building sustainable supply chains	
2. The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society	④ Increasing environmentally conscious products and services <small>*including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</small> ⑤ Creating an environment that considers biodiversity ⑥ Expanding businesses that contribute to resolving social issues ⑦ Promoting sustainable and innovative technological development	
3. The Reduction of the Environmental Impact of Our Business Activities	⑧ Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2) ⑨ Protecting resources, reducing the generation of waste and achieving zero emissions ⑩ Conserving and effectively utilizing water resources	
4. A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality	⑪ Creating a work environment that generates diverse ideas, job satisfaction and vibrancy ⑫ Securing human resources by training younger workers and utilizing older ones ⑬ Reducing long work hours through work style reforms ⑭ Eliminating occupational injuries	
5. Corporate Ethics and Governance Structures	⑮ Reinforcing risk crisis and compliance structures	

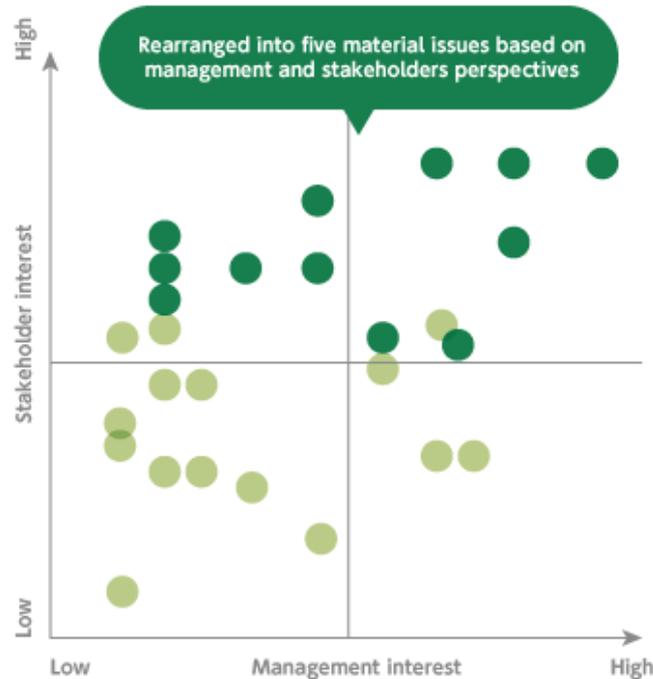
## Identification of Material Issues Related to Sustainability

Following the changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified material issues related to sustainability.

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 Our Values, 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 related to sustainability.

In conjunction with the formulation of Mid-Term Sustainability Targets in 2018, we also revised some of our material issues in light of new demands from the society.



## Management of Mid-Term Sustainability Targets

In Mid-Term Sustainability Targets, we establish 15 qualitative targets based on contributions to achieving SDGs and on our five material issues. In addition, we specified evaluative indexes (quantitative goals) for each qualitative target item, which serve as our targets for fiscal 2021.

Each group company and department has set “Sustainability Budget” with numerical targets set for the fiscal year and commenced initiatives toward achieving these goals.

The Sumitomo Forestry Group fully implements a PDCA cycle for the progress and achievements of each target at the Sustainability Committee convened two times a year in addition to providing reports to the Board of Directors.

- ▶ Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity
- ▶ Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society
- ▶ Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities
- ▶ Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality
- ▶ Material Issue 5: Corporate Ethics and Governance Structures

- ▶ [Mid-Term Sustainability Targets Plan and Results](#) 



## Relationship Between Material Issues and Business

The Sumitomo Forestry Group is building a unique value chain starting from forest management and plantation forest operations worldwide as well as procurement, distribution, manufacturing, and fabrication using a global network up through the provision of all types of housing construction and other lifestyle services. The table below indicates the each business in the value chain and 15 qualitative targets set based on the five material issues. We will promote ESG initiatives unified throughout our businesses.

15 Qualitative Targets	Housing and Construction Business	Distribution Business	Manufacturing Business	Forest Management	Environmental Energy Business	Business Responding to the Super-Aging Society
Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity						
1. Management forests while mitigating climate change and protecting biodiversity				○		
2. Expanding the utilization of sustainable forest resources	○	○	○	○	○	
3. Building sustainable supply chains	○	○	○			
Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society						
4. Increasing environmentally conscious products and services  * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	○	○				
5. Creating an environment that considers biodiversity	○					

15 Qualitative Targets	Housing and Construction Business	Distribution Business	Manufacturing Business	Forest Management	Environmental Energy Business	Business Responding to the Super-Aging Society
6. Expanding businesses that contribute to resolving social issues					○	○
7. Promoting sustainable and innovative technological development	○	○				
<b>Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities</b>						
8. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	○	○	○	○	○	○
9. Protecting resources, reducing the generation of waste and achieving zero emissions	○	○	○		○	○
10. Conserving and effectively utilizing water resources	○	○	○	○	○	○
<b>Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality</b>						
11. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	○	○	○	○	○	○

15 Qualitative Targets	Housing and Construction Business	Distribution Business	Manufacturing Business	Forest Management	Environmental Energy Business	Business Responding to the Super-Aging Society
12. Securing human resources by training younger workers and utilizing older ones	○	○	○	○	○	○
13. Reducing long work hours through work style reforms	○	○	○	○	○	○
14. Eliminating occupational injuries	○	○	○	○	○	○
Material Issue 5: Corporate Ethics and Governance Structures						
15. Reinforcing risk crisis and compliance structures	○	○	○	○	○	○

► Contributions to the SDGs and Material Issues

## Contributions to the SDGs and Material Issues

### Basic Policy

The Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015 set 17 goals on subjects such as poverty, equality, education, and the environment for all nations and regions to achieve by 2030. The SDGs work to solve various global issues raised as principles toward building a better international society that leaves no one behind.

The Sumitomo Forestry Group will promote further integration of business operations and ESG initiatives as one basic policy in the 2021 Mid-Term Management Plan announced in May 2019. We recognize the correlation between the creation of new business opportunities and business growth as well as initiatives that work to solve social issues defined in the SDGs to build a sustainable society. We do recognize the risks of not fully executing these initiatives as well, such as delays in compliance to laws and regulations and a harmed reputation.

With this awareness, our Mid-Term Sustainability Targets define 15 qualitative targets associated with five material issues according to relevance with the SDGs and clarify what can be done now by our Group to achieve the SDGs that outline an ideal form for 2030. We will aim to contribute to the SDGs by reaching the 15 qualitative targets of our material issues.

## SUSTAINABLE DEVELOPMENT GOALS



## Material Issues and SDGs

To integrate the materials issues and SDG initiatives, the Sumitomo Forestry Group has associated SDGs (goals and targets) with the 15 qualitative targets of material issues as shown below. In these activities, each division always promotes use of the PDCA cycle to establish a system for achieving the SDGs by first using indicators for evaluation (numerical targets) with fiscal 2021 set as target based on the Mid-Term Sustainability Targets.

### Material Issues and SDGs (Goals and Targets)

Five Material Issues	15 Qualitative Targets	Relevant SDGs (Goals and Targets)		
Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity	① Management forests while mitigating climate change and protecting biodiversity	 13.1	 15.1 15.2	 17.17
	② Expanding the utilization of sustainable forest resources	 12.2 12.8	 13.2	 15.2 15.3
	③ Building sustainable supply chains	 10.2	 12.2	 13.2   15.1  17.17
The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society	④ Increasing environmentally conscious products and services  * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	 7.2	 9.4	 11.b   12.8  13.2
	⑤ Creating an environment that considers biodiversity		 12.a	 15.4
	⑥ Expanding businesses that contribute to resolving social issues		 7.2	 11.3

Five Material Issues	15 Qualitative Targets	Relevant SDGs (Goals and Targets)		
			 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12.8	 13 CLIMATE ACTION 13.1
	7 Promoting sustainable and innovative technological development	 9.4	 11 RESPONSIBLE CITIES AND COMMUNITIES 11.7	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12.8
			 13 CLIMATE ACTION 13.1 13.2	 15 LIFE ON LAND 15.1
The Reduction of the Environmental Impact of Our Business Activities	8 Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)			 13 CLIMATE ACTION 13.1
	9 Protecting resources, reducing the generation of waste and achieving zero emissions		 11 RESPONSIBLE CITIES AND COMMUNITIES 11.6	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12.5
	10 Conserving and effectively utilizing water resources	 6.4	 11 RESPONSIBLE CITIES AND COMMUNITIES 11.7	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12.8
A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality	11 Creating a work environment that generates diverse ideas, job satisfaction and vibrancy		 5 GENDER EQUALITY 5.5	 8 DECENT WORK AND ECONOMIC GROWTH 8.5
	12 Securing human resources by training younger workers and utilizing older ones			 8 DECENT WORK AND ECONOMIC GROWTH 8.5
	13 Reducing long work hours through work style reforms		 3 GOOD HEALTH AND WELL-BEING 3.9	 8 DECENT WORK AND ECONOMIC GROWTH 8.5
	14 Eliminating occupational injuries		 3 GOOD HEALTH AND WELL-BEING 3.9	 8 DECENT WORK AND ECONOMIC GROWTH 8.8

Five Material Issues	15 Qualitative Targets	Relevant SDGs (Goals and Targets)		
Corporate Ethics and Governance Structures	15 Reinforcing risk crisis and compliance structures			 16.5 16.7

**Highlighted SDGs (Goals and Targets), 15 Qualitative Targets and Main Initiatives**

SDGs (Goals and Targets)	Relevant 15 Qualitative Targets	Main Initiatives
 <p>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</p>	<p>9 Protecting resources, reducing the generation of waste and achieving zero emissions</p>	<p>► Management of Hazardous Chemical Substances and Appropriate Disposal</p>
 <p>5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p>11 Creating a work environment that generates diverse ideas, job satisfaction and vibrancy</p>	<p>► Promoting the Active Involvement of Female Employees</p>
 <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>	<p>10 Conserving and effectively utilizing water resources</p>	<p>► Efficient Use of Water Resources</p>
 <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p>	<p>6 Expanding businesses that contribute to resolving social issues</p>	<p>► Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business</p>
 <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>	<p>12 Securing human resources by training younger workers and utilizing older ones</p>	<p>► Fair Employment and Benefits</p>
 <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>	<p>4 Increasing environmentally conscious products and services</p> <p>* including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</p>	<p>► Home Building That Contributes to a Sustainable Society</p>
	<p>7 Promoting sustainable and innovative technological development</p>	<p>► Toward the Future - Aiming for the Timberized Eco Cities with W350 Plan-</p>

	SDGs (Goals and Targets)	Relevant 15 Qualitative Targets	Main Initiatives
	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	③ Building sustainable supply chains	► Human Rights Initiatives
	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	⑥ Expanding businesses that contribute to resolving social issues	► Business Responding to the Super-Aging Society
	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	⑨ Protecting resources, reducing the generation of waste and achieving zero emissions	► Promotion of Waste Reduction and Recycling
	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.	④ Increasing environmentally conscious products and services  * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	► Home Building That Contributes to a Sustainable Society
	12.2 By 2030 achieve sustainable management and efficient use of natural resources	③ Building sustainable supply chains	► Procurement Initiatives
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	⑨ Protecting resources, reducing the generation of waste and achieving zero emissions	► Promotion of Waste Reduction and Recycling
	13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries	① Management forests while mitigating climate change and protecting biodiversity	► Sustainable Forest Management
		⑥ Expanding businesses that contribute to resolving social issues	► Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business
		⑧ Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

SDGs (Goals and Targets)		Relevant 15 Qualitative Targets	Main Initiatives
	13.2 Integrate climate change measures into national policies, strategies and planning.	<p>④ Increasing environmentally conscious products and services</p> <p>* including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</p>	<p>▶ Home Building That Contributes to a Sustainable Society</p>
	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	<p>① Management forests while mitigating climate change and protecting biodiversity</p>	<p>▶ Sustainable Forest Management</p>
	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	<p>① Management forests while mitigating climate change and protecting biodiversity</p>	<p>▶ Protecting and Utilizing Domestic Forest Resources</p>
		<p>② Expanding the utilization of sustainable forest resources</p>	<p>▶ Forest Revitalization Initiatives</p>
	15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.	<p>② Expanding the utilization of sustainable forest resources</p>	<p>▶ Reforestation Activities Contributing to the Society</p> <p>▶ Consulting Business</p> <p>▶ Forest Management Overseas</p>
		15.8 By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species.	<p>④ Increasing environmentally conscious products and services</p> <p>* including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</p>
<p>⑤ Creating an environment that considers biodiversity</p>	<p>▶ Contributions to Eco Cities Through Greening</p>		
	16.5 Substantially reduce corruption and bribery in all their forms.	<p>⑮ Reinforcing risk crisis and compliance structures</p>	<p>▶ Compliance</p>
	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.	<p>③ Building sustainable supply chains</p>	<p>▶ Promoting Sustainable Timber Procurement</p>

## Dissemination of SDGs

Sumitomo Forestry Group believes that it is crucial to disseminate and foster an understanding of SDGs in each and every employee to contribute to the SDGs through business. We conduct various initiatives to raise employee awareness (examples below).

### Cosponsoring the Nikkei SDGs Forum

Sumitomo Forestry Group is cosponsoring the Nikkei SDGs Forum, a project run by the Nikkei Group to support companies in their efforts to achieve the Sustainable Development Goals (SDGs) set by the United Nations, from fiscal 2018.

### Committing to the Shizuoka City SDGs Declaration

The Shizuoka Branch of the Housing and Construction Division at Sumitomo Forestry is committed to the Shizuoka City SDGs Declaration which has been encouraging SDG activities through offices and associations in Shizuoka City in addition to develop and broadly share excellent case studies since November 2019. As a target of initiatives in fiscal 2020, we have set an 80% standardization rate for Net Zero Energy Houses (ZEH).

In January 2019, the Shizuoka Branch participated in the symposium "Local Communities and SDGs: Furthering SDGs Together" held by Shizuoka City. They exhibited a booth that provided information on broad topics from installing solar panels and strengthening tree-planting proposals to providing environmentally-friendly housing.

### Holding a Greenery and SDGs Seminar Jointly with Kumagai Gumi

In July 2019, we jointly organized the Sumitomo Forestry and Kumagai Gumi Greenery and SDGs Seminar at the head office of Kumagai Gumi, which has a business and capital alliance with Sumitomo Forestry. Roughly 250 people from both companies participated in the seminar that introduced environmental real estate business examples that aim to integrate construction and greening technologies with expertise possessed by both Sumitomo Forestry and Kumagai Gumi. Environmental experts also provided keynote speeches on the perspectives of SDGs.

By taking advantage of the strengths of both companies, we will propose sustainable construction and spaces that leverage the power of greenery.

### Implementation of SDGs Dissemination Workshops and Training

The Sumitomo Forestry Group holds employee workshops and training by external lecturers for employees to provide learning opportunities that link SDGs to business operations.

As one example of our workshops, participants play a card game in which participants envision the achievement of their life goals at the year 2030, such as wealth acquisition, comfortable leisure lifestyle, and environmental conservation in light of economic, social and environmental barometers that reflect global circumstances. Participants were divided into groups, which then used Lego blocks as a tool to discuss what they can do based on the results as members of the Sumitomo Forestry Group to help realize a world in which "No one will be left behind."

Workshop and training sessions were held four times in fiscal 2019 with 101 participants, mainly among employees working on housing, construction, production, and distribution.

The General Manager Meeting convened in October 2019 also gathered 171 general managers together for a lecture with theme "SDGs change companies" by Hiroko Kuniya, newscaster and goodwill ambassador of the Food and Agriculture Organization of the United Nations (FAO).

The workshops and other efforts at the Sumitomo Forestry Group aim to further disseminate SDGs understanding and action toward achieving the goals, both internally and externally.



Workshop Using Lego Blocks

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

### Basic Policy

With businesses centered on wood, Sumitomo Forestry Group promotes sustainable forest management and timber procurement both domestically and abroad. In procuring wood and timber products, we engage in management under specified numerical targets, placing it as an important theme of sustainability that encompasses environmental aspects such as climate change measures and biodiversity conservation as well as social aspects such as human rights.

With increase in concern about forest depletion as one of the causes of climate change, demand for sustainability in procurement is on the rise. Amid these circumstances, Sumitomo Forestry Group has declared the goal of handling all of its timber and timber products to be sustainable by fiscal 2021. We have heightened our evaluation criteria for sustainable timber procurement as we work to step up our confirmation system. As we continue to contribute to solving social issues, we have defined KPI to establish timber procurement that achieves both forest resource utilization and biodiversity conservation.

### Related SDGs



► [Contributions to the SDGs and Material Issues](#)

### Management of Material Issue 1

Material Issue 1 of our Mid-Term Sustainability Targets is “Ongoing timber and materials procurement that considers sustainability and biodiversity.” We have derived three targets from this issue, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

#### Targets of Material Issue 1

1. Management forests while mitigating climate change and protecting biodiversity
2. Expanding the utilization of sustainable forest resources
3. Building sustainable supply chains

## Impact on Society and the Environment

Targets of Material Issue 1	Impact (Influence)
1. Management Forests while mitigating climate change and protecting biodiversity	<ul style="list-style-type: none"> <li>Contributing to climate change measures through CO<sub>2</sub> fixation</li> <li>Contributing to the protection of rare species and other conservation of biodiversity</li> <li>Contributing to forest industry and regional revitalization by heightening forest sustainability</li> </ul>
2. Expanding the utilization of sustainable forest resources	<ul style="list-style-type: none"> <li>Securing seedlings for replanting and promoting circular use of forest resources from cutting to replanting</li> <li>Contributing to greater biomass power generation (renewable energy supply) in Japan</li> <li>Heightening regional resilience</li> <li>Contributing to forest industry and regional revitalization by utilizing domestic timber</li> <li>Enhancing standardization, awareness, and added value of sustainable timber and products as well as certified timber</li> </ul>
3. Building sustainable supply chains	<ul style="list-style-type: none"> <li>Improving the sustainability of timber products imported from overseas and domestic housing materials (Resolve the environmental and human rights issues/ Coexisting and co-prospering with society)</li> </ul>

### Management of Each Target

#### Management Forests While Mitigating Climate Change and Protecting Biodiversity

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Maintain and expand the area of certified forests	Domestic and overseas certified forest area (ha)	Environment and Resources Division	220,417	221,101	○	222,144	221,467

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

#### ► Sustainable Forest Management

## Expanding the Utilization of Sustainable Forest Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Expand domestic and overseas forest plantation area with seedlings produced	Area of forest plantation with in-house produced seedlings (ha)	Environment and Resources Division	6,553	7,770	○	7,456	7,920
	Seedlings supplied (unit: 10 Thousand)	Environment and Resources Division Timber and Building Materials Division	511	414	△	509	726
Expand the volume of chip and pellet fuel used	Amount of biofuel material used (such as wood chips and pellets) (t)*	Environment and Resources Division Timber and Building Materials Division	1,188,010	1,112,224 	△	1,217,541	1,363,930
Increase quantity of sustainable timber and timber products handled and used	Percentage of sustainable timber and timber products handled (%)	Timber and Building Materials Division	89.0	89.8 	○	93.0	100
	Rate of sustainable timber used as primary building material (%)	Housing and Construction Division	80.0	80.6	○	100	100

\* Includes Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co. Ltd., Michinoku Bio Energy Co., Ltd., and the Sumitomo Forestry Timber and Building Materials Business.

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

- ▶ [Protecting and Utilizing Domestic Forest Resources](#)
- ▶ [Fuel Manufacturing \(Chips, Pellets\)](#)
- ▶ [Procurement Initiatives \(Distribution Business\)](#)
- ▶  [About symbol for Independent assurance](#)

## Building Sustainable Supply Chains

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Update the Sustainability procurement survey form and formulate survey plan	Sustainability procurement survey implementation rate* <sup>1</sup> in the supply chain of the domestic housing department (%)	Housing and Construction Division	65.0	86.0 	○	88.0	80.0
	Sustainability procurement survey implementation rate* <sup>2</sup> of suppliers of imported timber (%)	Timber and Building Materials Division	100	100 	○	100	100

\*1 Rate accounts for the purchasing ratio of the suppliers surveyed

\*2 Rate accounts for the number of suppliers implementing sustainability surveys versus the number of suppliers encompassed in the Timber Procurement Committee timber procurement due diligence for this fiscal year

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

- ▶ [Procurement Initiatives \(Distribution Business\)](#)
- ▶ [Human Rights Initiatives](#)
- ▶  [About symbol for Independent assurance](#)

## Toward the Future

Sumitomo Forestry conducts periodic reviews to confirm sustainability at all procurement suppliers for timber and timber products we directly import from overseas. The percentage of sustainable timber and timber products handled in fiscal 2019 showed a favorable shift upward to 89.8% against our target of 89.0%. We aim to reach 100% procurement of sustainable timber and timber products by fiscal 2021. The sustainability procurement survey implementation rate in the supply chain of the domestic housing department which was set as a new target in fiscal 2019, was 86% out of the amount of material purchases from suppliers. We aim to build and expand the scope of sustainable supply chains in the future.

## Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society

### Basic Policy

Sumitomo Forestry Group provides a full complement of products and services related to our customers' lifestyles, beginning with housings. While it goes without saying that we attend to customer's peace of mind and safety in providing products and services, we also believe that engaging in development and sales mindful of creating a sustainable society is a crucial role that our Group must fulfill.

One of the areas which we can contribute the most in reducing environmental impact is the reduction of greenhouse gases emissions from housings that people live in. Net Zero Energy Houses (ZEH) and other housing measures in Japan offer guidance to creating eco products as well as advocate excellent long-term housing as an asset. Sumitomo Forestry will contribute to a sustainable society by setting ZEH order quotas and other targets for environmentally-friendly products in addition to recommending ZEH housing while tailoring specifications to customer needs in order to reduce the energy consumption of each household.

### Related SDGs



#### ► Contributions to the SDGs and Material Issues

### Management of Material Issue 2

Within our Mid-Term Sustainability Goals, our Material Issue 2 “the development and sale of reliable and safe products and services that consider the environment and society” is broadly divided into four goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

#### Targets of Material Issue 2

1. Increasing environmentally conscious products and services  
\* Including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)
2. Creating an environment that considers biodiversity
3. Expanding businesses that contribute to resolving social issues
4. Promoting sustainable and innovative technological development

## Impact on society and the environment

Targets of Material Issue 2	Impact (Influence)
1. Increasing environmentally conscious products and services  * Including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	<ul style="list-style-type: none"> <li>Reducing energy consumption (greenhouse gas emissions) throughout all of society by reducing the housing related energy use, which has the majority of energy use/ time spent in daily life.</li> <li>Heightening environmental awareness of consumers (residents)</li> </ul>
2. Creating an environment that considers biodiversity	<ul style="list-style-type: none"> <li>Conserving and expanding biodiversity endogenous to each region</li> <li>Protecting biodiversity in Japan</li> </ul>
3. Expanding businesses that contribute to resolving social issues	<ul style="list-style-type: none"> <li>Solving social issues by expanding businesses</li> </ul>
4. Promoting sustainable and innovative technological development	<ul style="list-style-type: none"> <li>Building a sustainable society by providing sustainable architecture</li> <li>Expanding the potential of wood construction and encouraging further use of timber as a sustainable resource. This will ultimately help promote sustainable forest use.</li> </ul>

## Management of Each Target

### Increasing Environmentally Conscious Products and Services

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Promote standards for energy generation and conservation housing	Percentage of orders for ZEH type houses out of new custom-built detached housings (%)	Housing and Construction Division	60.0	48.2	△	80.0	80.0
	Rate of Environmentally-friendly renovation order rate (%)	Housing and Construction Division	50.0	52.4	○	55.0	60.0
	Sales of sash, glass wool and solar power generation systems (unit: million yen)	Timber and Building Materials Division	23,119	23,227	○	22,980	24,040
Increase value added by carbon stock from use of timber	Carbon stock in wooden architecture in Japan (t-CO <sub>2</sub> )	Housing and Construction Division	190,676	193,072	○	199,417	199,509
Propose products utilizing seedlings and natural cycle	Rate of orders for environmentally-friendly product (%)	Housing and Construction Division	58.0	56.8	△	59.0	63.0

\* Environmentally-friendly products consist of the following: (1) local seedlings, (2) permeable paving material, (3) green wall construction, (4) rooftop greening, (5) biotope and (6) use of recycled materials

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

▶ [Home Building That Contributes to a Sustainable Society](#)

▶ [About symbol for Independent assurance](#)

## Creating an Environment that Considers Biodiversity

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Expanding sales of native species	Sales of native species logs (unit: trees)	Housing and Construction Division	450,000	424,000	△	450,000	500,000

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

▶ [Contributions to Eco Cities Through Greening](#)

## Expanding Businesses That Contribute to Resolving Social Issues

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Number of rooms added through new facilities construction	Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Services Division	1,457	1,455	×	1,764	2,014
Expand renewable energy business	Amount of electricity supplied by renewable energy business (converted to number of households supplied)*	Environment and Resources Division	217,768	219,628 	○	220,486	373,826

\* The number of households (with an annual electricity use of 3,120kWh per household) to which electricity could be supplied, based on the amount of electricity supplied annually by the renewable energy business.

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

▶ [Business Responding to the Super-Aging Society](#)

▶ [Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business](#)

▶ [About symbol for Independent assurance](#)

## Promoting Sustainable and Innovative Technological Development

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Solve technical issues toward achieving W350 Project	The current state of progress in W350 Project development	Tsukuba Research Institute	Basic design formulation toward achieving W30	Basic design formulation toward achieving W30 (Study base design complete)	○	Basic design formulation toward achieving W30 (Design for actual property planned)	Materials development and basic design formulation toward achievement of W70

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

### ► MOCCA (Timber Solutions) Business

## Toward the Future

We were able to confirm progress in improving as a whole compared to fiscal 2018 even though we did not reach some targets in fiscal 2019.

The percentage of orders for ZEH type houses out of new custom-built detached housings increased from 38% in fiscal 2018 to 48.2% in fiscal 2019. However, we did not meet our 60% target. Sumitomo Forestry will promote the economic benefits of ZEH and encourage an even higher number of orders toward achieving a goal of 80% in fiscal 2020.

In terms of the amount of electricity supplied by renewable energy business, we were able to exceed our target by supplying power worth the annual electricity use of 219,628 households through the stable operation of the Mombetsu Biomass Power Generation and other renewable energy plants. We aim to supply power worth the annual electricity use of 373,826 households in fiscal 2021 with the addition of power that will be generated in the Kanda Biomass Power Generation Plant which is scheduled to start operation in fiscal 2021.

## Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities

### Basic Policy

With the impact of climate change becoming increasingly problematic on a global scale, companies are being asked to reduce emission of greenhouse gas that cause global warming and to implement energy saving initiatives.

In consideration of the environmental impact of these operations, the Sumitomo Forestry Group fully recognizes the importance of reducing greenhouse emissions and taking other measures to combat climate change through the promotion of strict energy-saving activities, renewable energy use and other efforts. With a mid- to long-term perspective of the future, in 2018, we established greenhouse gas emission reduction goals for 2030, and were certified as SBT\* in July 2018. Furthermore, we joined the RE100 international initiative with the goal of transition of power generation fuel to 100% renewable energy for power used in business activities of Sumitomo Forestry Group and power generation business by 2040.

In addition, to reduce environmental burden and more effectively utilize natural resources, we are promoting the reduction, reuse and recycling of industrial waste.

\* Science Based Targets. These targets are set for companies to achieve reduction goals in-line with scientific knowledge to limit the raising average temperature around the world to less than 2°C.

### Related SDGs



► [Contributions to the SDGs and Material Issues](#)

### Management of Material Issue 3

Within our Mid-Term Sustainability Targets, our Material Issue 3 “the reduction of the environmental impact of our business activities” is broadly divided into three goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

#### Targets of Material Issue 3

1. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)
2. Protecting resources, reducing the generation of waste and achieving zero emissions
3. Conserving and effectively utilizing water resources

## Impact on Society and the Environment

Targets of Material Issue 3	Impact (Influence)
1. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	<ul style="list-style-type: none"> <li>Contributing to the reduction of the environmental impact and solutions to climate change by achieving SBT and RE100</li> </ul>
2. Protecting resources, reducing the generation of waste and achieving zero emissions	<ul style="list-style-type: none"> <li>Protecting resources and reducing the environmental impact by advocating for recycling and zero emissions</li> </ul>
3. Conserving and effectively utilizing water resources	<ul style="list-style-type: none"> <li>Solutions to water issues</li> <li>Improving environmental awareness of consumers</li> </ul>

### Management of Each Target

#### Reducing Greenhouse Gas Emissions Toward Creating a Decarbonized Society (SBT: Scope 1 & 2)

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Reduce greenhouse gas emissions	Greenhouse gas emissions (t-CO <sub>2</sub> e) Percentage change from fiscal 2017	Each department	380,356 +2.9%	380,641 +2.9%	△	371,855 +0.6%	402,768 +8.9%
	Carbon efficiency (t-CO <sub>2</sub> e/million yen)	Sustainability Department	0.341 (0.275) *	0.345 (0.283)	△	0.331 (0.279)	0.318 (0.264)

\* Figures in parenthesis are sales before applying accounting standards related to revenue recognition

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

- ▶ [Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities](#)
- ▶ [Boundaries and Methods of CO<sub>2</sub> Emissions Calculation](#)
- ▶ [About symbol for Independent assurance](#)

## Protecting Resources, Reducing the Generation of Waste and Achieving Zero Emissions

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Promotion of industrial waste separation	Recycling rate at new housing construction sites (%) *1	Housing and Construction Division	96.1	94.3	△	97.7	98.0
	Recycling rate at housing demolition sites (%) *2 (as of start of demolition work on main structure)		98.0	99.9	○	98.0	98.0
	Recycling rate at the work sites of the renovation business unit *3 (%)		80.0	74.2	△	82.0	84.0
	Recycling rate at the work sites of the power generation business unit	Environment and Resources Division	52.5	81.6	○	79.3	56.5
	Recycling rate at overseas manufacturing plants (%)	Timber and Building Materials Division	97.9	97.5	×	98.2	98.0
	Recycling rate at domestic manufacturing plants (%)	Timber and Building Materials Division Housing and Construction Division Environment and Resources Division	99.5	99.0	×	99.2	99.5
	Recycling rate of Lifestyle Service Business, etc. *4 (%)	Lifestyle Services Division, etc.	95.2	90.8	×	93.1	98.0
	Waste reduction Promote zero-emissions	Industrial waste final disposal amount (t) (Compared to 2017 Percentage Change)	Sustainability Department	58,860 (▲7.5%)	55,515 (▲12.8%)	○	56,632 (▲11.0%)
Total industrial waste generated (waste generated per detached house) (kg/structure) (Compared to 2017 Percentage Change)		Housing and Construction Division	3,020 (▲9%)	3,002 (▲10%)	○	2,950 (▲11%)	2,730 (▲18%)

\*1 Includes new housing construction sites of the Housing and Construction Division, Sumitomo Forestry Landscaping, as well as Sumitomo Forestry Home Engineering.

\*2 Includes construction materials specified under the Construction Material Recycling Law (concrete, asphalt-concrete, and wood waste)

\*3 Includes Sumitomo Forestry Home Tech renovation sites but excludes hard-to-recycle debris and asbestos

\*4 Includes emissions associated with Lifestyle Service Business, housing-related materials sales, and other operational locations.

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

▶ [Promotion of Waste Reduction and Recycling](#)

▶ [About symbol for Independent assurance](#)

## Conserving and Effectively Utilizing Water Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Proper management of water resources	Water use volume (unit: 1,000m <sup>3</sup> )	Sustainability Department	2,981 or less	2,936	○	2,824 or less	3,011 or less

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

▶ [Efficient Use of Water Resources](#)

## Toward the Future

Sumitomo Forestry Group had 380,641t-CO<sub>2</sub>e in total greenhouse gas emissions, which did not reach our target of 380,356t-CO<sub>2</sub>e. However, we were able to reduce emissions 972t-CO<sub>2</sub>e compared to fiscal 2018. Mombetsu Biomass Power Generation in particular contributed greatly to the reduction of greenhouse gas emissions overall by bringing down the mixed fuel burning ratio of coal used as a raw material to 16% from 20% in fiscal 2017.

Our recycling rate of industrial waste in the domestic housing department was 94.3%, which did not achieve our 96.1% target. However, this recycling rate did improve from 94.2% in fiscal 2018. In fiscal 2020, we will further reduce industrial waste emissions and improve our recycling rate by advancing precut Kizure Panels, roofing, and external wall materials.

## Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness Their Skills and Individuality

### Basic Policy

The Group promotes a free and open-minded corporate culture that respects diversity in accordance with Our Values. We are also committed to securing an appropriate balance between work and individual commitments such as caring for children and the elderly, maintaining a safe and healthy work environment, implementing regular education and training programs to prepare for disasters, accidents and so forth, as stipulated in the Sumitomo Forestry Group Code of Conduct established in 2017. Further, we are advancing development of a vibrant workplace where diverse human assets can be actively engaged without regard to gender, age, nationality, race, religion or disability.

### Related SDGs



► [Contributions to the SDGs and Material Issues](#)

### Management of Material Issue 4

Within our Mid-Term Sustainability Targets, our Material Issue 4 “a vibrant work environment where a diverse workforce can unharness their skills and individuality,” is broadly divided into four goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

#### Targets of Material Issue 4

1. **Creating a work environment that generates diverse ideas, job satisfaction and vibrancy**
2. **Securing human resources by training younger workers and utilizing older ones**
3. **Reducing long work hours through work style reforms**
4. **Eliminating occupational injuries**

### Impact on Society and the Environment

Targets of Material Issue 4	Impact (Influence)
1. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	<ul style="list-style-type: none"> <li>• Eliminating gender discrimination in Japan, a nation facing the worst gender discrimination of developed countries</li> <li>• Enhancing corporate and social sustainability through innovation realized from diverse ideas</li> </ul>

Targets of Material Issue 4	Impact (Influence)
2. Securing human resources by training younger workers and utilizing older ones	<ul style="list-style-type: none"> <li>• Securing better human resources as society at large faces an aging population with a falling birth rate and a declining workforce</li> <li>• Enhancing corporate value by improving work productivity</li> <li>• Realizing a diverse society</li> </ul>
3. Reducing long work hours through work style reforms	<ul style="list-style-type: none"> <li>• Securing better human resources as society at large faces an aging population with a falling birth rate and a declining workforce</li> <li>• Enhancing corporate value by improving work productivity</li> <li>• Realizing a diverse society</li> </ul>
4. Eliminating occupational injuries	<ul style="list-style-type: none"> <li>• Ensuring employee health by building a safe, secure workplace (higher satisfaction)</li> </ul>

## Management of Each Target

### Creating a Work Environment that Generates Diverse Ideas, Job Satisfaction and Vibrancy

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Promotion of women's participation and advancement in the workplace	Percentage of female employees in management positions (%)	Sumitomo Forestry	Personnel Department	4.2	4.2	○	5.0	5.5
		Consolidated in Japan	Personnel Department	6.2	6.1	△	6.7	7.3
Improve employee satisfaction	Employee satisfaction level (%)	Sumitomo Forestry	Personnel Department	83.0	78.8	×	81.0	85.0
		Consolidated in Japan	Personnel Department	—*	58.6	—	61.5	Compared to Fiscal 2019 Percentage Change 110

\* No figures are available until fiscal 2018 because employee satisfaction surveys were administered biennially until then. They have been implemented annually since fiscal 2019.

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

▶ Fair Employment and Benefits

▶ Communication with Employees

## Securing Human Resources by Training Younger Workers and Utilizing Older Ones

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Develop human resources from a long-term perspective according to the revision of the evaluation system (April 2019) and evaluator training	Three-year turnover rate among newly hired graduates (%)	Sumitomo Forestry	Personnel Department	17.0	15.6	○	15.6	15.0
		Consolidated in Japan	Personnel Department	15.3	13.1	○	10.2	12.9
Enhance training programs	Training cost per employee (unit: 1,000 yen)	Sumitomo Forestry	Personnel Department	120	102	△	132	132
		Consolidated in Japan	Personnel Department	65	46	×	66	66
	Total number of training participants (persons)	Sumitomo Forestry	Personnel Department	13,000	11,390	△	13,000	13,000
		Consolidated in Japan	Personnel Department	15,224	15,036	△	15,700	16,176
	Training time per employee (hours)	Sumitomo Forestry	Personnel Department	13.7	18.0	○	14.4	15.5
		Consolidated in Japan	Personnel Department	13.7	18.0	○	14.4	15.5
Implement year-initial interviews prior to full-term retirement	Employment rate of people over 60 years old (including re-employment) (%)	Sumitomo Forestry	Personnel Department	82.0	79.6	△	82.0	87.0
		Consolidated in Japan	Personnel Department	64.0	69.4	○	67.7	78.0

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

- ▶ [Fair Employment and Benefits](#)
- ▶ [Communication with Employees](#)

## Reducing Long Work Hours Through Work Style Reforms

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Guidance for improvement to departments with low rates of paid-leave use	Average paid leaves taken by employees (days)	Sumitomo Forestry	Personnel Department	12.3	11.5	△	13.5	14.0
		Consolidated in Japan	Personnel Department	10.0	10.6	○	10.6	11.3

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Expand departments using flextime and internal mock inspections	Average overtime working hour reduction rate compared to fiscal 2013 (%)	Sumitomo Forestry	Personnel Department	▲27.6	▲30.2	○	▲30.0	▲32.0
	Average overtime working hour reduction rate compared to fiscal 2017 (%)	Consolidated in Japan	Personnel Department	▲3.3	▲12.9	○	▲9.9	▲11.3

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

## ► Work-Life Balance

## Eliminating Occupational Injuries

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Implement reciprocal safety audits and manufacturing department safety audits Share case studies and implement risk assessments	Number of serious occupational injuries (incidents) (four or more days of lost worktime)	Manufacturing sites (contractors and subcontractors)	Timber and Building Materials Division	0	9 	△	0	0
		Plantation sites (contractors)	Environment and Resources Division	0	3 	△	0	0
		New housing construction sites in Japan*	Housing and Construction Division	0	20 	×	0	0
		New housing construction sites outside Japan	Overseas Housing and Real Estate Division	0	9 	△	0	0
	Number of occupational injuries (incidents) (requiring one to three days of lost worktime)	New Construction sites in Japan	Housing and Construction Division	0	19	×	0	0

\* Includes sole proprietorships

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

- ▶ [Occupational Health and Safety Management](#)
- ▶ [Occupational Health and Safety on Construction Sites](#)
- ▶ [Occupational Health and Safety \(Manufacturing Business\)](#)
- ▶ [Occupational Health and Safety in the Forestry Business](#)
- ▶ [About symbol for Independent assurance](#)

## Toward the Future

The Act on the Arrangement of Related Acts to Promote Work Style Reform was enforced in April 2019, which defines various policies on work style reform, such as setting an upper limit to overtime, and mandatory acquisition of five days of paid leave per year. With these reforms, the average paid leave taken by our employees increased to 11.5 days in fiscal 2019 from 10.1 days in the previous fiscal year. Our affiliated companies also increased the average paid leave taken.

We were also able to reduce overtime by 30.2%, further reducing from 24.9% in the previous fiscal year, compared to fiscal 2013. Our affiliated companies were also able to reduce overtime. We will continue to improve paid leave taken by employees and reduce overtime.

Sumitomo Forestry set a target of zero occupational injuries, but incidents occurred in each business sector in fiscal 2019. In particular, 20 serious occupational injuries (incidents), such as fall accidents, resulting in four or more days of lost worktime occurred on new housing construction sites in Japan. One occupational injury resulting in death also occurred at an overseas plant in January 2020.

In light of this incident, Sumitomo Forestry established the new Quality Control and Worker Safety Management Department directly under the President in April 2020 to strengthen the on-site quality and safety management system utilizing the ISO 9001 and ISO 45001. In the future, Sumitomo Forestry will continue to conduct safety patrols on construction sites, verify safety during quality inspections, and strengthen all initiatives toward zero occupational accidents throughout the entire Group.

## Material Issue 5: Corporate Ethics and Governance Structures

### Basic Policy

The Sumitomo Forestry Group is reviewing its philosophy system to reflect globalization, diversification, and expansion of our business. Our sustainable management formulated based on our Corporate Philosophy, Our Values, and Code of Conduct also complies with international standards and initiatives as well as other social demands. We are also working to reinforce the mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee while strengthening Business Continuity Management (BCM) system against disasters.

### Related SDGs



► [Contributions to the SDGs and Material Issues](#)

### Management of Material Issue 5

Within our Mid-Term Sustainability Targets, our Material Issue 5 “Reinforcing risk crisis and compliance structures” is reflected in one broad goal, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department. We also assess the impacts that the material issue has on society and the environment.

#### Targets of Material Issue 5

**Reinforcing risk crisis and compliance structures**

### Impact on Society and the Environment

Targets of Material Issue 5	Impact (Influence)
Reinforcing risk crisis and compliance structures	<ul style="list-style-type: none"> <li>• Enhancing corporate value (especially for shareholders)</li> <li>• Consistently supplying products and supporting the businesses of our suppliers by quickly recovering business in times of emergency</li> </ul>

## Management of Each Target

### Reinforcing Risk Crisis and Compliance Structures

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2019 target	FY2019 result	FY2019 value	FY2020 target	FY2021 target
Progress check of prioritized risk items set by the Risk Management Committee and share materialized risks	Progress management for prioritized risks (conducted on a quarterly basis by the Risk Management Committee) (%)	General Administration Department	100	100	○	100	100
Understand the extent of compliance awareness and enhance channels for reporting misconduct and compliance violations	Regular implementation and phased deployment of compliance awareness surveys	General Administration Department	Sumitomo Forestry	Sumitomo Forestry	○	Major group companies in Japan	All group companies in Japan and some group companies overseas
Obtain external certification for Business Continuity Management (BCM)	Obtaining resilience certification	General Administration Department	Sumitomo Forestry	Not obtained	×	Sumitomo Forestry and all major domestic group companies	All major domestic group companies
Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business	Implement for two sectors, domestic housing business and timber and building materials business	×	Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business	Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent mid-term plan.

\* Rating

Achieved : ○ Not achieved but improved from previous year : △ Not achieved and declined compared to previous year : ×

- ▶ Risk Management
- ▶ Compliance
- ▶ Business Continuity Management
- ▶ Responding to TCFD

## Toward the Future

In fiscal 2019, Sumitomo Forestry conducted a questionnaire to survey employee awareness about compliance. In fiscal 2020, we plan to analyze these results to assess the current state of understanding, better the corporate climate, and heighten awareness. To expand the scope of this assessment, we plan to conduct the same questionnaire at some of our affiliated companies. Although Sumitomo forestry did not obtain the Resilience certification in the year under review, we and our affiliated companies aim to acquire the certification in fiscal 2020.

We implemented TCFD scenario analyses in two departments: the domestic housing business as well as the timber and building materials business. In fiscal 2020, we plan to re-analyze these two departments while expanding the scope and disclosing information about these measures.

## Stakeholder Engagement

### Basic Policy

The Sumitomo Forestry Group is involved with various stakeholders because the business activities conducted by the Group are in broad range of global businesses from the upstream to the downstream with wood at the core. We are always focused on communication, starting with our business activities while taking into account the relationship between the direct and indirect impact. Our basic policy is to sincerely respond to that expectations and requirements.

#### Stakeholders of the Sumitomo Forestry Group



## Responsibilities and Communication Methods

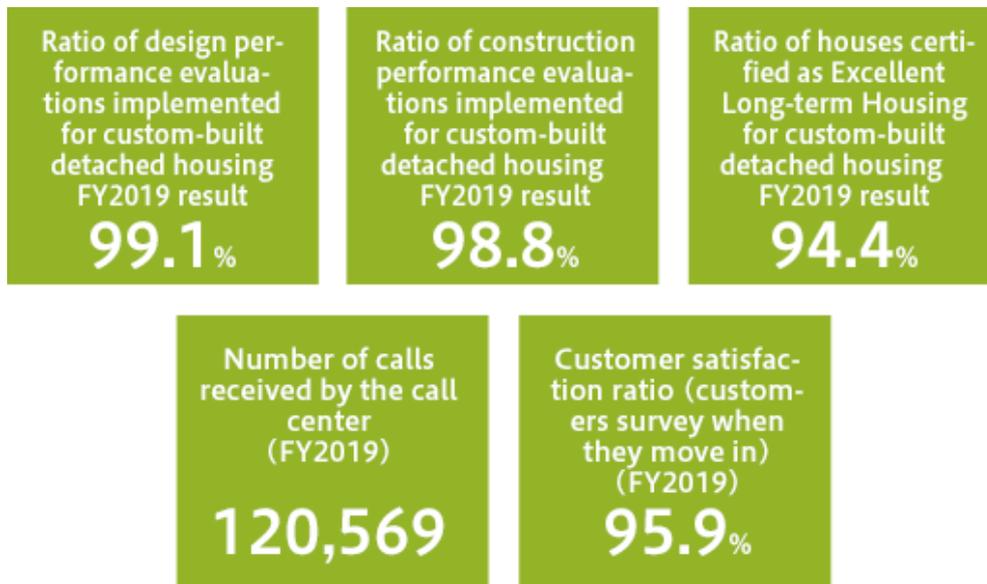
### Customers

Customer needs are diversifying as the social environment changes dramatically due to energy issues resulting from frequent large-scale disasters and global warming in addition to the decreasing population and aging society of Japan, centralization and depopulation in urban areas as well as a growing mindset toward health.

The Sumitomo Forestry Group conducts comprehensive efforts toward safety and quality issues based on these circumstances to not only reduce risk but also to create new business opportunities by responding to societal and environmental changes with the hope that it will further heighten customer satisfaction.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Providing safe, high-quality products and services</li> <li>• Disclosing timely and accurate information and providing accountability</li> <li>• Understand the requests and needs and improve satisfaction through communication</li> </ul>	<ul style="list-style-type: none"> <li>• Sumitomo Forestry Call Center</li> <li>• Customer Satisfaction Survey</li> <li>• Websites and media, news magazines, etc.</li> <li>• Exhibitions and various other events</li> </ul>

### Relevant Performance



- ▶ Product Safety and Quality Control
- ▶ Communication with Our Customers

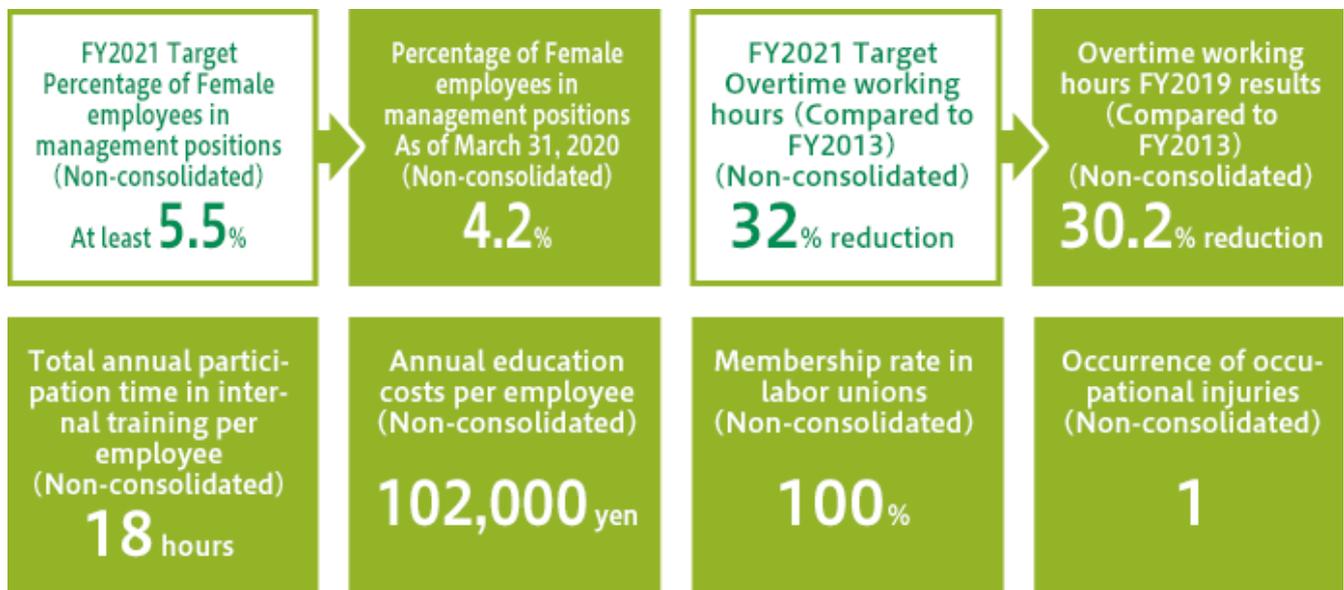
## Employees and Their Families

A wide range of themes have been raised concerning social challenges related to employment and labor from human rights and the form of an equal workplace without discrimination to ensuring safety on-site, considerations toward work-life balance and the reduction of long working hours.

We believe working to resolve these challenges is the driving force to improving corporate value and business promotion that have a positive effect that include gaining human resources and improving the motivation of employees while eliminating risks on employees.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Establishing and providing a healthy working environment where people can work safely that respects human rights without any discrimination</li> <li>Equally and fairly evaluating personnel</li> <li>Establishing educational systems able to drive and improve skills</li> <li>Establishing measures, policies and other regulations to enhance the work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>Conducting regular consultations and performance reviews</li> <li>Conducting employee satisfaction surveys</li> <li>Installing a compliance counter</li> <li>EAP (Employee Assistance Program) service</li> <li>Carrying on a dialogue (casual discussions) between the president and employees</li> <li>Holding Family Open Day</li> <li>Carrying out meetings with management made up of both labor and management committee members</li> <li>Publishing internal magazines, creating an internal website</li> </ul>

## Relevant Targets and Performance



- ▶ Fair Employment and Benefits
- ▶ Work-Life Balance
- ▶ Human Resources Development
- ▶ Communication with Employees
- ▶ Occupational Health and Safety Management

## Shareholders and Investors

In recent years, institutional investors have shifted the way to evaluate a company. One emphasis from this perspective of evaluation is engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Trends to promote even broader engagement are growing after the publishing of the Stewardship Code even in Japan.

The Sumitomo Forestry Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feeds back the opinions and requirements of investors who are a vital stakeholder into operations to put in place measures toward sustainable growth.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Disclosing timely and accurate information</li> <li>• Pursuing informational transparency and accountability</li> <li>• Executing the appropriate premium redemption to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings, on-site briefings, and other relevant meetings</li> <li>• Communicating information on websites, integrated reports, shareholder correspondence, briefing materials and in other relevant forms</li> <li>• Responding to surveys for assessment and research agencies related to ESG, etc.</li> </ul>

## Relevant Performance

Return on equity  
(ROE)

8.8%

Individual meet-  
ings for institution-  
al investors (in and  
outside Japan)  
(FY2019 results)

144

Issued shares (as of  
March 31, 2020)

182,752,036  
shares

Full-year dividend  
per share FY2019

40 yen

▶ [Return to Shareholders and IR Activities](#)

▶ [To All Shareholders and Other Investors \(IR Information\)](#)

## Government and Regulatory Authorities

As a company involved in a variety of businesses centered upon wood, Sumitomo Forestry Group needs to adhere to laws and regulations by continually updating information about relevant laws and regulations in each region and country where it conducts business.

For example, housing construction must comply with the Building Standards Act as well as wide range of other laws and regulations. We also must engage in broad communication as a business involved with national lands through forest management, such as notifications to government and regulatory authority.

Therefore, we strive to earn greater trust from society by thoroughly complying with the various laws and regulations as well as ensuring proper communication with the government and regulatory authorities in each country where our businesses are expanding.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Complying with all relevant laws as well as reporting and delivering notifications</li> </ul>	<ul style="list-style-type: none"> <li>Responding through expert and relevant departments</li> </ul>

## Industries and Companies in the Same Business

The Sumitomo Forestry Group believes a fair, open competitive environment is essential to foster sustainable growth throughout the entire industry.

We also know industry associations and other organizations are indispensable in creating relevant rules. We participate in organizations such as industry associations and contribute to the growth and development of the industry by taking a leading role as a front runner in the industry.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Assembling the appropriate markets and competitive environment</li> <li>Offering cooperation for the growth and development of our industry</li> </ul>	<ul style="list-style-type: none"> <li>Participating in industry associations and other organizations</li> </ul>

### ► Contributions to Public Policy

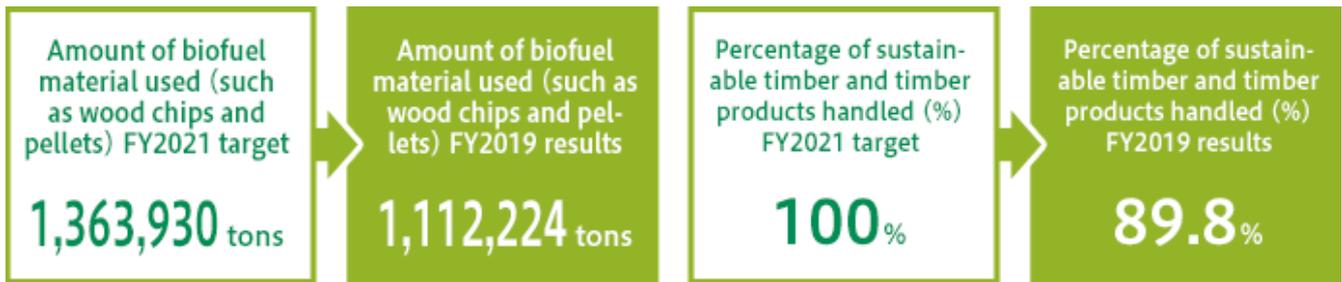
## Business Partners

Promoting sustainable forest management and procuring timber from sustainable forests are extremely vital endeavors for the Sumitomo Forestry Group, which is expanding its business around "wood". We believe initiatives are also necessary to respond to risk elements that include the laws in each country and the various regulations related to the illegal logging.

These efforts strengthen our foundation of business by promoting the preservation, development, and planting of forests as well as effectively using limited global resources such as the active use of timber cut from forests that have received Forest Stewardship Council (FSC) certification together with our business partners.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Building equal and fair relationships with business partners</li> <li>• Improving the occupational health and safety environment</li> <li>• Complying with all relevant laws</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in purchasing and procurement activities</li> <li>• Conducting safety conferences, safety patrols and building contractor meetings</li> <li>• Conducting workshops and informational exchange meetings</li> <li>• Conducting supplier evaluations (surveys and questionnaires)</li> </ul>

## Relevant Targets and Performance



- ▶ Procurement Initiatives (Housing and Construction Business)
- ▶ Procurement Initiatives (Distribution Business)
- ▶ Procurement Initiatives (Manufacturing Business)
- ▶ Sustainable Forest Management
- ▶ Procurement Initiatives (Environmental Energy Business)

## Students

The Sumitomo Forestry Group shares information about various initiatives as well as the medium to long-term outlook, including our philosophy, the current state of business, work style reforms, with all of the students entrusted with the next generation.

We strive to actively share information and engage in communication to of course deepen understanding in our own company but also to facilitate mutual growth in a dramatically changing environment

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Conducting equal and fair hiring practices</li> <li>• Actively communicating information</li> </ul>	<ul style="list-style-type: none"> <li>• Participating in various briefings and other events</li> <li>• Visiting schools</li> </ul>

- ▶ Recruiting information (in Japanese)

## NPOs/NGOs

The Sumitomo Forestry Group works together with everyone at NPOs and NGOs to cultivate understanding about the situations faced in each region through expert knowledge and businesses when working to confront social challenges such as biodiversity and regional development. Through the cooperation with civil society, we fulfill our role for not only the company but also many other people. We expect to produce even greater results toward solving the challenges faced by society rooted in each community.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Working cooperatively to solve social challenges</li> <li>Providing business know-how</li> </ul>	<ul style="list-style-type: none"> <li>Participating in employee volunteer activities</li> <li>Working cooperatively through social contribution activities</li> <li>Stakeholder Dialogue</li> </ul>

▶ Reinforcing Engagement with NGOs and Other External Stakeholders

## Global Environment

The Sumitomo Forestry Group prioritized the global environment in both the direct and indirect impact its business activities have on the world. The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

We also formulated the Mid-Term Environmental Management Plan (FY2010-FY2014) with Mid-term environmental targets for the first time in fiscal 2009 and established the Mid-Term CSR Management Plan (FY2015-FY2020) that includes environmental targets in fiscal 2014. In addition, given further heightened ESG-related demands from the society, we began further increasing our numerical targets from fiscal 2019, incorporating them as Sustainability Goals into our "Sumitomo Forestry Group 2021 Medium-Term Management Plan." By implementing PDCA cycles for all organizations, we are steadily stepping up our environmentally conscious activities based on the plan.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Preserving the natural environment and biodiversity</li> <li>Reducing the environmental impact of business activities</li> <li>Developing and providing products and services with minimal environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Providing an environment for business</li> <li>Supplying and standardizing environmentally-friendly housing</li> <li>Acting as volunteers in building forests such as in reforestation</li> <li>Carrying on a dialogue with NPOs/NGOs</li> <li>Conducting environmental and social contribution activities linked up with NPOs/NGOs</li> </ul>

## Relevant Targets and Performance



- ▶ Promotion of Waste Reduction and Recycling
- ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
- ▶ Home Building That Contributes to a Sustainable Society

## Global Society and Local Communities

The Sumitomo Forestry Group recognizes the importance of contributing to the growth of local communities as well as protecting the local forest resources when starting and expanding businesses.

Therefore, we work to build an infrastructure for smooth operations and business expansion in each country and region by engaging in local social contribution activities and activities that focus on efforts, such as dialogue and cooperation with the local community in the promotion of overseas businesses.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Contributing to solutions to both global and local challenges in society</li> </ul>	<ul style="list-style-type: none"> <li>Participating in employee volunteer activities</li> <li>Supporting the formation of communities through social contribution activities</li> <li>Preparation of Regional Infrastructure</li> </ul>

## Relevant Performance



### ► [Promotion of Social Contribution Activities](#)

## Grievance Desk

The Sumitomo Forestry Group provides a Customer Service Department as a point of contact to handle inquiries from customers and local residents near ongoing housing construction, as well as a Compliance Hotline and Harassment Help Desk for business partners and employees in addition to receiving inquiries such as complaints (in Japanese, English, and Chinese) at our website. We respond appropriately to inquiries received through our website by having the Corporate Communications Department receive them, then forward them according to their content to each relevant specialized department at the head office or each division handling the relevant operations.

In October 2019, we put in place a whistleblowing mechanism shared with some Group companies. An external multilingual operator is used for this reporting system.

For example in overseas, Open Bay Timber Ltd. (OBT) in Papua New Guinea, we have put in place a complaint box in which anyone from the area within and outside the company can post a complaint or comment. Inquiries received in this way from local residents and others in the area are shared internally as needed so that we can undertake appropriate responses.

In 2018, we also established a grievance mechanism at our plantation forest operations in Indonesia. We receive opinions from local residents, both in writing and through regular visits, and respond to them within seven working days.

- [Compliance Hotline](#)
- [Respect for Human Rights at Overseas Plantations](#)

## Sustainability-related Policies and Philosophy

The Sumitomo Forestry Group formulates separate policies for each issue related to sustainability management, and carries out initiatives according to those policies.

### Governance Policies

- ▶ Basic Policy on Corporate Governance 
- ▶ Sumitomo Forestry Group Code of Conduct
- ▶ Preventing Corruption
- ▶ Promotion of Fair Competition and Appropriate Transactions with Subcontractors
- ▶ Information Security Policy
- ▶ Intellectual Property Management Policy
- ▶ Responsible Advertising/Promotional Efforts

### Business Policies

- ▶ Basic Policy for Product Safety and Quality Control in the Housing and Construction Business

### Social Policies

- ▶ Sumitomo Forestry Group Procurement Policy
- ▶ Green Procurement Guidelines (extract)
- ▶ Basic Policy on Occupational Health and Safety
- ▶ Sumitomo Forestry Group Human Rights Policy
- ▶ Sumitomo Forestry Group Declaration on Empowering Women
- ▶ Basic Policy on Social Contribution Activities/Donations

### Environmental Policies

- ▶ Sumitomo Forestry Group Environmental Policy
- ▶ The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)
- ▶ Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

## Sumitomo Forestry Group Procurement Policy

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

### 1. Procurement based on legal and highly reliable supply chains

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. Pursue active 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.

President and Representative Director Toshiro Mitsuyoshi

## Green Procurement Guidelines (extract)

### Evaluation Items

#### ①. Corporate activity assessment (evaluation of sustainability initiatives)

##### a. Environmental aspects

- i. Formulate policies related to environmental symbiosis.
- ii. Set up departments to promote environmental symbiosis and appoint managers.
- iii. Raise awareness of policies related to environmental symbiosis among employees.
- iv. Confirm understanding of and compliance with environmental laws and regulations related to business operations.
- v. Store, handle and process any hazardous chemical substances (including specified chemical substances, radioactive materials, and biological substances) used by the Group in accordance with a management manual, laws, and any other relevant regulations.
- vi. Properly manage and process waste in accordance with laws and regulations.
- vii. Promote proper use of energy and measure greenhouse gas emissions.
- viii. Formulate greenhouse gas reduction plans.
- ix. Make every effort to protect biodiversity and the ecosystem.

## b. Social aspects

### (a) Overall Corporate Social Responsibility (CSR)

- i. Formulate policies and standards for Corporate Social Responsibility (CSR) initiatives.
- ii. Establish departments to promote Corporate Social Responsibility (CSR) initiatives and appoint managers.
- iii. Conduct employee education and training about Corporate Social Responsibility (CSR) policies and standards.

### (b) Human Rights

- i. Formulate policies and standards related to human rights.
- ii. Establish departments to promote human rights initiatives and appoint managers.
- iii. Conduct employee education and training about human rights policies.
- iv. Prohibit all forms of harassment and raise internal awareness.
- v. Prohibit forced labor and child labor and raise internal awareness.
- vi. Properly manage employee work hours regulated by law.
- vii. Pay adequate wages to employees according to the minimum wages established by law.
- viii. Establish a system for employees to report any harassment, physical punishment or other abuse anonymously.
- ix. Prohibit all discrimination whether based on race, age, religion, nationality or gender and fully raise internal awareness.
- x. Ensure employees have freedom of association and collective bargaining rights in accordance with laws and regulations.
- xi. Provide human resource development opportunities fairly to all employees, such as occupational skill development and training.

### (c) Occupational health and safety

- i. Formulate policies and standards related to occupational health and safety.
- ii. Establish departments to promote occupational health and safety initiatives and appoint managers.
- iii. Conduct employee education and training about occupational health and safety policies.
- iv. Strive to maintain a safe and healthy work environment.
- v. Properly manage the physical and mental health of employees as well as occupational safety, such as reducing occupational accidents and diseases.
- vi. Put in place measures to ensure employee safety in anticipation of natural disasters and other emergency situations and fully raise internal awareness.

### (d) Ethic

- i. Prohibit bribery, embezzlement and other acts of corruption and fully raise internal awareness.
- ii. Raise internal awareness to protect intellectual property in accordance with laws, regulations and international rules.
- iii. Put in place whistleblowing mechanisms for employees and suppliers to report any legal violations.
- iv. Formulate responsible procurement policies.
- v. Prohibit abuse of superior bargaining positions, encourage fair and free competition, and fully raise internal awareness.
- vi. Never tolerate influence from anti-social forces with a resolute attitude.

### (e) Information security

- i. Collect and use personal information only within the scope agreed upon in advance and properly manage said personal information to prevent any informational leaks or unauthorized use.
- ii. Use the utmost caution to properly manage the handling of confidential information received from third-parties.
- iii. Put in place information security measures on computers and networks.

### (f) Product safety

- i. Strive to ensure and improve quality and safety when supplying products and services to markets.

### (g) Supply chain

- i. Require procurement suppliers to emphasize initiatives related to human rights and other social aspects as well as environmental aspects.

### (h) Social contributions

- i. Build good relationships with and promote activities to contribute to local communities.

## ②. Product assessment

### a. Common items

#### (A) Requirements

- i. Prohibit use of chemical substances restricted in Attachment 1, "Sumitomo Forestry Restricted Chemical Substance List."
- ii. Never leach hazardous materials during construction or use.
- iii. Never produce chemical or other hazardous fine particles during construction or use.
- iv. Never produce sulfur oxide or other hazardous gases during incineration.

#### (B) Initiatives

- i. Prohibit use of vinyl chloride and styrene foam in packaging materials.
- ii. Limit use of packaging material to the bare minimum (strive to reduce packaging materials).
- iii. Incorporate measures to sort by material in any composite products for easy waste disposal.
- iv. Make component and material replacements easy to extend the lifespan of assembled products.
- v. Clarify maintenance programs (procedures and periods for inspections, repairs and part replacements).
- vi. Make reuse or recycling after use possible.
- vii. Make reuse or recycling of package materials possible.
- viii. Use processes and materials to lengthen the lifespan of products.

## Sumitomo Forestry Group Human Rights Policy

The Sumitomo Forestry Group respects the human rights of all people involved in our Group's operations and considers the respect for human rights a basic principle in all our activities. This thinking is rooted in Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

The Sumitomo Forestry Group Human Rights Policy (hereinafter, this Policy) has been formulated to further clarify the Group's thinking regarding the respect for human rights and to complement the Group's Corporate Philosophy, Action Guidelines, Code of Conduct, Procurement Policy and others.

### 1. A commitment to respect human rights

Based on the United Nations' Guiding Principles on Business and Human Rights, the Sumitomo Forestry Group respects human rights as defined by such international norms as the World Human Rights Declaration, the International Covenants on Human Rights (the International Covenant on Civil and Political Rights as well as the International Covenant on Economic, Societal and Cultural Rights), and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The Group also strictly complies with all related laws in each of the countries it conducts business in.

In countries and regions that diverge from these laws and international norms, the Group strives to the greatest extent possible to undertake and prioritize initiatives that respect international norms.

### 2. Scope of application

This Policy applies to Sumitomo Forestry Co., Ltd., and its consolidated subsidiaries.

Furthermore, the Group asks all its business partners and other parties affiliated with the Group's operations to respect and not infringe human rights based on this Policy.

### 3. Measures related to the respect for human rights

#### ● Human rights due diligence

The Sumitomo Forestry Group has created a human rights due diligence system, has incorporated it as a necessary process of our operations and applies it in an ongoing manner.

Human rights due diligence evaluates and identifies potential and actual human rights risks and takes measures to prevent or reduce those risks.

#### ● Relief measures

If a Sumitomo Forestry Group operation has been found to have directly caused or participated in a situation that has had a negative impact on human rights, the Company shall undertake all necessary external and internal procedures and implement relief measures.

Furthermore, the Company shall create and maintain necessary mechanisms to handle grievances and evaluate the effectiveness of corrective and relief measures in an ongoing manner.

- Education

The Sumitomo Forestry Group shall conduct periodic and appropriate training for directors, employees and other parties to ensure that this Policy is integrated into the business activities of Sumitomo Forestry Co., Ltd., and all consolidated subsidiaries.

- Communication with stakeholders

Sumitomo Forestry Group shall communicate and discuss potential human rights risks, measures to counter actual influences and other related issues with relevant stakeholders.

- Information disclosure

To fulfill our reporting responsibilities, we shall disclose information and provide reports in a timely manner regarding initiatives based on this Policy and our response to potential or actual human rights issues.

President and Representative Director Toshiro Mitsuyoshi

**(Attachment)**

## Sumitomo Forestry Group Human Rights Material Issues

---

The following are the Group's material issues in relation to human rights as defined by international norms. These high priority issues may be reevaluated as appropriate according to changes in the Group's operations and state of society.

<Prohibition of discrimination>

- Prohibition of discrimination on the basis of gender, age, nationality, ethnicity, race, birthplace, religion, belief, disability, sexual orientation, gender identity or other

<Workers' rights>

- Prohibition of child labor and forced labor (including foreign and immigrant workers)
- Respect for the freedom of association and collective bargaining
- Prevention of low wage labor (labor below minimum or living wages)
- Prevention of long work hours
- Prohibition of power harassment and sexual harassment
- Maintenance of labor safety
- Maintenance of worker health (including mental health)

<Respect for the rights of vulnerable people related to our operations>

- Respect for the rights of local residents and indigenous people of the regions where we operate
- Respect for the rights of women, children, minorities, the elderly and others
- Consideration of the environmental rights of future generations (sustainable forest management and other initiatives)

<Privacy>

- Respect for the privacy and protection of personal information, including that of our customers and employees

## 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 Guidelines. 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.

### 1. 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.

### 2. 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.

### 3. 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.

President and Representative Director Toshiro Mitsuyoshi

## 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.

President and Representative Director Toshiro Mitsuyoshi

## The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)

### Group-wide Targets

#### 1. (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, we will work to prevent a reduction in forest areas and pursue forest sustainability.

- We will strive to regenerate forests through reforestation and natural regeneration and logging a planned, sustainable manner that takes into account the forest's ability to grow.
- We will increase the procurement and use of sustainable timber, such as forest certified timber, plantation forest timber and Japanese timber.
- We will promote the efficient use as well as the recycling and reuse of timber.

#### 2. (Increase the amount of CO<sub>2</sub> absorbed by and sequestered in forests and timber)

By cultivating healthy forests and promoting the use of timber through the greater use of timber construction materials and the construction of wooden buildings, we will strive to increase the amount of CO<sub>2</sub> absorbed by and sequestered in forests and timber to contribute to the protection of biodiversity and the alleviation of climate change.

### Individual targets

#### 3. (Forests)

We will promote forest management that regenerates, maintains and increases biodiversity.

- We will carry out zoning to protect ecosystems and the habitats of living creatures.
- We will ensure that in terms of area, 20% or more of our Company-owned forests in Japan are environment forests that emphasize environmental conservation.
- We will maintain that 100% Company-owned forests remain forest-certified.
- We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.
- We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

#### 4. (Products)

We will provide products and services that take into account biodiversity, such as forest-certification and products and services that have undergone environmental assessment.

#### 5. (Design)

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

#### 6. (Construction)

We will manage and minimize the generation of waste by promoting a zero-emissions policy in building and construction.

#### 7. (Greening)

We will be considerate to the surrounding ecosystems and tree species and actively cultivate native species.

#### 8. (Plants)

We will manage and minimize pollutants, waste and noise, and reduce their impact on biodiversity.

#### 9. (Public relations)

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

10. (Research)

We will gather the latest information and develop conservation technologies to implement biodiversity initiatives.

11. (Social contribution)

We will protect trees that are historically and culturally important and also preserve their genetic material.

## Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

1. **Diversity of ecosystems**

We will properly manage strictly protected areas designated under the Natural Parks Law of the Japanese government and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear cutting is conducted.

2. **Diversity of species**

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the Sumitomo Forestry Red Data Book.

3. **Genetic diversity**

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.

# Governance

Corporate Governance

---

Risk Management

---

Compliance

---

Tax Strategies

---

Business Continuity Management

---

Responsible Advertising/Promotional Efforts

---

Information Security

---

Intellectual Property Management

---

Return to Shareholders and IR Activities

---

## Corporate Governance

### Basic Policy

The Sumitomo Forestry Group utilizes timber friendly to people and the global environment and contributes to a prosperous society through all types of housing-related services according to the Sumitomo Spirit to be beneficial to society based on the principles of integrity and sound management. Therefore, we strive to ensure management transparency, sound and legal business practices as well as rapid decision-making and business execution.

By further enhancing and strengthening its corporate governance through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to expectations of various stakeholders around the Group.

▶ [Integrated Report](#)

### Corporate Governance and Internal Control

Sumitomo Forestry introduced the executive officer system to separate decision making and management oversight functions from operational execution functions. Comprised of eight directors (seven male, one female) including two outside directors (one male, one female), the Board of Directors is structured to make quick decisions. The oversight function of the Board of Directors has been strengthened, the lines of operational responsibility clarified, and the Chairman of the Board of Directors no longer serves as an executive officer. The Nomination and Remuneration Advisory Committee has been established to provide opinion to the Board of Directors on selecting director and statutory auditor candidates and executive officers as well as compensation of directors and executive officers, for the purpose of ensuring transparency and fairness of decision-making.

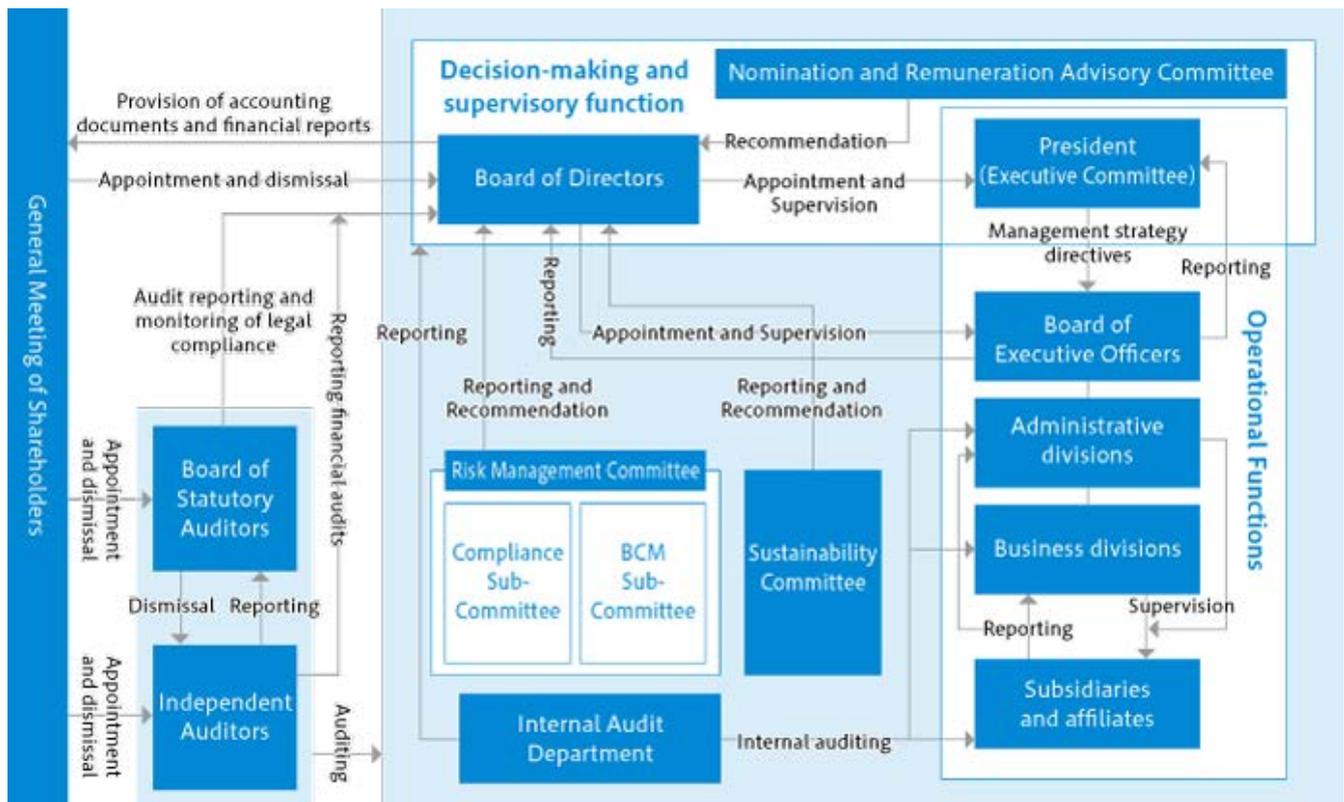
Sumitomo Forestry has a board of company statutory auditors. In addition to attending important meetings within the Company, the statutory auditors provide oversight for the directors' execution of duties, through sharing information and opinions with auditors at Group companies and the staff in the Internal Audit Division, and by supervising staff assisting auditing operations.

As of June 23, 2020, eight directors (including two outside directors), five auditors (including three outside auditors) and 19 executive officers were appointed to the Company. The Company notified Tokyo Stock Exchange, Inc. of the designation of the two outside directors and three outside statutory auditors as independent officers as required by its regulations.

Furthermore, the Sumitomo Forestry General Meeting of Shareholders held on June 23, 2020 adopted the resolution to amend a portion of the Articles of Incorporate. The company shortened the term of office of Directors from two years to one year with the view to establishing a management system which can swiftly respond to changes in the business environment and providing more opportunities for our shareholders to indicate their confidence in the Directors.

- ▶ [Basic Policy on Corporate Governance](#) 
- ▶ [Corporate Governance Report](#) 
- ▶ [Directors and Executive Officers](#)

### Corporate Governance Structure



### Board of Directors and Executive Committee

In principle, the Board of Directors meets once a month, making decisions and carrying out its supervisory function for important issues in accordance with its discussion standards. In addition to making decisions on all important items and confirming business results, it supervises the directors' execution of their duties. Directors and statutory auditors are required to maintain an attendance rate of 75% or higher as a general rule.

The Executive Committee, which is an advisory body for the President, holds meetings twice a month, before the Board of Directors meeting to ensure that there is sufficient prior discussion on important issues. It is attended by those directors who also serve as executive officers, as well as the full-time statutory auditors as a general principle.

The Company ensures prompt decision-making and separation of supervision and operational execution functions, for effective performance of the Board of Directors. Board of Directors meetings were held 15 times while Executive Committee meetings were held 31 times in fiscal 2019.

### Attendance of Directors at Meetings of the Board of Directors (FY2019)

Position *1	Name	Responsibility and Significant Concurrent Positions *1	Board of Directors*2	
			Attended Meetings (meetings)	Attendance Rate (%)
Chairman of the Board and Representative Director	Akira Ichikawa	—	15	100

Position *1	Name	Responsibility and Significant Concurrent Positions *1	Board of Directors *2	
			Attended Meetings (meetings)	Attendance Rate (%)
President and Representative Director President and Executive Officer	Toshiro Mitsuyoshi	—	15	100
Representative Director Executive Vice President and Executive Officer	Shigeru Sasabe	Administering Environment and Resources Division Divisional Manager of Timber and Building Materials Division	15	100
Representative Director Executive Vice President and Executive Officer	Tatsuru Satoh	Administering Lifestyle Service Division In charge of General Administration, Secretary, External Relations, Personnel, IT Solutions, Intellectual Property, Internal Audit, and Tsukuba Research Institute Statutory Auditor of Kumagai Gumi Co., Ltd.	15	100
Director Advisor	Ryu Yano	Outside Statutory Auditor of Daikin Industries, Ltd.	15	100
Director Managing Executive Officer	Tatsumi Kawata	Administering Housing and Construction Division In charge of Corporate Planning, Finance, Corporate Communications, and Sustainability	15	100
Director Executive Officer	Ken Wada	Assistant to the President	15	100
Director Executive Officer	Akihisa Fukuda	Assistant to the President	15	100
Outside Director	Junko Hirakawa	Attorney at Law Outside Director of Tokyo Financial Exchange Inc. Outside Director of Hitachi Construction Machinery Co., Ltd.	15	100
Outside Director	Izumi Yamashita	Outside Director of AEON Bank, Ltd.	15	100

\*1 Position, responsibility and significant concurrent positions as of April 1, 2020.

\*2 In addition to the Board of Directors above, in fiscal 2019 Sumitomo Forestry has made one resolution deemed approved by the Board of Directors as stipulated in Article 370 of the Companies Act.

## Structure of the Board of Directors

The Board of Directors is composed of 17 individuals in a structure built on expertise, such as knowledge, experience, skill, and diversity. Sumitomo Forestry considers diversity such as gender and nationality as well as expertise which includes those who have a wealth of experience and success in the operations of the Sumitomo Forestry Group, those who have a wealth of experience and success in business such as corporate management, industry and policy and those who have specializations such as law and accounting.

## Nomination Procedure for Directors

Director candidates are selected at the Board of Directors from a pool of personnel with superior personality traits and acumen, and potential value to the Company through consultation with the Appointment and Remuneration Advisory Committee. Summaries of background and interlocking status of the directors are available on the website.

### ► [Directors and Executive Officers](#)

## Analysis, Assessment and Results for the Effectiveness of the Board of Directors

### 1. Assessment Method

We assessed the effectiveness of the Board of Directors in fiscal 2019 by checking whether the Board has been fulfilling its role with respect to our Basic Policy on Corporate Governance (hereinafter "progress check"), and exchanging opinions with the outside directors and outside statutory auditors about the Board of Directors, in addition to conducting questionnaires for all directors and statutory auditors (anonymous questionnaire conducted directly by a third-party agency to ensure anonymity) while receiving advice from external bodies on self-assessments and analysis.

### 2. Assessment Results

- The results of the questionnaires, progress check, and exchange of opinions with outside officers found that the functions of the Board of Directors were effective overall.
- As efforts to address issues discovered as a challenge in the fiscal 2018 assessment, we strengthened monitoring of the Board of Directors by revising the Board of Directors discussion standards and clarifying the impairment procedures for fixed assets as part of enhancements to defensive governance. Sumitomo Forestry also confirmed that discussions on our human resource strategies and corporate culture reforms were held at the informal meeting of executive officers including outside executives.
- As future challenges, the exchange of ideas touched on needs for a response to issues pointed out in questionnaires, such as improvements to operational procedures of the Nomination and Remuneration Advisory Committee and better utilization of informal discussions between executive officers to enhance Board of Director deliberations, in addition to the necessity for further debate on the ideal form of future business strategies in light of the COVID-19.

We will strive to further improve the effectiveness at Board of Directors meetings by continually working to heighten the level of discussion with awareness toward highlighted topics in the future.

## Board of Statutory Auditors

---

The Board of Statutory Auditors meets to discuss and make decisions on important matters regarding audits. The five statutory auditors, including the three outside statutory auditors, utilize the deep insights and diverse perspectives they have acquired from their various business backgrounds to provide oversight for the directors' execution of duties. The Board of Statutory Auditors met 15 times during fiscal 2019.

The appropriate human resources are also appointed as statutory auditors at our main subsidiaries for the purpose of improving the effectiveness of auditing and informational exchange at these companies. The Board of Statutory Auditors met 6 times during fiscal 2019.

## Attendance of Statutory Auditors at the Board of Directors and the Board of Statutory Auditors (FY2019)

Position *1	Name	Responsibility and Significant Concurrent Positions *1	Board of Directors *2		Board of Statutory Auditors	
			Attended Meetings (meetings)	Attendance Rate (%)	Attended Meetings (meetings)	Attendance Rate (%)
Senior Statutory Auditor	Hitoshi Hayano	—	15	100	15	100
Statutory Auditor	Noriaki Toi	—	15	100	15	100
Statutory Auditor (Outside)	Yoshitsugu Minagawa	Chief Counselor, Norinchukin Research Institute Co., Ltd.	14	93	15	100
Statutory Auditor (Outside)	Yoshimasa Tetsu	Certified Public Accountant External Auditor, Daiwa Motor Transportation Co., Ltd.	15	100	15	100
Statutory Auditor (Outside)	Makoto Matsuo	Attorney at Law Outside Director of CAPCOM Co., Ltd. (Member of the Audit and Supervisory Committee) Outside Statutory Auditor of Solasia Pharma K.K.	15	100	15	100

\*1 Position, responsibility and significant concurrent positions as of April 1, 2020.

\*2 In addition to the Board of Directors above, in fiscal 2019 Sumitomo Forestry has made one resolution deemed approved by the Board of Directors as stipulated in Article 370 of the Companies Act.

## Outside Directors

In the selection procedure for outside directors and statutory auditors, determinations are based on the following standards of independence and professional criteria.

### (1) Standards of Independence

Candidates must not be applicable to any of the below listed criteria to insure their independence to the Company.

#### 1. Company's operations executives

Executive director, executive officer, operating officer, manager, or other directly hired person by the Company, its subsidiary, or its affiliate (herein; "operations executives").

#### 2. Consultants

- (1) Employee, partner, or any other staff hired by an auditing firm who provide auditing services for the Company or its subsidiaries.
- (2) Lawyer, certified accountant, tax accountant, or other consultant whose annual compensation and other forms of monetary benefits given by the Company or its subsidiaries, exclusive of director's remuneration, has exceeded ten million yen in the past three years.
- (3) Employee, partner, associate, or other staff hired by a law, auditing, tax law, consulting or any other advisory firm whose major client is the Company or its subsidiaries. (The major client means a company's received payment in a year by the Company or its subsidiaries has exceeded 2% of its consolidated total sales in the past three years.)

**3. Major shareholder (non-owner)**

Person who directly and or indirectly holds 10% or more of the voting power of the Company; i.e. operations executive if a holder is a company.

**4. Major shareholder (owner)**

Operations executive of a company which holds 10% or more of the voting power of the Company or its subsidiaries.

**5. Business Partners**

(1) Client (major clients): person or operations executive of a client whose purchase exceeds 2% of the consolidated total sales of the Company

(2) Supplier (of which the Company is a major client): person or operations executive of a supplier of which the Company's purchase exceeds 2% of the consolidated total sales of the supplier

**6. Lender**

Lender from which the Company's borrowing exceeds 2% of the consolidated total asset of the company; i.e. operations executive in case of a company

**7. Recipient of contribution**

Individual or operations executive of a corporate recipient of a donation from the Company or its subsidiaries whose annual average amount exceeds ten million yen or 2% of total income of the recipient in the last three years.

**8. Family**

Spouse, next of kin within the second degree, or live-in member of a family of the person whose independency is rejected by this list of criteria

**9. Background Item**

1 is applicable in at any time in the past 10 years, or Item 2 or 7 is applicable at any time in the past 5 years.

**10. Inter-assumption of outside executive officer**

Executive director or statutory auditor of a company whose executive directors or statutory auditors include the Company or its subsidiary's

Two of our current outside directors and three of our outside statutory auditors are considered independent based on the above list of independency criteria, not to pose a conflict of interest with general shareholders.

**(2) Standards of Concurrent Board Positions**

(i) When concurrently holding a board or statutory board member position of another publicly listed company, the number of concurrent board or statutory board member positions will be follows:

(a) When serving as an executive director at another company exercising relevant execution of operations, only one company other than this Company;

(b) In situations other than (a), up to four companies other than this Company.

(ii) An attendance rate at the meetings of the Board of Directors or Board of Statutory Auditors of at least 75%.

**Nomination and Remuneration Advisory Committee**

The Board of Directors establishes a Nomination and Remuneration Advisory Committee as an advisory body from which it seeks opinions to ensure fairness and transparency in matters including the selection of candidates for the Board of Directors and auditing posts, the selection of executive officers, the dismissal of board members, statutory auditors or executive officers, evaluations of the chief executive officer and other executive officers, and remuneration for board members and executive officers. The Nomination and Remuneration Advisory Committee will consist of the Chairman, the President, and all outside executives (two outside directors and three outside statutory auditors) where the majority must be outside executives, and the chairperson must be an outside director.

The Board of Directors determines the directors and executive officers' remunerations within the amount specified by resolution of the general meeting of shareholders, taking into consideration the opinions stated by the Nomination and Remuneration Advisory Committee.

## Nomination and Remuneration Advisory Committee Attendance (FY2019)

Position*	Name	Nomination and Remuneration Advisory Committee	
		Attended Meetings (meetings)	Attendance Rate (%)
Chairman of the Board and Representative Director	Ryu Yano	3	100
President and Representative Director	Akira Ichikawa	3	100
Outside Director	Junko Hirakawa	3	100
Outside Director	Izumi Yamashita	3	100
Statutory Auditor (Outside)	Yoshitsugu Minagawa	3	100
Statutory Auditor (Outside)	Yoshimasa Tetsu	3	100
Statutory Auditor (Outside)	Makoto Matsuo	3	100

\*The position as of March 31, 2020.

## Risk Management Committee

Information regarding the Risk Management Committee is found in "Risk Management/ Risk Management Framework."

In fiscal 2019, the Risk Management Committee, Compliance Subcommittee, and BCP Subcommittee met four times, twice, and four times, respectively, while the Board of Directors received four sessions of reporting.

▶ [Risk Management Framework](#)

## Sustainability Committee

In response to matters including SDGs, final recommendations of TCFD and human rights issues, the Sustainability Committee was established in fiscal 2018 based on the growing requirements for medium to long-term initiatives and informational disclosure about the Environment, Society and Governance (ESG).

The Sustainability Committee is made up of executive officers also appointed as director, and divisional managers with the President acting as the Committee chairperson. The Committee is convened four times a year to formulate and promote initiatives for medium to long-term ESG challenges related to the sustainability of the Sumitomo Forestry Group including climate change in addition to analyzing risks and opportunities, conducting progress management of the Mid-Term Sustainability Targets, which incorporate business strategies toward achieving the SDGs, including monitoring of implementation and effectiveness of the Our Values and Code of Conduct.

The content of all committee proceedings is reported to the Board of Directors to enable our business operations to become part of the solution for social issues.

▶ [Risk Management Framework](#)

▶ [Responding to TCFD](#)

## Internal Audits

Sumitomo Forestry's Internal Audit Department draws on risk assessments in selecting about 60 business sites from among the roughly 200 business sites, including subsidiaries, each year to conduct internal audits. The sites are selected by specifying an order of priority based on the two perspectives of operational risk (business results, size, complexity of business, etc.) and control risk (risk management framework).

In the internal audits, the department checks on how a site is executing its operations and managing its office work, including its compliance with laws and regulations, and it reports its findings to the President, the executive officer in charge of internal audits and to internal statutory auditors, as well as to the manager responsible for the site and the executive officer or director in charge of the business site. Furthermore, if any indications have been made, the department checks the improvement efforts implemented at the site, such as by examining documents and conducting quarterly follow-up reviews, in accordance with the necessary compliance to laws and internal regulations, and reports on these to the President and to the executive officer in charge.

► [Integrated Report](#)

## Executive Remuneration

In accordance with laws and regulations, Sumitomo Forestry discloses the remuneration paid to officers (directors and statutory auditors) each fiscal year.

### Total Remuneration Paid to Directors and Statutory Auditors (FY2019)

Category	Number of Personnel	Total Amount (Million yen)
Director	10	541
Auditors	5	79
Total	15	620

\*1 It is a requirement in Japan to indicate the names and the remuneration of directors who receive 100 million yen or more in the annual securities reports. However, there are no applicable individuals at this Company.

\*2 The total amount of director remuneration does not include compensation as an employee or a compensation for the execution of other duties.

\*3 The total amount of director remuneration includes the total bonus of 143 million yen as approved at the 80th General Meeting of Shareholders held on June 23, 2020.

\*4 The total amount of director remuneration includes 38 million yen for allocating shares with restriction of transfer to eight directors (excluding outside directors).

\*5 Of the total remuneration of directors and statutory auditors, the total amount paid to outside executives is shown in the table below.

### Total Remuneration Paid to Outside Executives (FY2019)

Number of Personnel	Total Amount (Million yen)
5	55

## Content Disclosed Regarding Remuneration Amount or Determination Policy of the Calculation Methods

---

The Sumitomo Forestry Group regards the establishment of an executive remuneration system as fundamental for directors and statutory auditors to fulfill the duty expected of them by all of its stakeholders toward achieving the Group's Corporate Philosophy.

### 1. Remuneration for Directors (Excluding Outside Directors)

With the exception of outside directors, remuneration for directors comprises three types: monthly remuneration as basic remuneration, shares with restriction of transfer, and bonuses tied to business performance.

We determine remuneration for each directorship position according to roles and responsibilities.

While basic remuneration is paid as a fixed cash amount determined by directorship position, a certain percentage of the amount is paid in shares with restriction of transfer. The scope of the cash payment amount is determined by a resolution of the general meeting of shareholders, while the monetary amount to be paid in the form of shares with restriction of transfer is to be determined by the general meeting of shareholders at no more than 100 million yen per year.

The purpose of remuneration in the form of shares with restriction of transfer is to provide medium to long-term incentive that heightens the desire to increase our corporate value and the sense of pride and motivation, while establishing a sense of values held in common with shareholders.

Remuneration tied to business performance is determined with the approval of the general meeting of shareholders, with consideration given to consolidated recurring income excluding differences in actuarial calculations used in retirement benefits accounting, and current net income levels for parent company shareholders.

### 2. Remuneration for Outside Directors

Remuneration for outside directors comprises only basic monthly remuneration.

### 3. Remuneration for Statutory Auditors

Remuneration for statutory auditors comprises only basic monthly remuneration.

### 4. General Meeting of Shareholders Resolution on Remuneration for Directors

- The amount of remuneration for directors of no more than 40 million yen per month (no more than 5 million yen per month for outside directors) was approved at the 76th General Meeting of Shareholders held on June 24, 2016.
- A limit on remuneration for directors (excluding outside directors) through the allocation of shares with restriction of transfer of no more than 100 million yen per year was approved at the 78th General Meeting of Shareholders held on June 22, 2018.
- The amount of remuneration for statutory auditors of no more than 8 million yen per month was approved at the 74th General Meeting of Shareholders held on June 20, 2014.

The retirement bonus system for directors was abolished at the conclusion of the 65th General Meeting of Shareholders held on June 29, 2005. In addition, we use the results of a survey conducted by a third party of directorship remuneration at domestic corporations in order to set directors' remuneration at levels that are appropriate from the perspective of ensuring objectivity and appropriateness.

## Risk Management

### Risk Management Framework

In order to reinforce its framework for managing business risks for the entire Group, Sumitomo Forestry has created the Risk Management Basic Regulations and has appointed the President of Sumitomo Forestry as the highest authority on risk management for the Sumitomo Forestry Group, executive officers in charge of head office departments and each division headquarters have been appointed authorities on risk management of their department, and general managers have been appointed to promote risk management. The Regulation encompasses risks in environmental, social, and governance aspects, comprehensively.

Based on these regulations, the Company also places the Risk Management Committee, comprised of the Company president as the chairperson, together with all of executive officers. Each executive officer identifies and analyzes the priority risks to be addressed in their respective area of responsibility as well as drafts and executes response plans at all relevant workplaces. The progress of measure against these risks is also shared and discussed at a committee held periodically each quarter. This committee mainly deliberates on short-term risks and risks that have already manifested, including anti-corruption and other compliance-related matters. The Committee primarily discusses responses to compliance-related risks and other short-term risks, as well as risks that have already emerged. Executive Officers and Directors attend this committee as it outlines and reports about the content of the activities to the Board of Directors to put in place systems representative of the business.

A Compliance Subcommittee and a BCM Subcommittee\* have also been established under the command of the Risk Management Committee. These are chaired by the general manager of the General Administration Department, and are comprised of the executives in charge of risk management at each Group company. These subcommittees carry out specific activities for increasing effectiveness against "compliance risk" and against "business interruption risk", which are both regarded as cross-sectional risks affecting the Group.

In fiscal 2019, the Risk Management Committee met four times, and confirmed the state of progress with respect to 45 priority risks. Also, the Compliance Subcommittee and BCM Subcommittee met twice and four times, respectively, and reports on the proceedings were also submitted to the Board of Directors four times.

Against risks in environmental, social, and governance aspects specified in the Sumitomo Forestry Group Code of Conduct, tangible actions have been taken to increase effectiveness. With respect to climate change, for example, the latest information is considered together with information obtained from each department in order to evaluate risks and opportunities that are thought to have a severe financial impact at the corporate and departmental levels. Since fiscal 2018, each business department joined together in conducting TCFD-based scenario analyses.

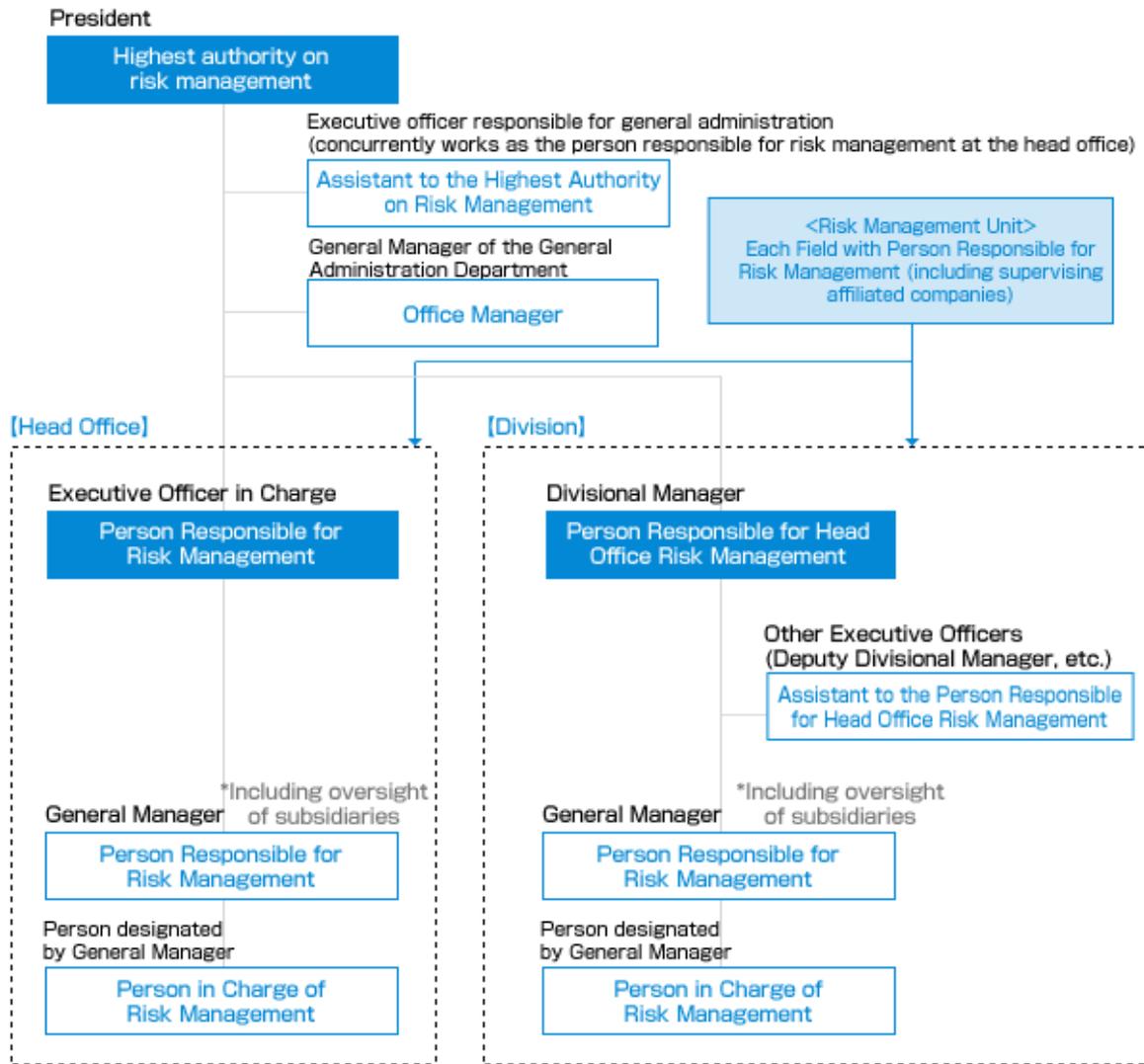
Items determined through this process to be priority risks in the medium to long term are discussed in the Sustainability Committee. The results are outlined and reported to the Board of Directors to build a system to reflect this information into the execution of our businesses.

At the beginning of fiscal 2020, we reassessed management target risks by analyzing the scale and influence of relevant risks from the likelihood of occurrence in order to properly respond to the changing risks faced by the Sumitomo Forestry Group. In this way, we will strengthen our risk management framework by following the PDCA cycle to make continuous improvements with respect to the priority risks selected at the beginning of each period.

\* The BCP Subcommittee was renamed to BCM Subcommittee in April 2019 in order to promote and strengthen the BCM system of the entire group, in and outside Japan.

- ▶ [Corporate Governance and Internal Control](#)
- ▶ [Business Continuity Management System](#)
- ▶ [Sustainability Committee](#)
- ▶ [Responding to TCFD](#)

## Risk Management Structure of the Sumitomo Forestry Group



## Risks in Operations

The following risks have been identified in operations as stated on the Security Reports.

1. Risks related to trends in housing markets worldwide
2. Legal and regulatory risks
3. Foreign exchange risks
4. Quality assurance risks
5. Credit facility risks of business partners
6. Overseas business risks
7. Risks of mountain forests and plantation forest operation locations held and managed
8. Risks of informational leaks
9. Risks in accounting retirement benefits
10. Climate change risks
11. Risks of emergency situations caused by natural disasters, etc.
12. Risks of the COVID-19 impact on business

### Risks associated with quality assurance

Sumitomo Forestry Home Tech Co., Ltd. (“Home Tech”), a renovation service subsidiary of Sumitomo Forestry, which published the incidents of non-conformance with the building standards laws and regulations in its detached house extension works (the “Incidents”) on September 18, 2019, conducted an on-site examination of the extension works to the detached houses in the prefectures of Aichi, Mie and Gifu (the “Three Tokai Prefectures”) that it had contracted for in the past. Furthermore, on September 27, 2019, Home Tech established a special investigation committee composed by members including outside experts (the “Special Investigation Committee”) and requested that the Special Investigation Committee investigate the facts, analyze the causes of the Incidents and propose recurrence prevention measures.

As a result, on August 11, 2020, Home Tech received a written report (the “Report”) from the Special Investigation Committee, and based on its substance, the board of directors of Home Tech adopted, at its meeting held on August 12, 2020, a resolution confirming the causes of the Incidents and the recurrence prevention measures to be taken, as follows:

1. Outline of the results of investigation by Home Tech

Certain input from outside parties gave rise to a suspicion that non-conformance with the building standards laws and regulations (the “Legal Non-conformance”) existed in part of the properties in the Three Tokai Prefectures whose extension works had been contracted for by Home Tech. In response, Home Tech conducted an exhaustive investigation of all of the 361 properties that had received construction confirmation, from among the detached houses in the Three Tokai Prefectures regarding which Home Tech had contracted for extension works since April 1997, when Home Tech started its business as a company specialized in renovation, in order to identify whether those properties conformed to the building standards laws and regulations as of the survey date (the “Legal Conformance”).

As a result of such investigation, Home Tech confirmed that as of July 31, 2020, the Legal Non-conformance existed in 206 out of the 333 properties whose investigation had been completed. All of those incidents of Legal Non-conformance arose from the failure to appropriately implement design work to make the enlarged houses conformant to the building standards laws and regulations and the failure to incorporate in the design the works required to be performed to ensure conformance to laws and regulations. Home Tech will endeavor to promptly carry out the necessary repair works for the 206 properties with respect to which the Legal Non-conformance has been confirmed.

The impact of the Incidents on our results of operations has already been reflected in the consolidated financial statements disclosed in the annual securities report of Sumitomo Forestry for the 80th term that was filed with the Director of the Kanto Local Finance Bureau on June 23, 2020.

## 2. Causes of the Incidents

On the basis of the analysis of the causes of the Incidents contained in the Report and the results of the investigation of the properties conducted by Home Tech, Home Tech believes that the combination of the problem indicated in (4) below with the existing problems specified in (1) through (3) below was the main cause of the occurrence of the Legal Non-conformance in part of its extension works to detached houses in the Three Tokai Prefectures.

- (1) Building designers lacked sufficient knowledge and experiences and had a low regard for ensuring the Legal Conformance;
- (2) No organizational checks had been conducted to ensure the Legal Conformance of design work;
- (3) The managing architects stationed at each of the branches, who were supposed to supervise the technical matters in the architectural office, were not in a condition to fulfill their functions to oversee the design work by the architects belonging to their respective branches; and
- (4) With respect to checking of the Legal Conformance of the design drawings, the scope of the tasks outsourced to independent architectural offices was not clear, and the deliverables of the outsourced tasks had not been sufficiently checked.

## 3. Recurrence prevention measures based on the Incidents

Home Tech takes seriously the Special Investigation Committee's proposals for prevention of recurrence as described in the Report and will seek to implement the following recurrence prevention measures:

- Raising of awareness of compliance of design work with laws and regulations, acquisition of pertinent knowledge and accumulation of relevant experiences;
- Reinforcement of organizational checking systems to ensure the Legal Conformance of designs;
- Improvement of outsourcing to independent architectural offices; and
- Enhancement of communications between the head office and branches as well as sharing and accumulation of technical and technological information.

- ▶ [Securities Reports/Internal Control Reports \(in Japanese\)](#)
- ▶ [Compliance](#)
- ▶ [Business Continuity Management](#)

## Risks Associated with Illegal Logging and Conversion Timber

Illegal logging is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. Japan has announced the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (The Clean Wood Act) on May 20, 2016, which was enacted on May 20, 2017. Addressing stronger control of illegally harvested timber not only responds to the requirements of the world but it is also extremely important for the Sumitomo Forestry Group to continue businesses sustainably. In addition to legality of the procured timber and timber products, sustainability of forests that produce timber has been in question recently. "Conversion timber" is timber generated during the conversion of natural forest areas to non-forest use (such as oil palm plantation). While the conversion to farm land is often discussed from the commodity side (oil palm, soy, rubber and cattle), conversion timber now poses sustainability risks to forestry industry.

- ▶ [Smooth Response to the Clean Wood Act](#)

## Impact on the Sumitomo Forestry Group

The Sumitomo Forestry Group could jeopardize its own businesses that handle wood resources if it neglected its duty and dealt in illegally logged timber. Moreover, these actions would harm the image of the company and could directly damage our business performance such as compensation for damage and turnover.

## Risk Countermeasures

The Sumitomo Forestry Group has been committed to responsible timber procurement, pioneering legislation in Japan and having established the Timber Procurement Philosophy and Policy in 2005, to bring contributions to a sustainable society via business activities of “wood” -a renewable resource. In 2015, Timber Procurement Philosophy and Policy was extended beyond timber and became subject to procurement of building materials, raw materials of products, and end products, and reestablished as Sumitomo Forestry Group Procurement Policy. The Group's economically, socially and environmentally responsible procurement today is being carried out based on the policy. Furthermore, in order to tackle this emerging issue surrounding conversion timber, Sumitomo Forestry has set a target in its Mid-term Sustainability Targets, targeting FY2021, to 100% procure “sustainable timber,” which eliminate conversion timber.

### ► Procurement Initiatives

## Emerging Risks Associated with Carbon Accounting on Biomass Fuel

---

Biomass power generation using wood chips as fuel has long been considered as “carbon neutral” and as clean energy. While burning wood fuel generates methane and N<sub>2</sub>O and thus it is not “GHG neutral,” it is only required to report emissions other than CO<sub>2</sub>.

However, SBT initiative announced its updated criteria this April;

Bioenergy accounting: Direct emissions from the combustion of biomass and biofuels, as well as GHG removals associated with bioenergy feedstock<sup>1</sup>, must be included alongside the company's inventory and must be included in the target boundary when setting a science-based target and when reporting progress against that target. If biogenic emissions from biomass and biofuels are considered climate neutral, the company must provide justification of the underlying assumptions.

Detailed information is not yet available from the initiative, nor the guidance on what could be the justification for biomass to be considered climate neutral.

## Impact on the Sumitomo Forestry Group

Sumitomo Forestry operates four wood biomass power generation plants in Japan and is currently planning to add another in 2021, which would generate total of 177MW. If it is required to add CO<sub>2</sub> emissions to currently reported methane and N<sub>2</sub>O from the biomass power generation operation, Sumitomo Forestry Group's SBT emission reduction target would be extremely challenging.

Climate-related regulation changes in each regions/countries are unpredictable and may cause the company additional payment if carbon pricing incurs additional tax payment. Sumitomo Forestry's corporate brand image of being an environmentally friendly company may also be negatively impacted.

## Risk Countermeasures

Sumitomo Forestry continues to strive to reduce carbon emissions based on its Mid-term Sustainable Targets for each business units.

Also, Sumitomo Forestry is becoming more active in lobbying through the Forest Solution Group of the WBCSD (World Business Council for Sustainable Development) and CDP Japan Club, where Sumitomo Forestry serves as member.

## Risk Associated to IPCC 1.5 Degree-C Special Report

---

Based on IPCC' 1.5 Degree-C Special Report published in October 2018, SBT initiative announced its updated criteria in April 2019; new scope 1+2 targets shift from 2 degree-C to well below 2 degree-C or 1.5 degree-C. The companies will need to have their targets reviewed every 5 years to make sure these are in line with the latest climate science. By the end of 2024 at the latest, based on the current criteria, updated targets will need to be aiming at well below 2 degree-C.

## Impact on Sumitomo Forestry

Sumitomo Forestry's targets that were approved as an SBT targets in July 2018 is reportedly considered as "2 degree-C" target. Targets review every 5 years for Sumitomo Forestry is July 2022 at the latest. Currently approved target of reducing 21% by FY2030 compared to FY2017 is already a challenging one, requiring the company to invest heavily for overseas manufacturing facilities and to purchase renewable energy. In order to align with the updated criteria, each business units of the company, especially manufacturing and biomass energy power generation, faces additional cost and investment.

## Risk Countermeasures

In addition to current effort to reduce energy consumption, the company started actions to secure electricity from renewable energy sources. One of the sources would be to purchase electricity from solar-panels on each detached houses sold by the company in the past. Under the FIT Act of Japan (Feed-in Tariff for Renewable Energy) residential PV system owners have signed up for 10-year contract, which expires in November 2019 at the earliest.

While the current regulation does not allow Sumitomo Forestry to directly contract with each residential PV system owners, the company is undertaking studies for future plan as well as potential utilization of the "environmental value" from portion of power generated and consumed in-house.

## New Business Plan Risk Assessment

All new business and project plans that are brought for deliberation to the Board of Directors and the Executive Committee, which is the advisory body to the president, Sumitomo Forestry conducts risk assessment for the following categories, taking into account the entire supply chain. If a risk is confirmed, a report is made regarding the risk and measures to deal with it, which is used to determine implementation. In addition, the same risk assessment is recommended for new business projects that are not brought for deliberation to these meetings because they can be implemented under the jurisdiction of the respective division or affiliated company.

### ■ Environmental Aspects

1. Greenhouse Gases
2. Biodiversity Conservation (Including Verification of Protected Regions)
3. Waste
4. Water Resources
5. Soil Contamination
6. Noise
7. Other

### ■ Social Aspects

1. Relationships with Companies We Do Business With
2. Anti-Corruption in All Its Forms, Including Extortion and Bribery.
3. Human Rights Considerations for Workers and Other Stakeholders
4. Promotion of Employee Diversity
5. Prohibition of Forced labor and child labor
6. Appropriate working hours and wages
7. Occupational Health and Safety
8. Impact on Local Communities (Including Concern for Local Residents and Administrations, Industry Organizations, NPOs, Municipal Citizens' Groups and Indigenous People)

## Risk Education

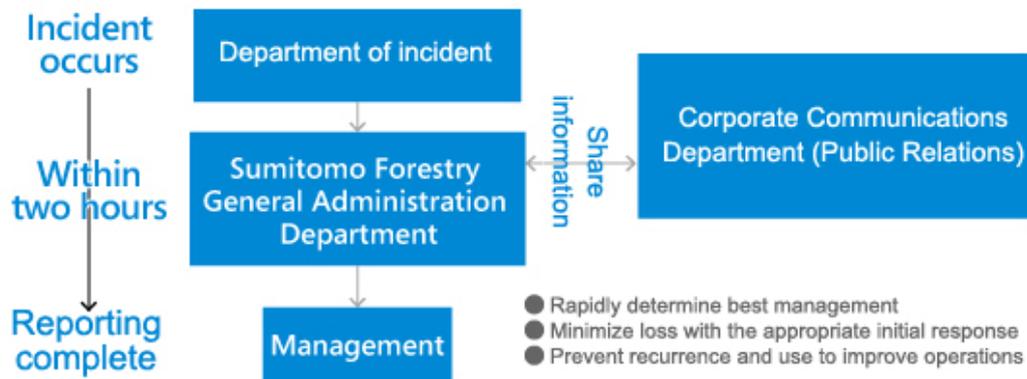
As ways to increase the sensitivity of risk in the executives and employees and in the corporate culture of the Sumitomo Forestry Group, the Group conducts e-learning each year for executives and employees as well as a risk management training for newly joined employees. In 2019, the Group introduced and shared examples from risks emerged in the past that should be noted beyond specific business departments at the Compliance Subcommittee as a venue for people in charge of risk management at the Company and each Group company.

## Rapidly Comprehending and Dealing with Risks

The Sumitomo Forestry Group operates Two-hour Rule system designed to quickly and accurately communicate information to management in the event of an emergency situation that may have a grave impact on company management. In addition to the regular reporting line, it utilizes communication via the Division responsible for risk management. Through this system, management can take the best decision speedily, ensuring an initial response which avoids loss and controls the situation. Moreover, it serves a role in collecting and accumulating reported cases and assists in improved business practice and prevention of recurrence.

Furthermore, the structure is organized so that, by sharing information with the public relations departments, important situations are disclosed to stakeholders properly and in a timely manner.

### Two-Hour Rule and Use of Risk Information



## Compliance

### Basic Policy

The Sumitomo Forestry Group established the new Sumitomo Forestry Group Code of Conduct as a foundation for its policies and regulations based on its Corporate Philosophy and Our Values. The Sumitomo Forestry Group uses the Code of Conduct for compliance not only at its Group companies but also at its suppliers to prevent corruption such as bribery, engage in fair business practices, maintain informational confidentiality, build healthy relationships with politicians, and respect human rights.

### Compliance Promotion

Sumitomo Forestry established the Compliance Subcommittee as a subordinate organization under the Risk Management Committee, chaired by the general manager of the General Administration Department and comprised of the persons responsible for risk management, including those from the responsible departments at each Group company. As a cross-cutting organization across the Group, the subcommittee promotes responses to compliance risk. It has established the Group standard risk management system and tools to ensure compliance with the Construction Business Act of Japan and other laws throughout the Group, for efficient response to compliance risk.

During fiscal 2019, the subcommittee met twice, and continuing on with its Group-wide initiatives from the previous fiscal year, it worked to make continuous improvements to its compliance system, such as making a comprehensive examination of risks with respect to legal requirements, such as for business activities requiring government permits and licenses.

In addition, by acquiring the latest knowledge in the field through compliance seminars featuring external expert instructors, the Company endeavors to align the perspectives of those persons throughout the Group who are responsible for compliance, working bottom-up.

These activities are outlined and reported to the Board of Directors once every quarter to build a system to reflect this information into the execution of our businesses. In addition to making monthly activity reports to auditors and internal audit divisions, any particularly important initiatives or risk information that is common to the Group is shared with the auditors in each Group company via the meetings of Statutory Auditors of Sumitomo Forestry and its subsidiary companies. Thus, the Group has developed a system for promoting compliance in its lines of business execution using internal and external approaches.

Based on the Sumitomo Group Procurement Policy, Sumitomo Forestry Group responds to compliance risks in supply chains by working with suppliers to ensure that timber procurement is performed legally and in a sustainable manner with consideration of legal compliance, human rights, labor practices, biodiversity conservation, and local communities. The Timber Procurement Committee convened four times in fiscal 2019 led by the director and managing executive officer in charge of sustainability promotion as chairperson and procurement managers from the Timber and Building Materials Division, Housing and Construction Division, and each department procuring timber and wood products as members. This committee receives reports on results from local interviews and the Sustainability Procurement Survey, including the level of supplier compliance awareness, and requires corrective actions to rectify any supplier issues found.

### Compliance Training

In order to heighten awareness among each and every employee about compliance, Sumitomo Forestry Group conducts compliance training for new employees to promote their understanding about general compliance issues, such as traffic safety, and information security. In fiscal 2019, training was administered to a total of 385 new graduate recruits (Group total in Japan), and to 70 mid-career recruits (Sumitomo Forestry). Compliance training was also provided to groups of employees at specific levels, including "Training for New General Managers."

Furthermore, two e-learning courses, "Compliance and Risk Management" and "Information Security" have been set as parts of compulsory courses to be taken by all employees who can use the internal website, and employees are required to take these courses annually (requires passing the test to measure effectiveness of the training). In addition, each Group company in Japan and overseas also has its own arrangements for training, such as for new employees.

## Compliance Hotline

The Sumitomo Forestry Group is committed to creating a workplace environment equipped with a self-corrective function for catching any misconduct concealed in day-to-day operations at an early stage. To this end, the Group established the Compliance Hotline (advice desks) in 2002 in order to prevent corruption such as anti-bribery, defined in the Sumitomo Forestry Group Code of Conduct.

The Group has two Compliance Hotlines, one within the Group (general manager of the General Administration Department is responsible) and one external to it (lawyer), ready to provide advice and receive reports via telephone or a dedicated email address. The Hotlines not only assist Group company employees but are available for anyone who works continuously for the Group, such as employees at partner building contractors, through cooperative safety meetings with contractors and the distribution of portable guides on risk. As well as stipulating in the relevant regulations and user manual about the protection of rights for persons seeking advice or making reports, and informing this on the Sumitomo Forestry intranet, the user manual is also distributed to all Group employees.

In fiscal 2019, the Compliance Hotlines were contacted with 19 times about such topics as the workplace environments and management of working hours. In cases where the facts were confirmed, in addition to implementing the necessary corrective measures, initiatives were promoted aimed at preventing recurrence including using these examples in training for managers. The company instructs managers and all persons to protect whistleblower rigorously if anyone reported.

In October 2019, we put in place a whistleblowing mechanism shared with some Group companies under the General Administration Department to strengthen compliance overseas as our Group expands businesses around the world. Furthermore, an external multilingual operator is used for this whistleblowing mechanism. Anyone can report an issue in English, Indonesian, Vietnamese, Thai, and Chinese.

### Manual for Compliance Hotline



▶ [Grievance Desk](#)

## Compliance Auditing

The internal auditing departments evaluate and investigate the appropriateness and validity of the management system at Sumitomo Forestry and its 200 operational sites from an independent standpoint. In fiscal 2019, roughly 60 sites were selected to conduct internal auditing. These internal audits not only examine simple imperfections but also point out issues related to compliance at each site and provide advice and guidance for improvement. In addition, in the event a compliance breach is found, the issue is reported to the President, executive officer in charge of internal auditing, the statutory auditor, and the executive officer/director supervising the business of the breach to put in place the necessary reform measures while offering advice on how to correct and improve the point of issues in the relevant departments.

## Preventing Corruption

Based on the Sumitomo Forestry's Regulations for Prevention of Bribery of Officials including Public Servants, we aim preventing corruption both in Japan and overseas. The rules stipulate that monetary and other forms of benefit offering, agreement, provision, and acceptance to or from government employees are forbidden. As our basic principles, notion to facilitation payments\* as well as conditions and pre-approvals for political contributions are stated.

Aiming at Group employees, the Group also facilitates dissemination of corruption and bribery prevention. One of the Company's CSR targets was the establishment of separate regulations at consolidated subsidiaries in Japan during fiscal 2014. Consolidated subsidiaries overseas prepared regulations based on an aspect of the risk-based approach, implement staff training and promoted general awareness. Since fiscal 2015, we have been formulating rules for consolidated subsidiaries in Indonesia, Vietnam, India, and Thailand. In fiscal 2019, Sumitomo Forestry headquarters conducted anti-corruption training and interviews about progress of initiatives at 10 affiliated companies in Asia, including these consolidated subsidiaries, in an effort to provide Group employee education and understand the risk of corruption in the Group.

When new business partners and representative agencies are hired, the Company oversees that these new business partners pose no risks of bribery whilst conducting appropriate due diligence including on corruption status in the case of a merger with other companies.

In fiscal 2019, no violation of corruption and relevant laws was identified.

\* Small amount of payment to facilitate regular administrative services

## Promotion of Fair Competition and Appropriate Transactions with Subcontractors

For the purpose of promoting fair competition, Sumitomo Forestry published the Antimonopoly Act Guide Book, and via articles on its intranet website, e-learning and other methods, it works to enhance understanding and awareness regarding the intent and outline of the Antimonopoly Act and about the risk of cartels stemming from contact with competitors. There were no breaches or issues related to the Antimonopoly Act in fiscal 2019.

Given that the Group's business activities are supported by many business partners, every year, Sumitomo Forestry also makes a comprehensive examination of its compliance with the Subcontract Act and the Construction Business Act of Japan for the purpose of promoting appropriate transactions with subcontractors.

## Political Contributions Policy

The Sumitomo Forestry Group states in its Code of Conduct: "We shall maintain a healthy and transparent relationship with the government that is in conformance with all laws." This statement has been included to ensure a healthy relationship with the government. The Sumitomo Forestry Group Code of Conduct Handbook distributed to every employee working at Group companies in and outside Japan clarifies "As a general rule and in accordance with relevant laws and company regulations, only the division in charge is permitted to make political contributions" and "If circumstances require another division to make a political contribution, make sure that there is adequate prior consultation with the division in charge or top management."

## Restriction of Insider Trading

The Sumitomo Forestry Group adheres to the Financial Instruments and Exchange Act as well as other relevant laws to prevent insider trading. Regulations to prevent insider trading maintains and improves the trust society has for the company in the stock market by clarifying procedures to prevent insider training by executives and employees as well as the management of information and disclosure methods. In addition, executives and employees who have the potential to come into contact with insider information on a daily basis are required as policy to gain the prior approval of the General Manager of the General Administration Department if they plan to buy or sell company stock to ensure the appropriateness. The Group also has published an Insider Trading Prevention Manual and raises awareness through its internal websites in addition to reminding the executives and employees twice a year about the prevention of insider trading.

There were no breaches or issues related to insider trading in fiscal 2019.

## Rejection of Influence from Anti-Social Forces

The Sumitomo Forestry Group's Code of Conduct state that the "influence from anti-social forces will be met with a resolute attitude and no compromises will be tolerated" as its basic policy. The General Administration Department is designated as the division to coordinate overall response and systematically cooperates with external expert bodies such as the police and lawyers in order to gather information about anti-social forces, and when required, gives guidance in issuing warning notices. In addition, in accordance with the enforcement of laws of each prefecture for the exclusion of organized crime, Sumitomo Forestry takes appropriate action including standardization such that all contracts that domestic Group companies enter into with third parties include a clause to exclude anti-social forces.

Furthermore, we have requested that all business partners, including existing contracted partners, provide declarations guaranteeing that neither they nor their parent, subsidiary or subcontracting companies are anti-social forces.

## Prevention of Traffic Accidents and Violations

Given that the Sumitomo Forestry Group has a fleet of about 7,000 vehicles used for either work or commuting in Japan, it promotes use of a standard Group system for managing safe driving to manage the risks associated with traffic accidents and violations.

Specifically, as well as establishing related rules, standardizing accident report forms, and acquiring Certified Driving Records\*, Sumitomo Forestry has rolled out a Safe Driving Management System to each Group company which centrally manages basic driver and vehicle information (licenses, traffic violation histories, vehicle inspections, insurance, etc.), and has established systems for ensuring that the fulfillment of statutory obligations and driver instruction are carried out in a timely and appropriate manner.

Sumitomo Forestry also holds monthly meetings for the Safe Driving Working Group, which is comprised of safe driving coordinators from Head Office and business divisions. The group shares and analyzes the state of traffic accidents and violations, helping in the formulation of prevention measures and educational activities.

Furthermore, Sumitomo Forestry also conducts hands-on vehicle training such as daily inspections, basic driving and slalom driving in addition to training to teach the potential of personality and other factors that influence driving as well as driving skills for the future based on a driving aptitude assessments, targeting new employees who are at a greater risk of accident due to insufficient driving skills and experience. Training is also provided to give participants hints on how to avoid traffic accidents so that they can reaffirm their mental readiness for safe driving.

\* A certificate issued by the Japan Safe Driving Center showing a driver's violations and administrative disciplinary actions, etc.

## Tax Strategies

### Basic Policy

All of the officers and employees of the Sumitomo Forestry Group adhere to laws and regulations, social norms of behavior and corporate regulations to act with the highest regard for ethics. We clarify fair accounting and tax practices based on accurate records in the Sumitomo Forestry Group Code of Conduct that defines basic policy when engaging in business. We also distribute this information to every employee at all Group companies worldwide. We have put in place policies for tax practices as well and strive to maintain and enhance tax compliance through efforts that include awareness raising for employees.

We even reinforce to link business strategies including tax with sustainability strategies through "Reinforcing risk crisis and compliance structures" as a goal of the Mid-Term Sustainability Targets.

### Tax Governance System

Tax affairs are one financial function of the Group led by the director in charge of financial matters. The Corporate Planning Department at the head office manages tax operations and has put employees with expert knowledge in charge of tax affairs. The Corporate Planning Department at the head office also ensures proper tax handling by monitoring the progress of tax payments and tax surveys worldwide in a timely manner in addition to immediately reporting that information along with Group tax issues and other tax-related matters to the director in charge.

The Risk Management Committee that oversees the entire Group manages and monitors tax and other compliance risks as well as corporate ethics risks as material management risks.

- ▶ [Risk Management Framework](#)
- ▶ [Compliance Hotline](#)

### Initiatives Against Tax Risks

In business dealings which may present a high tax risk, we make every effort to reduce the tax risk by preparing systems for sufficient prior examination as well as requesting advice and guidance from tax experts as necessary. While the Group strives to optimize tax payment through proper effective steps to reduce tax burden, we do not engage in any tax strategies through interpretations or applications which stray from the meaning of the law. Additionally, Sumitomo Forestry does not use tax havens for tax avoidance.

### Relationships with Tax Authorities

Our Group strives to maintain favorable communication with the tax authorities and remains sincere and honest in all of our correspondences based in facts. In the event an issue is pointed out by the tax authorities, we investigate the cause of the problem immediately and take the appropriate measures to properly correct or improve the problem to prevent recurrence, except in cases involving a formal objection or appeal related to the measures or view of the tax authorities.

## Business Continuity Management

### Business Continuity Management System

To counter risks which could significantly impact Head Office functions and are beyond a company's capacity to prevent, such as natural disasters and pandemic influenza, Sumitomo Forestry has established the BCM Subcommittee\*. The subcommittee sits under the Risk Management Committee, is chaired by the general manager of the General Administration Department and is comprised of the persons responsible for risk management including Group company, which enhances business continuity management system (BCM) and promotes initiatives based upon business continuity plans (BCP). Since Sumitomo Forestry Group companies are an integral link in the supply chain of one another's business, each Group company is committed to constantly improving the resilience of the whole Group, and tackling Group-wide issues with the intention of enhancing business continuity.

In fiscal 2019, Sumitomo Forestry held four BCM Subcommittee meetings. Critical initial responses in the event of a powerful earthquake, such as Tokyo Inland Earthquake was reviewed; in the meantime various training programs were planned and implemented.

\* The BCP Subcommittee was renamed to BCM Subcommittee in April 2019 in order to promote its BCM system in the entire Group, and improving business continuity with responding to variety of crises, expanding alternative locations, and strengthening disaster recovery headquarters functions.



BCP Simulation Training

### Measures for Employee Safety and Systems for Business Continuity

#### Portable Guide for Risk Responses, Safety Confirmation and Information Communication System

Sumitomo Forestry Group distributes Portable Guides for Risk Responses to all Group employees in Japan, promoting the basic response procedure to take in the event of a disaster. A safety confirmation system has also been introduced, allowing the safety of employees to be checked quickly in the event of a natural disaster. Safety confirmation drills are conducted at domestic Group companies every year, and in fiscal 2019, a sum of 14,669 employees have participated in them.

Furthermore, we have been operating a crisis management portal site since October 2016 as an information communication tool indispensable to business continuity from the moment disaster strikes through the recovery. This portal site allows employees Group-wide to confirm notices from the company and disaster information with only access to the Internet even when verbal communication networks and transportation infrastructure are down. Members and other staff entrusted with the responsibilities at each division, base and affiliate company can also share information through SNS functionality on the portal site to regularly confirm safety and conduct information communication training.



Portable Guide for Risk Responses

## Disaster Prevention and Damage Mitigation Measures

By way of preparation for employees walking long distances back home on foot or those stranded at the office unable to return home in the event of a massive earthquake, Sumitomo Forestry has stipulated a minimum stockpile of common emergency supplies for each workplace, and has had these distributed to all Group bases. In particular, at bases in large metropolitan areas (Tokyo, Osaka, and Nagoya), where it is expected there would be large numbers of stranded employees, enough supplies have been stored for employees to stay at the office for up to three days.

Also, when selecting new offices and other facilities, rather than deciding merely on cost and convenience, the person responsible for disaster prevention at Head Office gets involved, and measures for preventing disasters and reducing damage are implemented, such as measures for preventing office equipment from falling over and multifunction printers on wheels from rolling.

Furthermore, Sumitomo Forestry has also implemented measures from a perspective of data integrity, such as backing up data at locations physically distant from the data center.

## BCP Simulation Training

In order to overcome the chaos immediately after a large-scale earthquake strikes and to transition quickly to action for business continuity, it is vitally important that the people in charge can make an initial response and can make decisions according to the situation at hand. For this reason, since fiscal 2011, the Sumitomo Forestry Group has continued to conduct BCP Large Scale Earthquake Countermeasures Simulation Training, targeted at the persons in charge at each Group company. The aim of this training is to get participants to experience a simulated “crisis” in an earthquake and to acquire an awareness of the issues, by getting them to make spur of the moment decisions again and again based on rigorous hypothetical scenarios. During the training, since Group companies from neighboring areas are assembled together in one place, another aim of the exercise is to share an awareness of risks and to strengthen cooperation among them in an emergency. To date, a cumulative total of more than 590 people have participated in this training.

Systems have also been developed so that, in situations where employees find getting to work difficult, payment of salaries, payments to business partners and other important business operations can still be carried out from a site designated in advance, an employee dormitory, their home or other remote locations while maintaining a high level of security. Simulation drills to check back-up office operations are also conducted every year.

In fiscal 2019, we conducted first-response and rescue training to learn techniques using crowbars on-site (simulating the aftermath of serious earthquakes when no immediate emergency dispatch can be anticipated), simple triage and rapid treatment (JumpSTART Triage) for injured victims, and transport techniques for injured victims.



First response and rescue training

## Strengthening Supply Chain Business Continuity Plan

In readiness for potential disruption of its housing and construction business supply chain following a disaster, Sumitomo Forestry shares the specifications and processes for property construction along with site progress status information with business partners including component makers and building contractors. By enabling advanced procurement of materials and production in this way, the Company is striving to reduce the risk of a disruption to operations. However, there were some delays in material procurement and constructions due to the worldwide spread of the COVID-19 in 2020.

In light of this situation, we are examining reporting methods for suppliers to report the status of disaster and systemization of history management in cases the suppliers are affected by natural disasters such as earthquakes or calamities such as fires.

We plan to take measures to prevent delays in procurement materials caused by the COVID-19 through discussions with suppliers. In preparation for a second wave, we are reducing risks by increasing inventory at each material supplier where delays occurred as a short-term measure and decentralization of production facilities as a medium- to long-term measure.

Sumitomo Forestry also reviews its suppliers of building and construction materials, with supplier evaluations conducted every year for determining whether to continue business with them. Business continuity items, such as systems for ensuring alternative supply routes during a disaster, have been added to these evaluations. These efforts will work to further reduce risks that may interrupt business operations in the future.

## Continuity of Customer Service

Sumitomo Forestry has setup call centers in Tokyo and Okinawa, thereby facilitating 24-hour after-sales service.

Sumitomo Forestry has also developed a mechanism whereby any call center can back up the functions of another call center in the event it is affected by a disaster. Through a unified emergency system, the Group can share damage information pertaining to owners nationwide, enabling us to respond quickly to disaster and requests for repairs.

## Responsible Advertising/Promotional Efforts

### Basic Policy

In keeping with the Sumitomo Forestry Group Code of Conduct, Sumitomo Forestry Group complies with relevant legislation, including the Copyright Act, Trademark Law, Building Lots and Buildings Transaction Business Law, and the Act against Unjustifiable Premiums and Misleading Representations. Out of consideration for the perspectives of our diverse stakeholders, we also engage in accurate and appropriate advertising and promotional efforts that do not cause misunderstanding or offense.

### Observance of Laws, Standards and Norms

In order to ensure thorough observance of laws, standards and norms, Sumitomo Forestry has a system which the Corporate Communications Department, the Legal Group in the General Administration Department and the Intellectual Property Department cooperate to confirm and verify the content of advertisements as required.

In fiscal 2019, the incident suspected of violating copyrights was discovered but prompt confirmation of the facts, information to the relevant parties, and proper response were carried. Furthermore, Sumitomo Forestry holds monthly meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and Group companies in Japan, holding study sessions that include prevention of non-compliance in an effort to raise awareness. Through these efforts, Sumitomo Forestry made certain of prior checks, and endeavored to ensure customers were not misled by unreliable information.

### Initiatives to Improve Company-Internal Literacy

In fiscal 2019, the Brand Communication Committee worked with the Corporate Communications Department and General Administration Department to hold study sessions throughout Japan on Copyright Act, Trademark Act, Act Against Unjustifiable Premiums and Misleading Representations, and Unfair Competition Prevention Act lectured by attorneys. These training sessions bring understanding about laws related to advertising, labeling, and violations that can easily occur as well as evoke caution in managers and other staff in charge of marketing materials.

A web discussion session is also held once a quarter. Additionally, the Committee created website management guidelines and provided relevant division and Group company website teams in Japan with information and instructions on personal information and information security.



The Brand Communication Committee

## Information Security

### Information Security Policy

In order to ensure the confidentiality, integrity and availability of its information systems, the Sumitomo Forestry Group is raising the security level of its systems through the enhancement of both the operational rules and technology aspects of information security.

Recognizing that the protection of customer information is of particular and utmost importance, the Group continues to conduct employee training to ensure dissemination of the rules and verifies their level of awareness.

In terms of operational rules, we have formulated Sumitomo Forestry Group Information Asset Protection Guidelines for all Group companies in Japan and at the same time, created a checklist based on these guidelines.

The person responsible for the department in charge of information systems at each Group company conducts checks of the information security level every year. In 2012, the Group also formulated guidelines for Group companies outside of Japan.

For education on information security, Sumitomo Forestry has made it compulsory for all Group employees with access to its intranet, including temporary and part-time employees, to take an e-learning course on an annual basis.

For the technology aspects of information security, the Group has introduced encrypted computer start-ups and data export restrictions on computers that are taken outside the Company.

### Systems for Protecting the Privacy of Customers (Protection of Personal Information)

Sumitomo Forestry has formulated internal rules to safeguard the personal information of customers, such as the Personal Information Protection Policy and the Personal Information Protection Regulations. In addition, the executive officer responsible for general administration is designated as the chief executive in charge of protection of personal information, the head of each department is assigned as the supervisor and an information security officer is placed in each department. In these ways, the Company has established a protection system that extends from the Head Office through to each office.

The Company has also established a help desk within the Customer Service Department for inquiries regarding the handling of personal information. In addition, collective training is provided for the head and general administration representative of each organization. E-learning is provided for all other employees and efforts are made to increase awareness among subcontractors in order to prevent personal information leaks. It is also mandatory for employees at Group companies to undergo e-learning training.

▶ [Personal Information Protection Policy](#)

## Systems for Managing Information Security

The executive officer and general manager of the IT Solutions Department, who has specialized knowledge and experience and under the supervision of the executive vice president and executive officer in charge of IT solutions, is responsible for promoting information security measures for the Sumitomo Forestry Group, such as the formulation and management of rules and regulations, the proposal and implementation of technical measures, the education and training of employees, and the investigation of accidents and implementation of countermeasures.

The person responsible as the information security supervisor in each department provides guidance and management for the execution of that department's operations and assigns an information security officer as the working-level manager for the department's information security.

Furthermore, the Group also holds regular meetings of the Affiliated Companies IT Managers Council, which is attended by the persons responsible for departments in charge of information systems at Group companies in Japan. The council checks the content of the guidelines and promotes the introduction of security systems.

The Risk Management Committee, for which all executive officers serve as standing members, stipulates as one of its items for priority management the risk of confidential information leaks due to an outside attack. The committee shares information and discusses ways to prevent and reduce the impact of such leaks at committee meetings held regularly every quarter. These activities are reported to the Board of Directors and a system to reflect this in business execution is put in place.

The BCM Subcommittee installed under the Risk Management Committee conducts activities aimed to raise the efficacy of measures to mitigate Group-wide, IT-related business interruption risks.

## Initiatives to Strengthen Information Security

With a growing number of incidents involving leaks of personal information, targeted email attacks and other threats to information security, the Sumitomo Forestry Group continued to make investments in information security in fiscal 2019 to strengthen security by building a multi-layer defense system. In addition, a training program about targeted email attacks was implemented for all employees in Japan.

Through the Information Security Office at Sumitomo Forestry Information Systems Co., we are also enhancing our ability to respond to employee inquiries regarding cyberattacks and reinforcing security training programs for employees.

## Intellectual Property Management

### Intellectual Property Management Policy

The proper protection and use of copyrights, trademarks and other intellectual property rights have a major impact on business competitiveness, while illegal actions such as intellectual property rights infringement is one of major risks in corporate management. The Sumitomo Forestry Group strives to properly manage intellectual property rights, including the protection of intellectual property based on the unique characteristics of each business and proper handling of third-party intellectual property as necessary to sustain and improve competitiveness.

### Systems for Managing Intellectual Property

Sumitomo Forestry established the Intellectual Property Department as a body to manage intellectual property and it employs a number of patent lawyers as department staff. The Intellectual Property Department provides a wealth of support that includes education to cultivate knowledge and actions about intellectual property in employees, legal consultation about the infringement and being infringed on intellectual property rights, assistance for the execution of various contracts related to intellectual property, and the application and protection of the intellectual property that is created at the Tsukuba Research Institute and business departments for the purpose of improving corporate performance.

### Intellectual Property Education

Sumitomo Forestry Group conducts intellectual property classroom training for employees under a systematic program that compiles content appropriate to each department. The purpose is to systematically teach the correct knowledge and fundamental actions for handling intellectual property from the perspectives of compliance and the risk management of intellectual property. In fiscal 2019, Sumitomo Forestry held eight training sessions on intellectual property for employees and managers in charge of research and development as well as marketing and planning at the Tsukuba Research Institute, business departments and affiliate companies in an effort to ensure thorough compliance and risk management of intellectual property.

We have also established an environment in which all Sumitomo Forestry Group employees can access intellectual property-related classes that places emphasis on aspects of compliance at all times through our e-learning website. This course is a mandatory course that must be taken by each Sumitomo Group employee every year.



Intellectual Property Training

## Return to Shareholders and IR Activities

In recent years, institutional investors have shifted the way to evaluate a company. One emphasis from this perspective of evaluation is engagement. The dialogue between companies and their shareholders as well as investors is growing in terms of strategies and efforts to improve corporate value. Trends to promote even broader engagement are growing after the publishing of the Stewardship Code even in Japan.

The Sumitomo Forestry Group places great importance on engagement from the perspectives of properly assessing the corporate value and earning trust from the market. The Group discloses a wide range of information, including non-financial information, in a timely and transparent manner to facilitate understanding among stakeholders of our management policies and business strategies, while regularly feeds back the opinions and requirements of investors who are a vital stakeholder into operations to put in place measures toward sustainable growth.

### Returns to Shareholders

#### Basic Policy on Returns to Shareholders and Retained Earnings

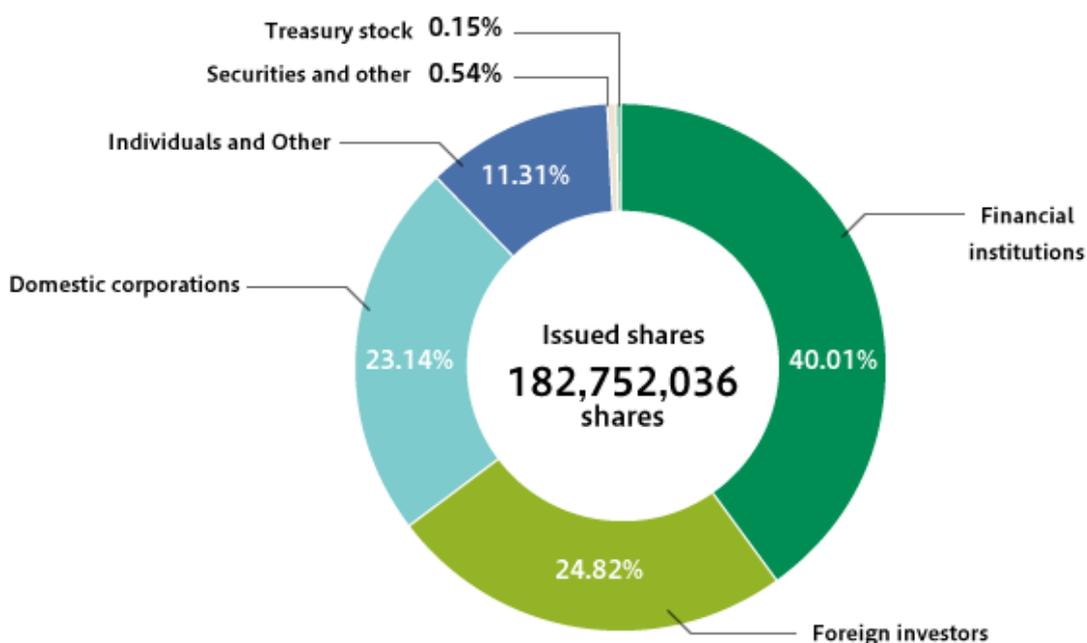
Acknowledging that providing returns to shareholders is one of its most important tasks, Sumitomo Forestry has adopted a basic policy of paying stable and continuous returns.

Going forward, in addition to improving return on equity (ROE) and enhancing shareholders' equity by making good use of retained earnings for effective investment and research and development activities that help improve long-term corporate value, Sumitomo Forestry will continue to pay an appropriate level of shareholder returns in line with earnings while reflecting an overall balanced consideration of factors such as business fundamentals, financial conditions and cash flow.

#### Dividends in Fiscal 2019

In fiscal 2019 (year ended March 31, 2020), a year-end dividend of 20 yen per share and an interim dividend of 20 yen per share were issued. This corresponds to a full-year dividend of 40 yen per share.

#### Share Distribution by Shareholder Type (As of March 31, 2020)



\* Digits below unit values displayed are cutoff on the chart.

## Information Disclosure and Communication

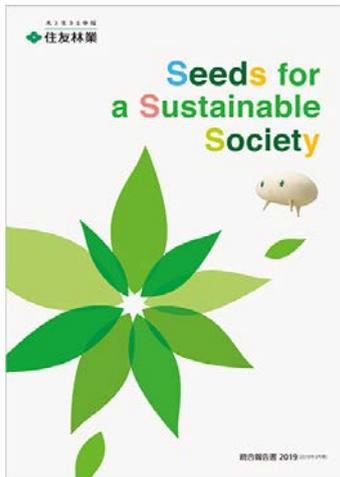
### Basic Policy on Information Disclosure and Communication

In the interest of greater management transparency, Sumitomo Forestry takes a proactive approach to information disclosure.

We strive to provide reporting and explanations in an easy-to-understand manner at the General Meeting of Shareholders. We also publish a wealth of IR information in Japanese and English such as information about the settlement of accounts that includes short financial statements, fact book and a summary of financial results and forecasts, and monthly order information in the housing businesses on our website. In addition, we also publish detailed information about sustainability initiatives in Japanese and English on our website.

We have been publishing the Integrated Report since fiscal 2017 in place of the Annual Report published up until now in order to strengthen informational communication for both financial information and non-financial ESG information about the initiatives to improve corporate value throughout the Group. Besides the integrated report and the Japanese language report for shareholders on business activities, we also strive to actively provide information that includes the publishing of notifications for our Ordinary General Meeting of Shareholders in both English and Japanese in print and online forms.

#### ▶ IR Materials (Link to IR Information)



Integrated Report 2019



Japanese reports for shareholders on business activities (Year ended March 31, 2020)

### Two-Way Communication with Shareholders and Investors

#### ▶ Basic IR Policy and Exemptions

#### General Meeting of Shareholders

Sumitomo Forestry holds its Ordinary General Meeting of Shareholders every June (an amendment to the Articles of Incorporation at the 80th General Meeting of Shareholders held on June 23, 2020 changes the General Meeting of Shareholders to March every year starting in 2021). Through various initiatives, the Company endeavors to get as many shareholders as possible to participate at the meetings and exercise their right to vote. These initiatives include sending out and posting online convocation notices (in Japanese and English) earlier than legally required, scheduling the meeting to avoid the date when most other shareholder meetings are held, and accommodating shareholders who wish to cast their votes online or via mobile phone.

#### Individual Meetings

Sumitomo Forestry holds individual meetings with security analysts and institutional investors following the announcement of its quarterly results. In fiscal 2019, we conducted a total of 144 consultations in Japan and overseas. In addition, we will also regularly hold forums such as small meetings and on-site briefings.

## IR Informative Meetings for Individual Investors

Sumitomo Forestry holds regular IR informative meetings for individual investors. During fiscal 2019, many investors attended the meetings held in Osaka and Nagoya. The meetings presented the growth strategy of the Sumitomo Forestry Group in addition to its business operations while its exhibition booth provided briefings to individual investors who have requested one with information on customized housing, rental housing, renovation, and private-pay elderly care facilities, and overseas real estate.

## IR Activities for Overseas Institutional Investors and Shareholders

Sumitomo Forestry management team visits institutional investors and shareholders in Europe and North America in fiscal 2019 in addition to engaging in efforts such as the distribution of English versions of financial information to all of our institutional investors and shareholders overseas. These efforts offer us the chance to exchange ideas in addition to explain aspects of our business such as our business performance and business strategies.

We also participate in conferences held worldwide to have even more opportunities for dialogues.

## Issuance of Green Bonds

Sumitomo Forestry Group promotes initiatives informed by an awareness of the global environment in all of the activities it pursues. In September 2018, as part of this initiative, Sumitomo Forestry issued ten billion yen of Convertible Bonds with Stock Acquisition Rights in accordance with the Green Bond Principles and with a second party opinion received from a leading evaluation agency (hereinafter "Green CBs"). The purpose was to refinance the reduced amount of cash on hand resulting from our acquisition of forest assets in New Zealand in fiscal 2016. This was the first instance of the issuance of Green CB worldwide (as of publication), and this advanced initiative was highly evaluated and won the New Products category at the 4th Green Bond Pioneer Awards hosted by the Climate Bonds Initiative as a result. We were the first Japanese company to receive a Green Bond Pioneer Award. Issuance of Green CBs will contribute to activating ESG investment markets and expanding the base within and outside of Japan.

- ▶ [Second party opinion provided by evaluation organization Vigeo Eiris](#) 
- ▶ [Environmental benefits: ex-post estimates of outputs and impacts](#) 

## Conclusion of Positive Impact Financing Agreements

The Sumitomo Forestry Group emphasizes contributions to the SDGs by defining the promotion of further integration of business operations and ESG initiatives as one basic policy in the 2021 Mid-Term Management Plan.

In March 2020, the Company entered into the Sumitomo Mitsui Trust Bank, Limited Positive Impact Finance (a type of business loan that does not specify the use of funds) agreement, which is a financing loan that aligns with the United Nations Environmental Programme Finance Initiative<sup>\*1</sup> Principles for Positive Impact Finance<sup>\*2</sup>. This borrowing not only praises Sumitomo Forestry initiatives that contribute to the SDGs but also provides favorable interest rates than standard financing. In regards to this financing, Japan Credit Rating Agency, Ltd. (President: Shokichi Takagi; Head Office: Chuo-ku, Tokyo) has provided a third-party opinion<sup>\*3</sup> about the rationality of evaluation factors used and the compliance to the Principles for Positive Impact Finance.

In the future, the Sumitomo Forestry also aims to improve medium-to long-term corporate value by further enhancing initiatives to achieve the SDGs.

\*1 The UNEP FI established the Principles for Positive Impact Finance in January 2017. Companies disclose their contributions toward achieving the SDGs and banking institutions evaluate the positive impact and provide capital in an effort to maximize the positive impact and minimize the negative impact of corporate entities. The banking institutions providing the financing take responsibility to monitor the indicators and verify ongoing positive impact. The United Nations Environment Programme (UNEP) is a subsidiary body of the United Nations established in 1972 as an implementing agency for the Declaration of the United Nations Conference on the Human Environment and the International Environment Action Programme. UNEP FI is a broad and close partnership between UNEP and more than 200 global financial institutions. Since its establishment in 1992, it has been working with financial institutions, policies, and regulators to transform itself into a financial system that integrates economic development with environmental, social and governance (ESG) considerations.

\*2 This is a financial framework for achieving the Sustainable Development Goals (SDGs) formulated by the United Nations Environment Programme Finance Initiative (UNEP FI) in January 2017. By disclosing contributions to the achievement of SDGs, with banks assessing the positive impact of these contributions and providing funds, the framework guides the efforts of fund providers to increase positive impacts and reduce negative impacts. As the responsible financial institution, lending banks monitor indicators to ensure that their impacts are continuing.

\*3 Please see the Japan Credit Rating Agency, Ltd. website.  
<https://www.jcr.co.jp/en/>

# Contribution Through Our Business

Overall Business and Scope of Impact

---

Housing and Construction Business

---

Distribution Business

---

Manufacturing Business

---

Forest Management

---

Environmental Energy Business

---

Business Responding to the Super-Aging Society

---

## Overall Business and Scope of Impact

Sumitomo Forestry Group strive in a wide range of business activities centered upon wood.

We have built strengths unique to our Group from the technology and know-how in wood accumulated for the almost 320 years since our founding to the brand cultivated with a network in Japan and overseas that connects us to our customers. We utilize wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society.

### Value Chain

#### Forest Management



- Seedling Farming
- Site Preparation
- Garden Vegetation
- Cultivation
- Harvest
- Transport

#### Logistics



- Verification of Legal Compliance/Sustainability
- Procurement
- Shipping/Sales
- Delivery

#### Manufacturing



- Product Development
- Raw Material Procurement
- Manufacturing
- Delivery

#### Housing and Construction



- Sales/Product Development
- Design
- Materials Procurement
- Construction
- After-Sales Support

#### Other



- Procurement
- Fuel Production
- Power Generation
- Sales

\* related to the energy business

### Relevant Sustainability Initiatives

- [Sustainable Forest Management](#)
- [Protecting and Utilizing Domestic Forest Resources](#)
- [Forest Management Overseas](#)
- [Occupational Health and Safety in the Forestry Business](#)
- [Consulting Business](#)
- [Reforestation Activities Contributing to the Society](#)

- [Procurement Initiatives](#)
- [Sales Initiatives](#)

- [Procurement Initiatives](#)
- [Product Safety and Quality Control](#)
- [Occupational Health and Safety](#)

- [Procurement Initiatives](#)
- [Product Safety and Quality Control](#)
- [Home Building That Contributes to a Sustainable Society](#)
- [Occupational Health and Safety on Construction Sites](#)
- [Environmental Consideration on Construction Sites](#)
- [Communication with Our Customers](#)
- [MOCCA \(Timber Solutions\) Business](#)
- [Contributions to Eco Cities Through Greening](#)
- [Residential Property Development Business](#)
- [Overseas Housing and Real Estate Business](#)

- [Environmental Energy Business](#)
- [Business Responding to the Super-Aging Society](#)

## Housing and Construction Business

### Business Overview

The Housing and Construction Business develops a wide range of housing and lifestyle businesses from custom-built detached housing, remodeling and renovations, and rental housing businesses to renewal and sales of pre-owned housing, real estate management and mediation, subdivision, greening and MOCCA (timber solutions) businesses.

Sumitomo Forestry is also expanding the housing and real estate business primarily in Pacific Rim regions, including the United States, Australia, and South East Asia.



#### Main Business Figures (FY2019 Result)

Housing sold and delivered in Japan **7,427**

Percentage of orders for ZEH type houses out of new custom-built detached housings **48.2%**

Carbon stock in wooden architecture in Japan

 **193,072t-CO<sub>2</sub>**

Housing sold and delivered in the United States and Australia **10,390**

Number of local tree species sold

 **424,000 trees**

## Value Chain of the Housing and Construction Business



### Sales/Product Development

Housing and constructions at the Sumitomo Forestry Group are mostly custom-built detached housing designed to each customer's individual home specifications. We listen carefully to the requests of our customers to propose the best lifestyle based on their wishes.

The Sumitomo Forestry Group pursues better housing performance from a wide range of perspectives, including earthquake resistance, fireproofing, insulation efficiency and universal design in product development.

#### Relevant Social Issues

Sales endeavors face the challenge of whether appropriate information can be provided comprehensively to customers. We strive to properly communicate data related to safety, performance and benefits of environmentally-friendly housing in addition to other information to offer proposals customers will be happy with.

#### Relevant Sustainability Initiatives

- ▶ [Communication with Our Customers](#)



### Design

The Sumitomo Forestry Group provides long-lasting, high-quality housing by fully taking into account safety, durability and the environmental impact at the design stage. We have maintained our ratio of houses certified as Excellent Long-term Housing for new custom-built houses through development such as Net Zero Energy Houses (ZEH) and the BF Method up until now.

#### Relevant Social Issues

The themes in particular for social challenges related to initiatives in the design stage are safety and the environment. We propose safe, secure lifestyles to customers in addition to ensuring we do not neglect considerations toward the global environment, including climate change.

#### Relevant Sustainability Initiatives

- ▶ [Product Safety and Quality Control](#)
- ▶ [Home Building That Contributes to a Sustainable Society](#)
- ▶ [MOCCA \(Timber Solutions\) Business](#)





## Materials Procurement

The Housing and Construction Business procures a wide range of materials from timber and concrete to kitchens and toilets. Promoting fair and responsible initiatives for these procurement activities are the social responsibility of the Group.

### Relevant Social Issues

We believe that the procurement responsibilities of the Housing and Construction Business should include its business partners as well as upstream supply chain. Therefore, considerations are expansive from labor practices, human rights to environmental issues both in Japan and overseas.

### Relevant Sustainability Initiatives

- ▶ [Procurement Initiatives](#)



## Construction

Sumitomo Forestry considers safety while working carefully and efficiently to complete the construction on time for the customers. Therefore, we are building a system to ensure our policies and initiatives are carried out on-site by the construction contractors through thorough implementation of safety training and environmental education.

### Relevant Social Issues

Construction sites are bound to face various dangers and occupational injuries. We cultivate the highest level of awareness about "Safety-First" practices and strive to realize accident-free construction sites with the cooperation of a variety of construction businesses. The Housing and Construction Business also takes measures such as the reduction of waste and considerations for the neighboring areas, such as noise and vibrations.

### Relevant Sustainability Initiatives

- ▶ [Occupational Health and Safety on Construction Sites](#)
- ▶ [Environmental Consideration on Construction Sites](#)
- ▶ [Contributions to Eco Cities Through Greening](#)





## After-Sales Support

The Sumitomo Forestry Group aims to provide housing residents can live in over the long term by pouring its strength into after-sales support. Therefore, we conduct customer satisfaction surveys and have set up a call center. Sumitomo Forestry has been conducting free periodic inspections for 30 years after homes are delivered to their owners, and thereafter provides paid maintenance services according to maintenance plans. Owners can also extend the building warranty every 10 years to receive these free periodic inspections for up to 60 years.

### Relevant Social Issues

We believe responsibility for our products (housing) lasts even after delivery. Our Group recognizes maintenance as part of our responsibility for product liability to not only ensure long-term safety and environmental performance but also a home people can live in over the long term.

### Relevant Sustainability Initiatives

- ▶ [Communication with Our Customers](#)

## Procurement Initiatives

### Basic Policy

The Sumitomo Forestry Group has been committed to responsible timber procurement and having established Timber Procurement Standard and Timber Procurement Philosophy and Policy in 2005 and 2007 respectively, to bring contributions to sustainable society via business activities of “wood” -a renewable resource.

In July 2015, Timber Procurement Philosophy and Policy were extended beyond timber and became subject to procurement of construction materials and other items, and reestablished as Sumitomo Forestry Group Procurement Policy. The Group's economically, socially and environmentally responsible procurement today is being carried out based on this policy.

► [Sumitomo Forestry Group Procurement Policy](#)

### Green Procurement and Sustainable Procurement

The Sumitomo Forestry Group formulated the Green Procurement Guidelines in 2002. The Guidelines establish standards for procuring products from two perspectives: the supplier's stance toward the environment (corporate activities assessment) and the product's impact on the environment throughout its life cycle (product assessment).

In 2013 and again in 2020, the Group revised the Green Procurement Guidelines and added items to ensure even broader progress of sustainability initiatives concerning occupational health and safety and human rights under “the corporate activity assessment.”

► [Green Procurement Guidelines \(extract\)](#)

### Environmental Consideration and Legal Compliance in Responsible Material Procurement

The Sumitomo Forestry Group procures materials for the Housing and Construction Business in accordance with the Green Procurement Guidelines.

When adopting new products or reforming existing products, we create green procurement ledgers as well as waste disposal confirmation forms (product/packaging) in addition to product specifications which define the specifications, standards and quality criteria of products. Green procurement ledgers confirm aspects of procurement such as verifying the timber procured has been legally logged, confirming the no occurrence of volatile organic compounds (VOCs) as well as use of certified chemicals such as insecticides when adopting new products. Regarding materials made of wood, documentations such as legal certification are confirmed to ensure that procured wood materials comply with the Clean Wood Act. The waste disposal confirmation forms (product/packaging) verify aspects such as the type of offcuts, disposal methods and processing facilities.

We create two copies of each form and suppliers and we each keep copies.

► [Status of Sumitomo Forestry Group Forest Certification/CoC Certification \(FSC-C113957\)](#)

## Communication with Procurement Partners and Partner Evaluation

Sumitomo Forestry's Housing and Construction Business worksites are found in every region of the country, and they rely on support from the many business partners that the Sumitomo Forestry Group collaborates with. The Company considers communication with these companies to be vital in order to share with them its philosophy of improving the quality of homes while protecting the environment.

### Main Communication Activities with the Business Partners of Sumitomo Forestry's Housing and Construction Division

Name/Scale	Description
Evaluation and feedback based on the Supplier Evaluation Standards Implementation rate: 100% (FY2019)	Material suppliers of the Housing and Construction Business (suppliers excluding on-site equipment manufacturers, precut factories, building material operators and frame centers) are evaluated every year per type of material based on items including corporate overview, quality, cost, delivery period, environmental response as well as services. We provide feedback from the evaluation results as a way of bettering our procurement. In fiscal 2019, we provided 245 feedbacks, a 100% implementation rate. In addition, we regularly audit supplier plants as part of the evaluation. In fiscal 2019, Sumitomo Forestry audited 117 plants although these audits have been suspended since February 2020 due to the spread of the novel coronavirus infection (COVID-19). If buildings are constructed with materials, which are not confirmed for performance quality, it would pose various risks for the people and the buildings. Therefore, we have formulated methods for auditing plants that focus on quality management to confirm whether material we procure are manufactured based on our quality standards and other aspects.

## Responsible Material Procurement

Sustainable procurement practices throughout the supply chain have come to be expected in material procurement that goes beyond checking on quality, cost and delivery dates to confirming efforts made by the suppliers with respect to the environment, society and other sustainability aspects.

The Mid-Term Sustainability Targets announced in May 2019 set an annual implementation target for sustainability procurement survey implementation rate in the supply chain of the domestic housing department and conducted questionnaires about initiatives related to issues such as human rights, occupational health and safety, biodiversity conservation, and sustainable wood materials at each supplier.

In fiscal 2019, more than 80% of suppliers were surveyed, exceeding the target set for questionnaires with suppliers (subject to the survey\*) that make up 65% of our purchasing ratio.

We will expand the scope of supplier surveys from fiscal 2020 with a plan that calls to implement surveys at suppliers (subject to the survey\*) that make up 90% of our purchasing ratio by fiscal 2021.

\* Manufacturers that are direct or indirect suppliers

► **HIGHLIGHT 1: Enhancing Our Timber and Materials Procurement to More Effectively Embrace Human Rights and the Environment**

## Housing and Construction Business Initiatives for Sustainability in Timber and Wood Products

The Housing and Construction Division newly set a 100% target for the rate of sustainable timber used as primary building material in the Mid-Term Management Plan announced in May 2019. This target aims to put sustainable timber procurement into practice, including confirmation of legal compliance of timber procurement, compliance with human rights and occupational health and safety, biodiversity conservation, and considerations of the local community, especially for timber used in housing as outlined in the Sumitomo Forestry Group Procurement Policy.

In fiscal 2019, we were able to increase the rate of sustainable timber used for primary building material of Sumitomo Forestry detached homes to 80%. In fiscal 2020, these initiatives will strive to go even further with the goal of reaching 100% sustainable timber used.

## Product Safety and Quality Control

### Basic Policy

Sumitomo Forestry believes that popularizing high-quality, durable houses as social assets plays an important role in creating a prosperous society. Based on this belief, and taking the opportunity of the enforcement of the Excellent Long-Term Housing Promotion Act in Japan in June 2009, the Company formulated a basic policy for product safety and quality control in its housing and construction business in fiscal 2009.

#### Basic Policy for Product Safety and Quality Control in the Housing and Construction Business

- Make houses more reliable by improving their basic functions
- Increase future options for layout to accommodate changes in lifestyles
- Enhance maintenance programs to support long-term upkeep
- Monitor information on any production faults, and share information on handling faults promptly

Sumitomo Forestry offers homes that integrate seismic resistance, durability, better insulation efficiency, Net Zero Energy Houses (ZEHs), the promotion of universal design, and easy upkeep to improve all aspects of home performance so as to offer customers homes where they can live in peace of mind and comfort for many years to come.



## Design Performance Evaluation

The Company is actively promoting the use of the Japanese Housing Performance Indication System<sup>\*1</sup> for customer peace of mind and safety as well as enhancing the value of property. In fiscal 2019, under the Japanese Housing Performance Indication System, implementation rate<sup>\*2</sup> of Design Performance Evaluation reached 99.1%, Implementation of Construction Performance Evaluation reached 98.8%, and the acquisition of Excellent Long-Term Housing certification reached 94.4%.

\*1 Third-party evaluation system for design performance at the time of design and of construction performance upon completion so that customers can objectively assess the quality and performance of a house.

\*2 The ratio of the number of applications against the total number of detached houses constructed, including extensions and/or alterations (applications for design and construction performance evaluation, April 1, 2019 - March 31, 2020) in the Housing and Construction Division.

### Japanese Housing Performance Indication System Implementation Rate

	FY2015	FY2016	FY2017	FY2018	FY2019
Design Performance Evaluation	98.6%	98.8%	98.9%	99.0%	99.1%
Construction Performance Evaluation	97.3%	97.8%	97.9%	98.4%	98.8%

## Certified Excellent Long-Term Housing

Sumitomo Forestry sets the standard specifications for its Sumitomo Forestry Home houses to exceed the highest level of Excellent Long-Term Housing<sup>\*1</sup> certification conditions<sup>\*2</sup> (applying the evaluation under the Japanese Housing Performance Indication System). From product development through to construction and after-service, the Company has established its framework for product safety and quality control in order to deliver high quality homes with superior overall balance.

\*1 A life-long housing certification system of Ministry of Land, Infrastructure, Transport and Tourism which aims to popularize housing that will help realize a society that values its housing stock.

\*2 Detached housing is evaluated for durability, seismic resistance, ease of maintenance and energy efficiency in accordance with the Japanese Housing Performance Indication System.

### Ratio of Houses Certified As Excellent Long-Term Housing for New Custom-Built Housing

	FY2015	FY2016	FY2017	FY2018	FY2019
Ratio of houses certified as Excellent Long-term Housing for new custom-built housing	92.7%	93.3%	93.3%	93.8%	94.4%

## Excellent Long-Term Housing Standards and Standard Performance of Sumitomo Forestry Home Houses

Certification Type		Certification Criterion	Standard Performance of Sumitomo Forestry Home Houses
Durability	Long lasting	Rating measures for deterioration class <b>3</b> Measures to allow regular inspection	Equivalent to highest level <b>3</b>
Seismic Resistance	Strong to earthquakes	Rating of earthquake resistance <b>2</b> or higher	Equivalent to highest level <b>3</b>
Maintenance Requirement	Easy maintenance home	Rating measures for maintenance level <b>3</b>	Equivalent to highest level <b>3</b>
Energy-saving performance	Energy-saving house	House Rating measures for energy conservation level <b>4</b>	Equivalent to highest level <b>4</b>

\* The higher the rated level, the better evaluated.

### Framework for Product Safety and Quality Control



- Undertaking development such as new technology, materials, housing products and lifestyle proposals based on consumer needs and owner surveys.
- The Housing and Construction Division and Tsukuba Research Institute are collaborating in experiments at validation facilities and testing of prototypes, promoting the creation of products that incorporate customer feedback, including even in the details of guarantees.



- Sumitomo Forestry uses a unique system to check design and structure at the time of contracting and through the final design stage.



A dedicated designer responsible for the work



- The Materials Selection Subcommittee, which meets once every month to decide upon all materials, conducts design reviews. All materials are checked to ensure that they meet the acceptance and quality standards set by the Tsukuba Research Institute and the Materials Selection Subcommittee.
- After approved by the Materials Selection Subcommittee, materials are subjected to a further design review after actual on-site use (approximately two years later) to confirm whether the planned quantity can be shipped and whether or not there are any quality defects.



- Sumitomo Forestry centrally manages and shares up-to-date information on the construction, process management, quality control and safety management of each building through its own site management system.
- Each on-site operator, contractor manager and construction manager during such stages as foundation, construction and completion, conducts inspections which are managed using a construction management record. Additionally, the Head Office inspection division checks the status of the inspection and management.



Construction Management



- Sumitomo Forestry includes 30 years of free regular inspections with its homes. After the first 30-years, Sumitomo Forestry provides paid maintenance constructions according to maintenance plans and, if customers extend the building warranty every 10 years, these free regular inspections continue for up to 60 years to ensure the long life of these valuable homes.
- Sumitomo Forestry has developed a 60-year Maintenance Program that offers renovation and maintenance proposals and manages maintenance records in order to support its customers.



Regular inspection

## Renovation

- The performance and reliability of Sumitomo Forestry's proprietary materials used in anti-seismic reinforcement and so on are verified at the Tsukuba Research Institute. In addition, we are advocating seismic retrofitting by undergoing a technological evaluation of the Japan Building Disaster Prevention Association.

## Seismic Resistant Housing

The Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake as well as a recent major earthquake in Kumamoto have been among the disasters that have wrought enormous damage in Japan. In addition, major earthquakes are forecast to occur in the Nankai Trough, resulting in year-by-year increase in demand for seismic resistance for wooden houses.

In response to customer need for seismic resistant houses, Sumitomo Forestry Home Tech has developed original construction methods that enable heightened seismic resistance without diminishing high levels of the home's structural strength, workability or insulation efficiency.

### Development of K-type Corner Braces and RGS Panels

K-shaped corner brace bearing walls use 24 mm thick structural plywood that is in order to store 75 mm thick glass-wool insulation inside. This method has great workability because the materials are light, and it underwent a technological evaluation by the Japan Building Disaster Prevention Association (6.0KN/m<sup>2</sup> standard bearing wall).

GS panels for renovation (RGS panels) are used as a seismic resistance method to limit deformation by installing these right and left panels (structural plywood with a 24 mm thickness) made of special metals sandwiching highly rigid and highly damping rubber in vertical members. Even greater workability is provided by dividing these panels into top and bottom pieces as well. The method underwent a technological evaluation by the Japan Building Disaster Prevention Association (6.1KN/m<sup>2</sup> bearing wall).

Moving forward, we plan to develop new vibration dampers that can reduce earthquake damage to buildings to the greatest possible extent.



RGS Panel

## BF Method

Sumitomo Forestry started selling the Big-Frame Construction Method (BF Method) as a product for three-story building products in February 2005 and expanded this method to two-story products in October 2009 as well as to products with fire-resistant specifications in four-story buildings in April 2015. Thereafter, as awareness of customers grew about risks such as disasters, the BF Method that had further evolved to provide greater strength in high seismic resistance matched customer needs and is now one of Sumitomo Forestry's main products.

The proprietary BF Method from Sumitomo Forestry is the first in Japan to realize the wooden beam Rahmen structure, which is used in high-rise buildings, in wooden houses.

The Rahmen structure is designed to stand up to horizontal forces such as earthquakes and wind through rigid-joints that unify the columns and beams with the fixings. The BF Method uses big columns with a large cross-section of 560 mm which is equivalent to roughly five standard 105 mm columns and incorporates structural materials in addition to a combination of metal-to-metal joints to achieve a robust Rahmen structure.

The beams and bases of the big columns join strongly thanks to the metal-to-metal joints. This brings about horizontal vibration resistance equal to a 22.4 (times/meter) shear resistance of walls. We ensure seismic resistance while being able to provide both large spaces and wide openings.

In addition, expanding and introducing a variety of original technology can support an even wider range of design requirements. Twin-bolt columns (shear resistance of walls equivalent to 33.6 times/meter) that doubles metal joints as well as double-large columns that layer two large columns (shear resistance of walls equivalent to 44.8 times/meter) provide freedom in floor plans and more spaciousness even on land with many restrictions. The pre-stressed timber beams are large-span beams enable the design for built-in garages ready for parking multiple vehicles, large open living rooms, multi-dwelling homes in addition to a wide range of other purposes.

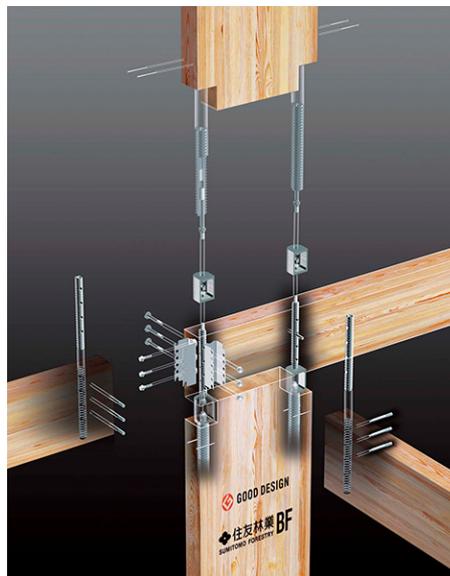
Sumitomo Forestry conducts vibration tests on verification models of structural framework, using the BF Method as well as full-scale structures to examine seismic resistance in anticipation of a large-scale earthquake.

The full-size verification model for a three-story building constructed with the BF Method cleared testing for vibrations of a maximum acceleration of 2,699 gal, which is equivalent to the Great East Japan Earthquake (3.3 times the Great Hanshin-Awaji Earthquake). Our technology has been proven tough through a total of 22 harsh vibration tests; two of which were conducted at a magnitude of 7 equal to the Great East Japan Earthquake and 20 of which at a magnitude of 7 equal to the Great Hanshin-Awaji Earthquake. We also estimate strong aftershocks after a massive earthquake by implementing a repetition of a total of 246 vibration tests. We have repeatedly conducted testing with strong vibrations from a magnitude of 4 to a magnitude of a weak 6 and beyond to magnitude of 7 to ensure continued seismic resistance of the structural framework.

In this way, the BF method responds to the needs of customers with powerful structures to bring security as well as flexible designs able to provide comfortably spacious spaces.



Strong Big Column with a Width More Than Five Times a Standard Pillar



Realizing a Robust Rahmen Structure via Metal-to-Metal Joints

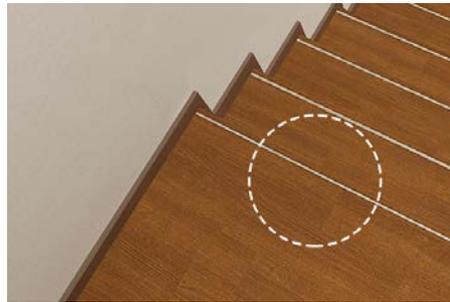
## Promotion of Universal Design

Sumitomo Forestry is a pioneer in establishing soft closers for all indoor furnishings such as sliding doors and hinged doors as an initiative to increase the safety of residents. In addition, an all flat design that does not create any level differences in flooring is now a standard specification while convex corners for inner walls and wall-mounted convex sections have an R-shape specification around living spaces and halls. We have set the standard specifications for the width of hallways to 780 mm to allow the use of assistive wheelchairs with the assumption that wheelchairs and care will be necessary in the future. We also flexibly respond to customer requirements through a freedom in design that includes slopes to entrances and the installation of home elevators.

Furthermore, Sumitomo Forestry is placing its strength in the design of living spaces to satisfy the needs of customers such as development of stairs with enhanced visibility, heat shocks, and the Air-Dream Hybrid total air conditioning system that reduces house dust and realizes a comfortable space without any temperature fluctuations. Sumitomo Forestry also provides comfortable bedroom environments with original wooden interiors that have indirect lighting to offer better sleep quality and reduce fatigue in indoor environments perfect for sleeping.



Stairs provide enhanced step visibility.  
Received KIDS DESIGN AWARD in FY2010



These stairs provide safety-type resin-joint steps with greater visibility than standard stairs.  
Received KIDS DESIGN AWARD in FY2012



Indirect lighting of wood offers better sleep quality and reduces fatigue.  
Received KIDS DESIGN AWARD in FY2016  
(Survey and Research Category)

## Home Building That Contributes to a Sustainable Society

### Basic Policy

Net Zero Energy Houses (ZEH) and other housing measures in Japan offer guidance to creating eco products as well as advocate excellent long-term housing as an asset.

By promoting ZEH-specification housing, Sumitomo Forestry reduces each household's primary energy consumption while also providing living spaces that are disaster-resistant and comfortable to live in year-round.

We provide environmentally friendly houses that meet the needs of each customer while contributing to the realization of a sustainable society.

### Promotion of Net Zero Energy House (ZEH) Specifications

The household sector in Japan still has high level emission of CO<sub>2</sub> although the trend has slowed down. Japan has launched policy targets that aim for more than half of all custom-built detached houses constructed by housing manufacturers and other companies to be ZEH compliant by 2020 in the measure to counter global warming approved by Cabinet decision in May 2016. The Fifth Strategic Energy Plan approved by Cabinet decision in July 2018 sets a goal that "aims to achieve ZEH (net zero energy houses) for more than half of the ordered detached houses newly constructed by home-makers, etc. by 2020 and for all newly constructed houses on average by 2030."

ZEH is a scheme for housing to provide less than zero annual net primary energy consumption by combining equipment to generate energy such as high thermal insulation efficiency, energy-saving equipment, and solar power generation.

This standard responds to many of the Sustainable Development Goals, including not only Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all and Goal 13: Take urgent action to combat climate change and its impacts but also Goal 3: Ensure healthy lives and promote well-being for all at all ages and Goal 12: Ensure sustainable consumption and production patterns. The standardization of ZEH will contribute to building a sustainable society.

Wood is conventionally a renewable natural resource that absorbs and stores CO<sub>2</sub> during its growth process. As well as using wood for its principal structural members, Sumitomo Forestry has offered housing proposals where residents can live comfortably all year round by incorporating its own unique Ryouonbou design, which takes advantage of natural blessings such as the wind and sun. The Company's expertise in utilizing these unique characteristics of wood and blessings of nature together with its technologies for the reduction of energy consumption, such as improvements in thermal insulation as well as the adoption of energy-saving equipment, and its technologies for the smart use of energy, such as equipment for generating and storing energy and HEMS\*1.

Given the ZEH targets established by the Japan, Sumitomo Forestry has set a ZEH standardization target of 80%\*2 by fiscal 2020, and had reached 51%\*2 as of fiscal 2019. We are making greater insulation efficiency in buildings and around openings as well as built-in solar power generation systems basic specifications as of April 2017 in our new housing.

\*1 Home Energy Management System— a system whereby residents can visualize the amounts of energy they generate and use

ZEH Standardization  
Target (FY2020)

**80%\*2**

ZEH Standardization  
Performance (FY2019)

**51%\*2**

\*2 Values include Nearly ZEH and ZEH Oriented while they exclude Hokkaido and Okinawa Pref. respectively. The fiscal 2019 results and 2020 targets for Hokkaido are, respectively, 0% and 51%. ZEH is defined as a primary energy reduction rate of 100% or more including renewable energy such as solar power generation systems while Nearly ZEH is defined as between 75% to 99%. ZEH Oriented is defined as a primary energy reduction rate of at least 20% (however, this is limited to housing built on narrow urban sites), excluding renewable energy. This is a different indicator from the percentage of orders for ZEH type houses out of new custom-built detached homes (48.2% in FY2019 results/values based on orders for ZEH and Nearly ZEH) in the Mid-Term Sustainability Targets.

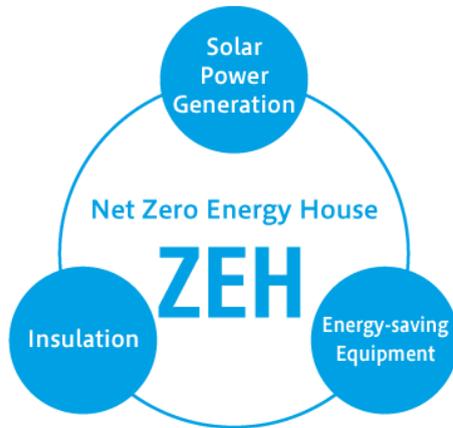
- ▶ Ryouonbou Design Concept (in Japanese)
- ▶ Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society

## Energy Creation

Solar power generation is used to generate more energy than is consumed.

## Least Energy Required

Insulation efficiency minimizes the energy lost by mitigating the effects of external heat and cold

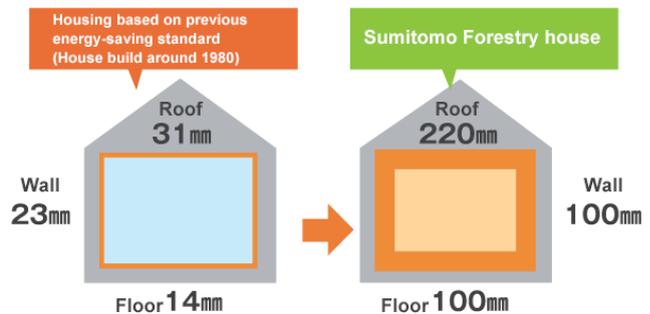
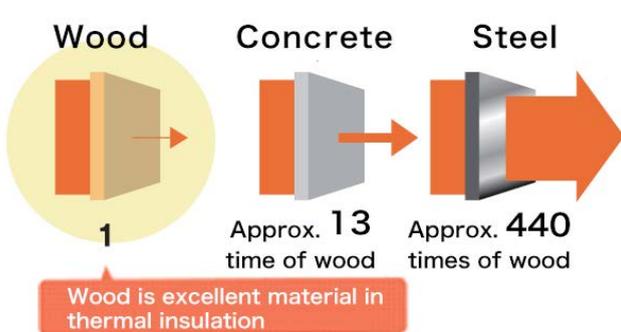


## Proficient Use of Energy

High-efficiency equipment is used to reduce the amount of power consumed by the house.

## Wooden Houses with Superior Insulation

If the thermal conductivity of wood is 1, the thermal conductivity of concrete would be almost 13 and steel upwards of 440. Wood as a material is a superior insulator to mitigate the transfer of heat. In addition, Sumitomo Forestry uses high-performance thermal insulators based on its own unique standards.



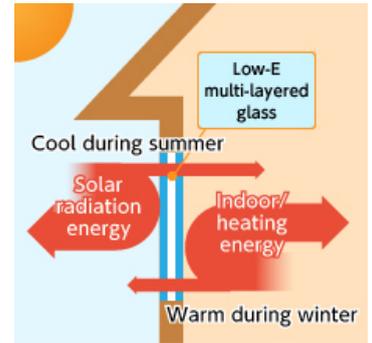
Unique Standards of Thermal Insulators of Sumitomo Forestry

Comparison of Materials by Thermal Conductivity

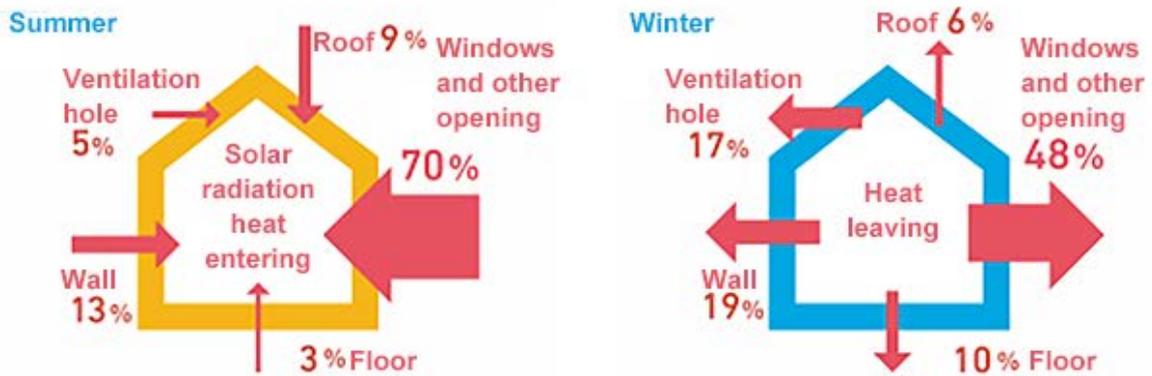
## Limiting Energy Loss with Highly Insulating Glass

Windows cause the greatest loss of heat in living spaces. Shielding interior spaces from heat in the summer and preventing heat from escaping in the winter is vital. As windows cause the largest heat loss, Sumitomo Forestry uses low-E multi-layered glass with argon gas inside. Argon gas is injected between the multi-layers of glass to mitigate heat transfer to the air while the panes are coated with special metal film. The superior thermal insulation and insulation properties shield interior spaces from heat in the summer and prevent heat from escaping in the winter.

► Insulation of Sumitomo Forestry Home houses (in Japanese)



Insulation using low-E multi-layered glass



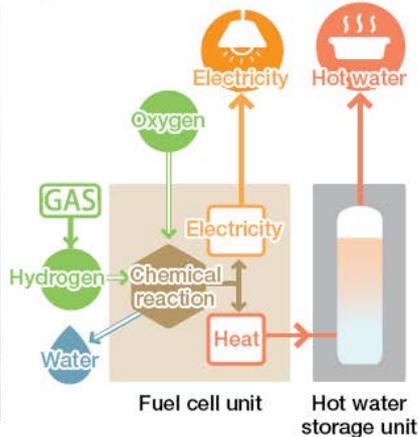
Heat Loss Ratio of Houses

## Double Power Generation

Sumitomo Forestry recommends the installation of solar power generation system, as well as residential fuel cell units. Double power generation can generate the necessary electricity for daily life in the home. Furthermore, Home Energy Management Systems (HEMS) realize zero energy homes (ZEH specifications) by proficiently managing energy consumption throughout the home.

### Ene-Farm

#### Water heaters that also generate electricity



Heat and water are generated during the generation of electricity. That generated heat is not wasted and is collected to be used for making hot water and heating floors, greatly improving the efficiency of primary energy usage.



### Solar power generation system



Combining solar power generation system and Ene-Farm further reduces utility costs and CO<sub>2</sub> emissions compared to using just either one. It can be more economical by using electricity generated by Ene-Farm during the day when use of electricity is low and selling excess electricity generated by solar power generation system.

### Trends in Installation Rates of Environmentally-Friendly Equipment (based on number of houses)

	FY2015	FY2016	FY2017	FY2018	FY2019
Solar power generation systems	35%	48%	46%	51%	56%
Ene-Farm units	43%	34%	34%	35%	36%
Eco One *1	-	16%	18%	16%	17%
Environmentally conscious equipment installation rate*2	58%	68%	69%	72%	75%

\*1 Hybrid electric and gas hot water and central heating systems

\*2 Installation rate of solar power generation system or Ene-Farms until fiscal 2015. Fiscal 2016 includes Eco One on the left

## Expanding Choices with the Launch of the Forest BF Design, a Home to Enjoy the Four Seasons

In September 2018, Sumitomo Forestry launched a renewed The Forest BF nationwide (excluding Okinawa), a detached house design that enables large, open spaces and built to ZEH specifications. The Forest BF represents a further structural enhancement of Sumitomo Forestry's original Big-Frame (BF) construction method for large, open spaces and wide openings among the features allowing for greater freedom in the use of space. The latest design renewal offers distinctive features of design coordinating diverse aspect of external appearance and interior, as well as providing abundant lifestyle that can feel the nature and the taste of Japan. While attending in particular detail to the overall design as well as interior and exterior materials, we developed these homes especially for the younger generation homeowners in their 30s, and those with design sensibilities, making this a product that can appeal to a wider range of customers than previously.



Combining Comfortable Habitability and High Environmental Performance in The Forest BF

In addition to offering insulation efficiency greater than the local standards, The Forest BF can also achieve ZEH, which requires zero or less primary energy consumption each year, through equipment such as solar power generation systems. Moreover, we have adopted versatile partitions that do not require structural materials to build a structure with less waste when changing room plans such as the partitions separating living areas for children and parents alike.

- ▶ [Expanding Choices with the Launch of the Forest BF Design, a Home to Enjoy the Four Seasons \(in Japanese\)](#)
- ▶ [The Forest BF page \(in Japanese\)](#)

## Renovating to Improve Function and Asset Value

Sumitomo Forestry Home Tech promotes renovations from energy-saving point of view. We propose the installation of energy-efficient equipment alongside better insulation efficiency as well as new life styles that decrease the energy consumed in daily life, realize reductions to the environmental impact, and decrease lifetime heating and lighting costs.

The insulation renovations can also mitigate health risks from heat shock.

We will continue to focus on seismic retrofitting proposals and actively strive to bring about excellent long-term housing in existing properties as well as long-term excellent extension and alteration standards by improving the performance in thermal efficiency, energy-savings and seismic retrofitting.

Sumitomo Forestry Home Tech has set a goal to improve the order rate of environmentally-friendly renovations in the Mid-Term Sustainability Targets announced in May 2019.

In fiscal 2019, we achieved a 52.4% total order rate for seismic construction, structural reinforcement work, insulation renovations, and smart material installations on standard property (other than owners of Sumitomo Forestry homes), exceeding our 50% target.

We were able to exceed our goals thanks to active promotion of seismic and structural reinforcement work that helps extend the lifespan of buildings as well as dramatic increase in the number of storage battery sales through storage battery proposals to customers who reached the fixed feed-in energy purchase period of solar power generation.

Needs for Environmentally-friendly renovations will continue to grow in the future in order to ready properties for potential natural disasters.

We have also begun renovations that adapt to a new style of life resulting from the impact of the novel coronavirus infection (COVID-19). In addition to providing telework environments, we propose comfortable and safe living spaces to enhance time spent at home.

- ▶ [Seismic Resistant Housing](#)



Installation of a Thermal Insulator

Given Japan's establishment in recent years as a major tourism destination country, we began focusing efforts on renovation of hotels and inns. In fiscal 2017, Sumitomo Forestry joined the All Japan Ryokan Hotel Association<sup>\*1</sup> and Sumitomo Forestry Home Tech joined the Japan Ryokan & Hotel Association<sup>\*2</sup>. Sumitomo Forestry Group enjoys strong name recognition, and is building a track record in renovations.



Before renovation

After renovation

In fiscal 2017, Sumitomo Forestry and Kumagai Gumi Co. entered into a business and capital partnership and collaboration between Sumitomo Forestry Home Tech and K&E K.K., companies belonging to the respective corporate groups is in progress. Sumitomo Forestry Home Tech handles interior renovations optimizing wood, while K&E is in charge of building exterior and other renovations that fully leverage its comprehensive abilities as a general contractor. The partners participate jointly in events as they move forward. By renovating the whole building, we are able to heighten its value as an asset.

\*1 The association promotes Japanese inns and hotels throughout Japan to be more sanitary facilities, conduct better maintenance and stable management among other aspects of accommodation businesses.

\*2 The organization aims to help provide comfortable accommodations for travelers from within Japan and overseas, improve the level of hospitality service and otherwise work to realize Japan's status as a tourism destination country, develop local economies, and promote the national health.

## Moving Higurashi Bettei, Shisakajima, Reopened as a Commemorative Hall

Higurashi Bettei was designed by Magoichi Noguchi, a renowned architect of the Meiji period. Built as a guest house and other purposes for the Sumitomo family in 1906, it is located on the island of Shisakajima in the Seto Inland Sea, about 20km off the shore of Niihama (where the copper mine was located).

As one of 20 Sumitomo Group companies involved in the project to move the structure to a hilltop location in the city of Niihama, Sumitomo Forestry Home Tech was engaged in the reconstruction of the structure, which opened to the public in November 2018 as the Higurashi Bettei Museum and conveys the history of Sumitomo.

The history behind the construction of Higurashi Bettei is that it was built as an adjacent structure when Sumitomo's copper smelter was moved to Shisakajima in order to overcome the smoke pollution in Niihama caused by the Besshi Copper Mine operation. More than 110 years after its construction, the building was deteriorating despite its many invaluable design features inside and out. In the relocation construction work, we used timber produced in Ehime Prefecture to build the structure with improved seismic resistance. Design features such as fireplaces, ceilings and floors were carefully dismantled from the original structure, and reconstructed upon relocation.



Exterior view



Interior



Cleaning drainage water stains

## Research and Development Related to Life Cycle CO<sub>2</sub> (LCCO<sub>2</sub>)

Sumitomo Forestry has been engaged in the development of Life Cycle Carbon Minus (LCCM) housing to achieve negative CO<sub>2</sub> emissions across the entire life cycle of homes. Today, we are underway with research and development for the purpose of reducing CO<sub>2</sub> emissions throughout the life cycle in wooden structures besides housing.

The new research wing constructed at the Tsukuba Research Institute in 2019 achieved dramatic reductions in CO<sub>2</sub> emissions thanks to an air-conditioning system with an absorption water chiller-heater base load heat source that uses energy from power generation from solar panels on the roof and wood pellets as renewable energy fuel. These technologies reduce the environmental impact in anticipation of zero energy buildings. By designing an inner courtyard with a three-story atrium at the center of the building with indoor greenery, and a skylight at the top, the new wing adopts technology to deliver sunlight to the plants on the first floor throughout all four seasons in an effort to actively use daylight. In addition, we have achieved reductions to the heating and cooling load by introducing natural ventilation that takes advantage of this atrium. In the future, Sumitomo Forestry intends to further these energy reduction efforts during operation founded in measurement data provided by an instrumentation system.

We have also begun cross-department initiatives throughout Sumitomo Forestry to reduce CO<sub>2</sub> emissions from material procurement to construction and renovations similar to LCCM housing.

## Carbon Stock in the Housing and Construction Business

Trees retain CO<sub>2</sub> as carbon even after they are turned into products. Constructing wooden houses can therefore be likened to building forests in the city. The total domestic carbon stocks\* in timber that was used in construction of the houses in the MOCCA (timber solutions) business in fiscal 2019 reached 193,000 t-CO<sub>2</sub>. The Sumitomo Forestry Group contributes to measure to counter global warming by increasing carbon stocks for forests and cities.

\* CO<sub>2</sub> fixation is calculated by categorizing the actual amounts of timber used per tree species for new detached houses, rental housing, and MOCCA business, and calculating carbon content from the specific gravity of each tree species.



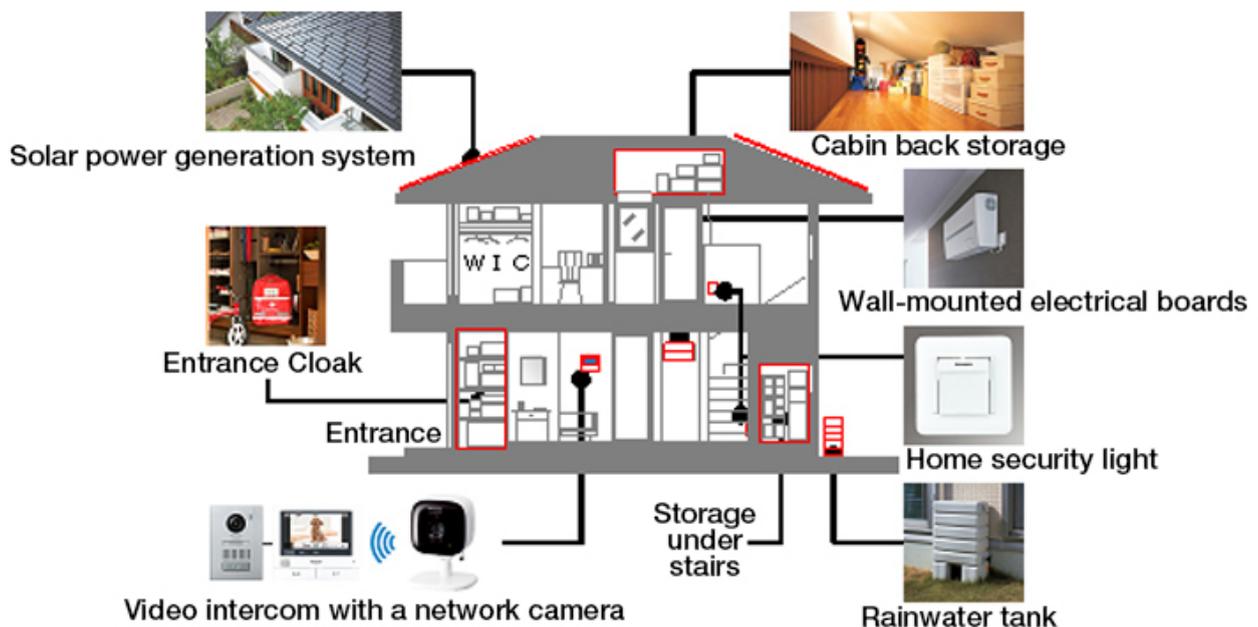
Carbon stock of the timber used in the construction of houses and MOCCA (timber solutions) business in Japan in fiscal 2019

## Housing Sales Adapted to Climate Change

Disaster Recovery Guidelines were put in place in the Housing and Construction Division and measures and action guidelines for operations were defined to quickly and accurately respond to damages from natural disasters to our customers' houses as they become more prevalent due to climate change. As one measure, we established a new Disaster Prevention Department in April 2020 as an office to guide disaster prevention measures that prepare for emergencies during ordinary times while taking the lead of each division and affiliated company in an emergency in order to minimize damage as much as possible.

On November 2016, BF-Si Resilience Plus was released to pursue security, safety and comfort when disasters such as earthquakes or flooding strike. The BF Method that boasts structural strength only offered by Sumitomo Forestry ensures the safety of buildings and provides functionality for an uninterrupted lifestyle until recovery even when lifelines are cut thanks to equipment such as enhanced storage space, solar power generation systems, wall-mounted electrical boards and water tanks. A video intercom with a network camera allows the interior to be clearly seen with a wireless camera as well as gives owners the ability to check the state of their house in a disaster even while out-and-about. The large storage space helps keep rooms clean in daily life while the original built-in furniture effectively prevents the furniture from toppling in an earthquake and can achieve a space in harmony with the interior.

### BF-Si Resilience Plus for Durability in Disasters and Greater Comfort in Each Day



► [Launch of BF-Si Resilience Plus Lifestyles with High Disaster Preparedness; Peace of Mind and Safety in Disasters Plus Everyday Comfort \(in Japanese\)](#)

## Developing Disaster Recovery Support Services Using IoT

### Addressing the Issue of the Time It Takes to Assess Disaster

Japan has many earthquakes, but in recent years, climate change has made natural disasters more serious with concentrated downpours, typhoons and other natural disasters causing extensive and frequent damage. In monetary terms, Japan accounts for 17% of the worldwide total of damage caused by natural disasters. In the 20 years until 2015, the total cost of damages was a staggering 47 trillion yen\*.

Of course, the bigger the disaster, the longer the recovery efforts, and it now takes more time to assess the situation as well. For the Kumamoto earthquake that occurred in April 2016, it took about one and a half months for the government to conduct emergency safety checks of buildings aimed to prevent secondary disasters. Disaster victims expressed their anxieties, saying, "It takes too much time to get the information we need," highlighting one of the biggest hurdles in speedy recovery efforts.

\* Centre for Research on the Epidemiology of Disasters database (EM-DAT)

### Quickly Gathering Data About Damaged Homes Using Sensing Technologies

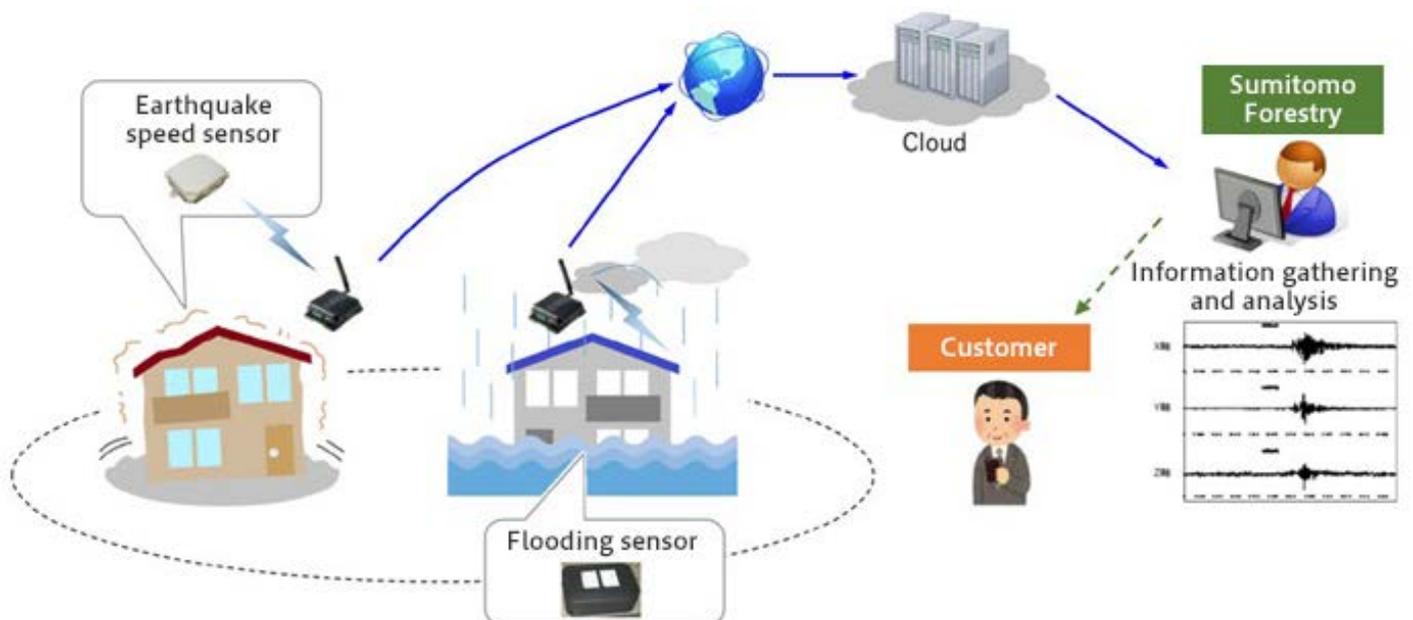
Sumitomo Forestry is responding to such issues by developing services that promote quick recovery after disasters. Since 2017, we have been conducting trials of IoT services that utilize our analysis technologies. Specifically, we are conducting trial experiments using sensors to measure, gather and analyze data of buildings to determine their condition. We place several sensors throughout a house to acquire data, such as the magnitude of an earthquake's tremors, flooding or other conditions, and gather this data through a network to analyze. At our Tsukuba Research Institute, we combine this data with the vast amount of data about earthquake resistance of wooden houses for high-precision analysis to create a technology that is uniquely ours.



A sensor installed inside a wall of a house

We have expanded the proof of concept that began in the Kanto region to all 100 sites as of August 2020. In addition to further heightening the decision accuracy for service provision, we aim to engage in initiatives to ready infrastructure to ensure comprehensive collection and processing of enormous amounts of data while working hard toward actual implementation to ensure customer peace of mind and safety in the event of a disaster.

#### Overview of How Data Is Gathered



## Supporting the Speedy Recovery of Customers and Regions Affected by Disasters

If sensors installed in homes can be used remotely to determine the level of damage, we will be able to more quickly grasp, report and respond to the situation and arrange for repairs or other work to provide our customers the support they need. As engineers would no longer have to check each and every house, it would resolve the problem of taking too much time and can even be used for areas made inaccessible after a major disaster.

In addition, by utilizing this gathered data in different ways, we can develop new services that would give more people a sense of security. For example, we could collaborate with casualty insurance companies to provide quick damage assessments necessary for insurance benefits, which would help people rebuild their lives more quickly.

In addition, we could provide data to customers and local governments for emergency risk assessments that would help prevent secondary disasters. Furthermore, our data analysis results could promote development of technologies that enhance earthquake resistance and durability.



One example of how gathered data can be utilized

## Sales of Home in-line with Various Needs and Lifestyles

Sumitomo Forestry proposes housing to a broad range of customers from first time home buyers to married couples that plan to live with their children in multi-generational homes or who plan to live as a couple after their children are grown.

DUE CLASSO was released as custom-built housing for double-income families in August 2017. In response to needs such as efficient traffic lines and room plans easy for families to interact as well as storage ideas and the latest equipment, DUE CLASSO proposes Saku-kaji (prompt housework), Tomo-kaji (housework together) and Shin-kaji (new housework). These innovations are plentiful and help families spend a wonderful time together in this important space created through family cooperation. DUE CLASSO helps create a living space to achieve a leisurely lifestyle in both personal and professional life.

In addition, Forest Selection BF was launched to propose 1,000 carefully selected plans from approximately 300,000 proven custom-built homes in November 2017. This housing is realizing living suited to the needs and lifestyles of customers from a rich selection of choices.

Both of these products promote ZEH specifications to provide living spaces that value the lifestyle environment as well as the global environment.

We are also proposing five new plans that ensure a workspace in newly built homes as telework becomes more common due to lifestyle changes driven by the spread of the novel coronavirus infection (COVID-19). As a housing manufacturer that builds custom units in single-family spec homes, we use our expertise and design capabilities with which we have responded to the demand of more than 300,000 customers and provide homes integrating living and working spaces.

- ▶ [Launch of DUE CLASSO Houses for Dual-Income Families: Rich lifestyles through ingenious houses that expedite housework and work style reforms](#)
- ▶ [New Launch of Forest Selection BF Select Style Product: Choose from 1,000 Plans for and Custom-Built Lifestyle \(in Japanese\)](#)



WORKING STYLE



Integrated Work-Life Single-family Spec Homes

## Using More Domestic Timber in Home Products

Sumitomo Forestry Home houses primarily take advantage of the Big-Frame Construction Method (BF Method) and the Multi-Balance Construction Method (MB Method). We have been striving to increase the ratio of domestic wood of structural members and non-structural materials used in these two construction methods. By fiscal 2019, we had achieved 50% and 71% for these two materials, respectively.

Ratio of Domestic Wood of  
Structural and Non-structural  
Materials for each  
MB Method Home FY2019

**71%**

Ratio of Domestic Wood of  
Structural and Non-structural  
Materials for each  
BF Method Home FY2019

**50%**

## Occupational Health and Safety on Construction Sites

### Basic Policy

Sumitomo Forestry prioritizes occupational health and safety above all else on housing construction sites. Therefore, we raise awareness about information and important items about safety in employees of the Sumitomo Forestry Group of course but also every worker involved with Sumitomo Forestry Home houses, such as on-site construction contractors.

### Occupational Health and Safety on Construction Sites

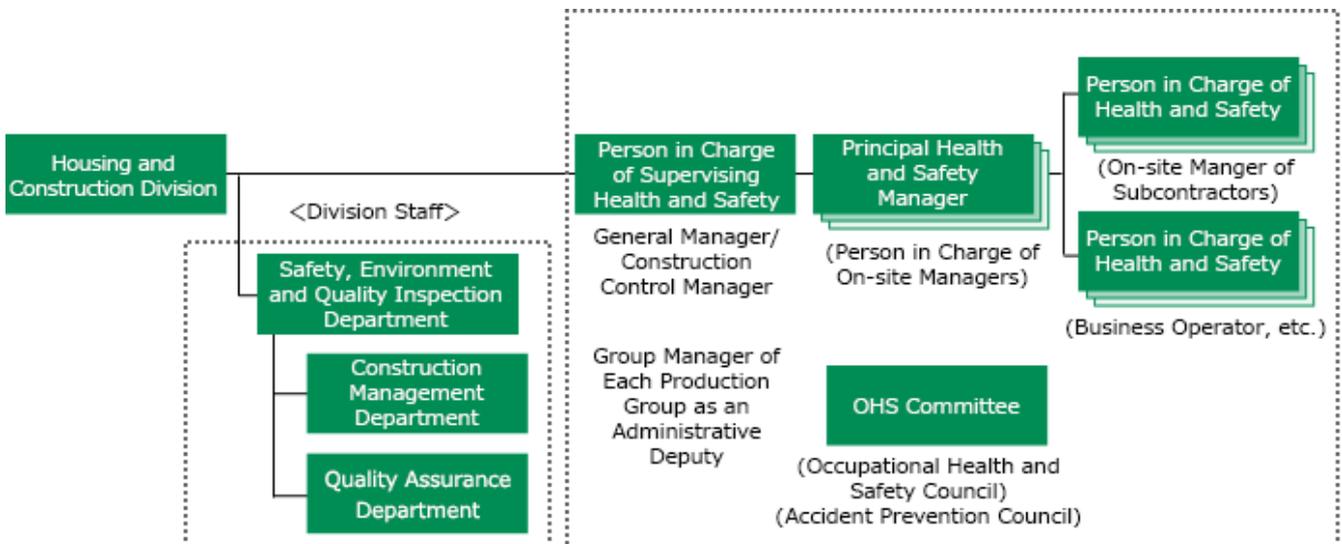
At the beginning of every fiscal year, the Divisional Manager of the Housing and Construction Division formulates an Occupation Health and Safety Policy to provide notification based on circumstances such as the accidents that occurred in the previous period, the state of occupational health and safety promotion as well as compliance with relevant laws. In addition, permeating a safety culture has been designated as a basic policy, and we are working to achieve this in primarily three ways; compliance with the law, promotion of occupation health and safety education and eradication of occupational injuries.



Safety check at construction site

Always raising awareness toward the recognition of safety first permeates this safety culture. Offices, branches and building contractors set important management targets for the fiscal year to eliminate five-types of major accidents; falls, accidents with tools, things tipping over, accidents with heavy machines and heat strokes.

### Occupational Health and Safety System for Housing Business Sites



## Occupational Injuries of Contractors on Housing Construction Sites

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of occupational injuries*1 	6	12	9	7	11
Lost-time injury frequency rate*2 	2.23	3.35	2.31	2.79	3.93
Work-related illness frequency rate	0	0	0	0	0

\*1 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

\*2 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

▶ [Occupational Injuries](#)

▶  [About symbol for Independent assurance](#)

## Training Designed to Improve Awareness for Occupational Health and Safety

Based on the results of the monthly health and safety patrols and work site surveys, the Housing and Construction Division and each branch organize training programs with specific cases promoting health and safety, targeting the OHS managers, as well as the leaders (subcontractors) in each job category on construction sites.

In addition, training is designed for maintaining safety such as when workers use grinders\*, which are fraught with great hazard, and when they work with circular saws, which are susceptible to accidents due to misuse despite being simple and easy to use.

\* Operation with an electric tool to cut by rotating a grinding stone



Training for circular saw work

### Together with Construction Contractors

Sumitomo Forestry publishes monthly safety and environment information that includes information and topics about safety and the environment to help prevent accidents and avoid risks by repeatedly raising awareness at branches and construction contractors.

## Safety Training for Construction Contractors

Sumitomo Forestry conducts safety training throughout Japan by visiting building and demolition contractors throughout Japan. Directly instructing the people working on-site advances our initiatives toward on-site safety and the environment by building understand about instructions from our company such as permeating a safety culture.

## Education for Construction Contractors

Sumitomo Forestry holds monthly health and occupation councils at branches for the purpose of preventing construction accidents by promoting health and safety. On-site health and safety patrols help bring awareness about safety to construction contractors and provides advice to enhance knowledge, such as confirming the state of sites and improving guidance.

The District Safety Improvement Committee launched in fiscal 2018 is advancing system development to raising awareness and verify policies and measures in divisions related to safety by strengthening links with offices, divisions, and branches.

## Environmental Consideration on Construction Sites

### Basic Policy

Sumitomo Forestry is working to advance toward building a sustainable circular society. Particularly at construction and building sites, where the environmental impact of industrial waste is relatively high, we endeavor to mitigate this environmental impact through initiatives to restrict the production of industrial waste, reuse and process materials for recycling.

### Initiatives to Reduce Industrial Waste

#### Initiative for Reduction of Industrial Waste Generated at New Housing Construction Sites

##### FY2019 Initiatives to Reduce Industrial Waste

In July 2014, Sumitomo Forestry set up the Waste Reduction Working Group comprising representatives from the product development, material procurement, production management and environment divisions. The working group has been planning and implementing a wide range of measures to reduce waste on new housing construction sites.

We discovered two-thirds of all our waste is made up of wood waste, gypsum board and cardboard from detailed data about the waste that is produced aggregated from the industrial waste management system used under this inter-region certification, which has been in operation since 2012. We are working to reduce waste by concentrating on these three primary forms of waste.

In fiscal 2019, we strove to standardize sub-floor gypsum board that uses new curing methods and revised standard sizes adopted in fiscal 2018.

In particular, the new curing methods can realize approximately 150 kg reduction of waste (cardboard) per home by replacing conventional disposable curing materials with reusable curing materials.

The usage rate in properties completed by the end of fiscal 2019 increased to 83% for reusable curing materials and 91% for sub-floor gypsum board, which is gradually showing effective reductions of industrial waste.

We are also furthering pre-cut initiatives related to roof slate, siding, and Kizure panel materials that have been measured and processed on sites. Practical introduction in stages of these measures begins in fiscal 2020. We expect these pre-cut materials to drastically reduce emissions since pre-cutting is effective in reduction of industrial waste with heavy weight.

Furthermore, we strive to raise awareness on construction sites and conduct educational activities by providing feedback of data about waste emissions from each property to the sites.

#### Reduction Rate of Industrial Waste Generated at New Housing Construction Sites

The Sumitomo Forestry Group has also set an 18% reduction in the volume of industrial waste generated per household at new construction sites by fiscal 2021 compared to fiscal 2017 levels in the Mid-Term Sustainability Targets. In fiscal 2019, this initiative achieved gradual results, reducing the amount of industrial waste per new house by 10% from the fiscal 2017 level, and we are well on our way to achieve our fiscal 2021 target.

► [Promotion of Waste Reduction and Recycling](#)

## Reduction Rate of Industrial Waste Generated at New Housing Construction Sites (Per Household)

	Total Emissions (kg)	Reduction Rate
FY2017 (Baseline)	3,325	-
FY2018 result	3,274	-2%
FY2019 result	3,002	-10%
FY2020 target	2,950	-11%
FY2021 target	2,730	-18%

## Initiative for Recycling of Industrial Waste Generated at New Housing Construction Sites

Sumitomo Forestry meticulously sorts waste produced on new housing construction sites. We will raise awareness through mediums such as posters including specific waste information to make sorting of the 11 categories of waste easier. We have also engaged in efforts to reuse rather than dispose of wood base and packing materials used when transporting precut structural and other materials.

The Sumitomo Forestry Group set a goal of achieving 98.0% waste recycling rate for new construction sites by fiscal 2021 as part of the Mid-Term Sustainability Targets. Recycling rate was 94.3% in fiscal 2019 since recycling on some intermediate processing sites in some regions did not work well, but we will work to consider the adoption of new processing sites that can execute the recycling to improve our recycling rate.



Posters About  
Sorting Industrial  
Waste

## Waste Recycling Rate at New Housing Construction Sites

	Recycling Rate
FY2017 (Baseline)	92.5%
FY2018 result	94.2%
FY2019 result 	94.3%
FY2020 target	98.0%
FY2021 target	98.0%

 About symbol for Independent assurance

## Acquisition of the Inter-Region Recovery and Recycling Certification by the Ministry of Environment

Sumitomo Forestry acquired the inter-region recovery and recycling certification from the Ministry of the Environment in December 2010. This certification enabled us to build our own industrial waste recycling system by allowing transport of waste by proprietors other than waste disposal operators.

Our industrial waste management system for new housing construction sites helps contribute to the rationalization of waste disposal by using returning transportation for collecting waste while also securing traceability by applying bar codes to waste and collecting accurate data about the volume of waste generated.

## Operations at the Metropolitan Area Recycling Center

Sumitomo Forestry used the acquisition of the inter-region recovery and recycling certification to establish the Metropolitan Area Recycling Center in Kazo, Saitama Prefecture for advanced sorting and data collection.

The Metropolitan Area Recycling Center started full operation in fiscal 2012 and has been collecting and processing waste produced by new housing construction sites of the metropolitan and six prefectures of Kanto (Metropolitan Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi, and Gunma prefectures).

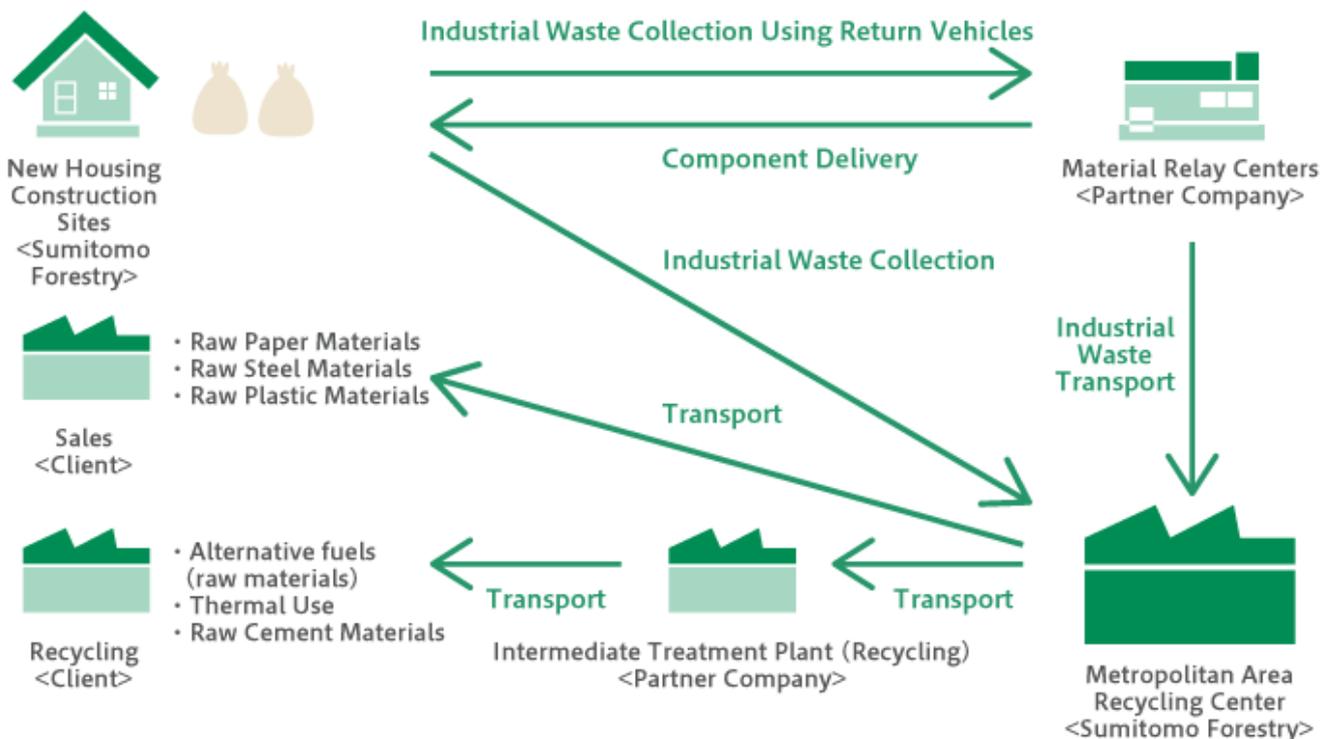
Setting up the Metropolitan Area Recycling Center brings data feedback to product development, material procurement and production management divisions by facilitating the collection of specifications, construction branches as well as the detailed status and trends of waste generation in each region. This data is being leveraged in our initiatives to reduce waste.

This initiative works to expand operation under the certification for the inter-region recovery and recycling, build processing routes led by Sumitomo Forestry, and further promote recycling even in regions outside the metropolitan area.



Metropolitan Area Recycling Center

### Flow of Industrial Waste Collection Using the Inter-Region Recovery and Recycling Certification



## Waste Management for Demolition Work

---

We are strengthening management by building a system able to confirm the type, quantity and packaging of waste to transport from demolition work sites using mobile phones and smartphones which is adopted by all of our demolition partners.

The delivery confirmation invoice sent thanks to input into an electronic manifest checks whether the issuance is correct via our system.

### Together with Construction Contractors

Sumitomo Forestry publishes monthly safety, environment and quality inspection information that includes information and topics about safety and the environment to help avoid industrial waste-related risks by repeatedly raising awareness at branches and construction contractors.

## Joint Environmental Training with Business Partners

---

In fiscal 2017, we began conducting joint training for personnel in charge of industrial waste management and administration personnel at branches and the person in charge at demolition contractors.

This joint training aims to raise legal understanding, such as laws related to waste treatment and cleaning (Waste Disposal & Public Cleaning Law) and laws related to the recycling of materials in construction work (Law Concerning Recycling of Materials from Construction Work), share information about industrial waste management risks, and create consistent management methods, such as input procedures of digital manifests to eliminate industrial waste risks.

The joint training also helps facilitate smooth communication between personnel in charge of administration at Sumitomo Forestry and demolition contractors as well as improves the management of digital manifests that are vital to industrial waste management.

## Communication with Our Customers

### Basic Policy

Sumitomo Forestry provides proposals for ideal home building to customers who are thinking about buying a home through continuous communication with useful and effective information offering.

We introduce information helpful in housing development such as the design examples as well as structural and technological information as part of the stream of home building. Next, we provide guidance at showrooms to help customers see Sumitomo Forestry home building and exhibitions to provide a first-hand experience of the warmth in wood. We also provide information in various other forms such as tours in the homes our customers are actually living in.

In addition, Japanese housing policy is encouraging the standardization of excellent long-term housing to transition to emphasis on the importance of creating high-quality stock which is easy to maintain so that each house can be valued and lived in for a long time. Sumitomo Forestry conducts housing maintenance and replaces equipment in addition to providing appropriate proposals such as exterior renovations to sustain comfortable living in the long term for every owner. We are able to create opportunities such as consultation and inquiries through ongoing communication at owners events held in each location throughout Japan in addition to sustaining ongoing asset value through long-term support for the comfortable living of our customers.

### Strengthening Sales Capabilities

Sumitomo Forestry offers a unique application system that realizes ideal home building.

Once a customer applies, we meet to discuss everything from the exterior and room plan to the interior and housing exteriors with a home building team dedicated to the customer made up of a person in charge of sales, design, interior design, production and housing exteriors. At the point of application, each person with expert knowledge inquires about the requirements for the home such as the budget, family composition, lifestyle and any other areas of emphasis to help achieve the ideal home in all respects.

In addition, we ensure ideal home building by escorting our customers to the actual construction site and giving them an image of the real home upon completion.

### Model Homes/Showrooms

Sumitomo Forestry has roughly 300 model homes and about 80 showrooms located throughout Japan. Technology housing display centers in Tokyo, Osaka and Nagoya specialize in appealing to the technological and performance features of Sumitomo Forestry Home houses.

Sumitomo Forestry provides first-hand experience of the attractive living it provides through these model houses.

Sumitomo Forestry model homes offer variety of homes on display such as western and Japanese styles to three-story homes in addition to smart homes.

#### 1. High-quality Luxurious Wooden Spaces

Each of these model houses let customers interact with luxurious wooden spaces that fully take advantage of design capabilities unique to Sumitomo Forestry, which has cultivated expertise in both the quality and charm of wood. In particular, visitors can get a taste of the high-quality atmosphere only provided in these real spaces from the flooring made from the world's precious wood and wooden fittings that impeccably fluidity with the interior design.

#### 2. Design Proposals Founded in Comfortable Living

The strength of a structure is obviously important in a home, but a room plan, flow planning and storage plan as well as other aspects to provide comfortable lifestyles is also vital to every family living in the home. Visitors to these exhibitions can see the innovative room plans and ease of cleaning provided by Sumitomo Forestry with their own eyes. Families with children can also get a picture about raising their children there, including proposals for floor plan and children room as well as a study corner perfect to raise children.

### 3. Environmentally-Friendly Design and the Latest Equipment

Sumitomo Forestry is revolutionizing design with the Ryouonbou design concept. This design concept aims to incorporate the soothing qualities of nature and facilitate a lifestyle which does not rely too much on air-conditioning and heating systems. Everyone can see the actual innovations at our model houses, such as a design to create airflow from the south to north of the home with wonderful light via deep eaves. Furthermore, the smart house exhibition builds in an Ene-Farm solar power generation system and fuel cell units for homes as well as central air-conditioning systems in addition to the latest environmental devices.

The Sumitomo Forestry showrooms offer a unique line-up only possible from a housing builder. Every visitor can form a specific vision of their home while comparing a broad line-up of curtains, wallpapers, interior materials, furniture as well as exterior materials such as exterior walls and entrance doors in addition to plumbing equipment such as system kitchens and bathrooms.

#### 1. Large Exhibition of a Variety of the Latest Equipment

We exhibit system kitchens from multiple product manufacturers. Design features from the sink tops to the color and texture of doors from different manufactures can be examined while comparing the storage space and convenience. Our model homes also provide a sanitary corner for bathrooms sinks and other equipment so that visitors can imagine the usability of these kitchens, restrooms and any other rooms requiring plumbing.

#### 2. Total Coordination of Interiors and Exteriors

A wealth of floor materials, doors and windows, furniture and more are on display together with curtains and wallpaper with a wide variety of colors and patterns. These displays can provide a base to specifically consider an indoor feel suitable to the interior decor of each customer's image. We also have brought together a broad line-up of exterior materials for entrance doors and external walls to help visitors solidify their exterior images, which can offer coordination for the entire home.

Everyone can get a distinct individual feel with wood that varies in color and look for each tree species. The showrooms make available floor materials in addition to a broad range of other interior and exterior materials. Each person can experience the look and actual feel of these materials from the touch to texture which cannot be felt in catalogs or on websites.

#### 3. Exhibition of the Housing Structure and Latest Environmental Devices

Sumitomo Forestry puts on display the housing structure which brings the most concern. This lets potential buyers experience the strength for themselves. In addition, we have the latest environmental devices on display, such as solar power generation.



Tsurugashima Model Home (Saitama-Nishi Branch/Saitama) Opens April 2019

## Technology Exhibition Houses

At model homes at which fosters opportunities to communicate with customers about home building, Sumitomo Forestry set up “technology exhibition houses” where displays special technologies and functionalities of Sumitomo Forestry Home houses in major cities.

The exhibition houses put in creativity in explaining excellent competencies of wooden homes and structural features of Big Frame Construction Method -Sumitomo Forestry's own building method that is Japan's first timber rigid frame structure so that visitors are able to understand through direct exposure to the basic structures of the homes.

Currently, the exhibition houses are in Tokyo, Osaka, and Nagoya, and total visitors exceeded 2,794 groups in fiscal 2019.



Outside of Technology  
Exhibition House



Inside of Technology Exhibition  
House

## Respect for and Application of Customer Feedback

### Operation of Sumitomo Forestry Customer Service Department

Sumitomo Forestry established the Customer Service Department in April 2000 as a Group-wide customer service help desk. Communicating the opinions and complaints of customers, including neighboring residents, to improve each department as well as management is an important mission for the Customer Service Department in enhancing customer first actions even further. The Customer Service Department holds periodic meetings and working groups with each business division and Group company as well as shares information to provide high-quality products and services which will bring sensation to our customers. The Department discusses the issues and examples of solutions to bring together as specific measures. The measures then are executed throughout the Group, and the Customer Service Department regularly evaluates progress and efficacy of the measures, and undertakes reviews and corrective actions, in line with the PDCA cycle.

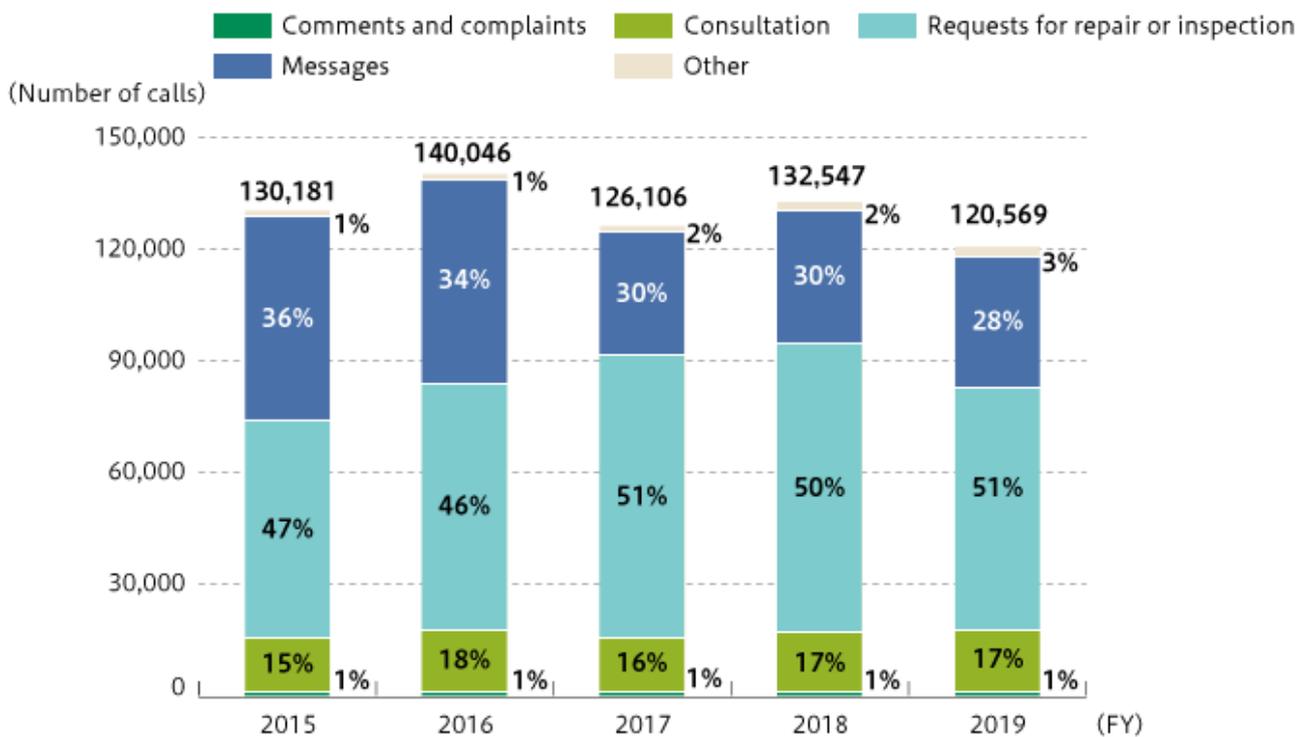
Additionally, Sumitomo Forestry regularly introduces example creative solutions that can be easily adapted in the daily work routine, improves customer satisfaction as well as publishes heart-warming stories on the intranet. Direct feedback and opinions of customers sent to the Customer Service Department, details of the consultations and their analysis results, and examples of superior response are consistently communicated to prevent recurrence of factors causing problems. The support for internal training and one-on-one meetings with Group companies are also provided.

## Operation of Sumitomo Forestry Call Centers

Sumitomo Forestry established Sumitomo Forestry Call Centers that open 24 hours a day 365 days a year toll free as a consistent dedicated helpline throughout Japan that allows immediate support such as an emergency response lifeline to assist our customers. The telephone number is introduced on magnet cards, owner dedicated websites, magazines and other mediums so that this helpline will be used broadly by our customers

Presently the centers are located in Tokyo and Okinawa, and are linked together, shortening wait times for customers who call via the unified national free-dial number. In addition, the system is organized to enable response in emergency situations. The system facilitates prompt response to customer requests and consultations and also strives for improved customer satisfaction.

### Sumitomo Forestry Call Center Inquiry Breakdown (Trends)



## Customer Surveys

---

Sumitomo Forestry conducts resident surveys three times from the second to tenth year from when residents move in to collect opinions and feedback of owners in order to deliver greater satisfaction and services to customers.

The survey questions primarily elicit responses about specifications, design, building materials, systems and fixtures, and the support service provided by the staff. The Company then statistically processes and analyzes these results, and applies any findings to product development and employee training.

We strive to improve customer satisfaction through direct customer contact gained from the comments received in these surveys, which are then shared with all of our relevant departments.

Each branch collects and ranks items determined by the people in charge of sales, design, interiors, production, and housing exteriors to judge the level of customer satisfaction. Our headquarters forwards the results of these rankings to each branch every three months. Each branch then aims to improve overall customer satisfaction while doing everything in their power to revise measures accordingly based on the results.

In fiscal 2019, the satisfaction ratio for overall satisfaction was 95.9% in the survey of new owners, and 96.3% in the survey of second-year owners.

Furthermore, Sumitomo Forestry has adopted the Net Promoter Score (NPS)\* advocated by the housing industry for the purpose of enhancing customer satisfaction. In October 2017, we revised the five stage evaluation to an 11 stage evaluation for the questions above.

We will continue to provide high-quality products and services which bring sensation to our customers by further leveraging customer feedback through the NPS survey analysis.

\* NPS is a new index used to measure customer loyalty (the amount of trust and affinity for the company and brand).

## Communicating Information to Customers

### Website Operation and Magazine Publication

Sumitomo Forestry operates its clubforest special website for owners of Sumitomo Forestry Home houses. As of March 2020, about 120,000 owners had registered as members.

Through a variety of content on the site, we provide information that is useful in helping members get more enjoyment and comfort out of their lives as homeowners. The site offers various contents such as a page where members can see photos of the construction site as its progresses, exclusive sales pages where only owners can purchase Sumitomo Forestry Home products at special discount prices and a 24-hour inquiry that accepts requests for building repairs.

Lovely Family is a home and lifestyle magazine published twice a year. It also features details about Group company activities such as renovation and utilization of lands. About 300,000 prints were issued for each issue in fiscal 2019.



The cover of "Lovely Family", fall and winter 2019 issue



Progress check page in clubforest

## MOCCA (Timber Solutions) Business

### Basic Policy

Sumitomo Forestry has been engaging in forest management for more than 320 years. In addition, we create living spaces which take advantage of wood through our expertise in the various properties of wood worldwide. By dramatically furthering wide-ranging experience, knowledge and technology, we propose wider use of wood and timber in non-residential buildings, such as medium to large-scale construction. Sumitomo Forestry is promoting MOCCA (Timber Solutions) Business in which proposes wider use of wood in non-residential buildings such as industrial and public facilities.

In 2009, the Japanese Government formulated the Forest and Forestry Basic Plan as a forest and forestry recovery policy. This plan sets a timber self-sufficiency rate of at least 50% by 2025 as an ideal approach and positions the expansion of wood use as national policy, including the Public Buildings Wood Use Promotion Act enacted on October 1, 2010.

Through the MOCCA (Timber Solutions) Business, Sumitomo Forestry will bring out the excellence of wood and cultivate new value and potential such as warmth, tranquility, and comfort in addition to aligning the passion of companies, individuals, countries, municipalities and others to expand the transition to wood as a new building method worldwide. This is the mission Sumitomo Forestry must fulfill as a company involved with wood since its founding.

### Basic Concept of Product Safety and Quality Control in MOCCA (Timber Solutions) Business

Sumitomo Forestry is promoting MOCCA (Timber Solutions) Business in which proposes wider use of wood in non-residential buildings such as industrial and public facilities. The Construction Market Development Department provides high-quality buildings with consideration for users' health, safety, and comfort via wooden architecture, and obtained ISO9001 in September 2015 in response to customer expectations. Complying with this international standard, policies were established as shown in the following. Each plant sets tangible quality targets and a business expansion plan adhering to the policy to attain maintained safety and enhanced product quality.

### Quality Policy

We will strive in the efforts below as an organization that loves wood because we believe it is the path to respond to the expectations of our customers by consistently providing high-quality buildings with consideration to people's health, safety, and comfort via wooden architecture.

#### 1. Continually better quality and improve customer satisfaction

We will work to heighten our quality performance and improve customer satisfaction while continually bettering the effectiveness of our quality management systems by conforming to standards and meeting the requirements of our customers.

#### 2. Complying with the law

We will have full knowledge of applicable laws and other requirements we see as a duty for the company in the design and construction of buildings.

#### 3. Establishing policies

We will set quality targets and periodically evaluate our success and revise those targets and goals to specifically promote this quality policy.

#### 4. Conducting education and training

We will conduct education and training for the staff involved with the MOCCA (Timber Solutions) Business that we employ to raise awareness so that all of our employees working in the Construction Market Development Department and the Company will understand this quality policy.

#### 5. Publishing this policy

We will publish this quality policy externally on the Housing and Construction Division's Construction Market Development Department website.

## Product Safety and Quality Management System in MOCCA (Timber Solutions) Business

Sumitomo Forestry Construction Market Development Department consolidates the quality management system under the aforementioned policy and is building a strict process management system.

The Department also conducts biannual internal audits at all construction sites to follow the PDCA cycle incorporated in the quality management system as stipulated by ISO9001.

### ► Quality Management

## MOCCA (Timber Solutions) Business Initiatives

### Using Wood in Buildings to Help Transform Work Styles- Kokubunji Head Office Building of Flavor Life Co. Ltd.

Flavor Life Co., Ltd., which has its head office in Kokubunji City, Tokyo, provides aroma products that incorporate blessing of nature into daily life. It is a company that creates lifestyles with fragrance and smiles through aromatherapy.

As a company that handles products made of natural materials, wish for a building that used natural materials it is a matter of course to wish above all else, the company wanted an environment in which employees could work comfortably. A wooden-hybrid building was realized in July 2017 with the passion of the proprietor.

Time spent in a workplace is no fleeting moment for the working people. It is surely fair to say that bringing comfort and coziness to a living space in which so much time is spent to be an important element of in promoting work style reform.

The effects of a peaceful workplace incorporating wood, in which employees say they can relax while working, and communicate more with coworkers, has begun to be reflected in employee satisfaction levels and productivity of work.

This wooden-hybrid building has a steel frame structure for the first three floors and a wooden-hybrid structure for fourth through seventh floors. Its most distinctive characteristic is its use of hybrid laminated engineered wood which the steel frame is completely covered in wood. Featuring a combination of the soft texture of wood and the strength of steel, it enables the wood to protect the steel from heat as a fire-resistant coating, contributing to disseminate incorporation of wood as a material for buildings.

The aim of Sumitomo Forestry is to create vistas lined with buildings that provide a sense of the warmth of wood in cities, where contact with wood is rare. We apply our knowledge and experience in using wood to propose new ways of doing so.

\* This project was selected as a pilot program for sustainable buildings (wood type) of Ministry of Land, Infrastructure and Transport in fiscal 2015.



Head office building of Flavor Life with full use of quality of wood

## Participating in Building Energy-efficient, Environmentally-friendly Convenience Stores

Sumitomo Forestry designed and built the energy-efficient, environmentally-friendly Numata Interchange Family Mart convenience store which opened in Numata City, Gunma in December 2019. This store was a pilot test that aimed to save energy by combining the strengths of various environmentally-friendly products from participating companies.

Sumitomo Forestry proposed and employed Cross Laminated Timber (CLT) materials made from domestic wood for the walls of the structural framework. Use of Sumitomo Forestry's original S-100 coating material (powerful water repellent silicone coating) on an exposed timber\* style even improved weather resistance. Nelson Pine Industries Ltd. (NPIL), a Sumitomo Forestry subsidiary in New Zealand, even took charge of the beam construction by manufacturing the Laminated Veneer Lumber (LVL) that was used. As of May 2020, our Group has completed a total of 204 stores by proposing this type of wood construction.

Trees continue to stabilize CO<sub>2</sub> as carbon even after they are turned into products. Wood structures help reduce CO<sub>2</sub> emitted by these stores throughout the entire life cycle from material procurement to construction, renovation, repair, demolition, and disposal better than light gauge steel used for columns and beams.

We also took advantage of a grant for the CLT materials used in this store through an individual proof-of-concept project for expanding the use of JAS structural materials, which is a Forestry Agency subsidy program. Sumitomo Forestry will promote further use of wood by providing total solutions from the procurement and supply of materials to the construction.

\* A finishing technique in wooden constructions which structural members such as columns and beams are exposed to view.



External wall CLT Timber



Wood CLT Convenience Store Construction



Wood CLT Convenience Store Construction

## Toward the Future -Aiming for the Timberized Eco Cities with W350 Plan-

Sumitomo Forestry announced its W350 Plan in February 2018. The W350 plan is a research and technological development roadmap aiming to build a 350-meter-tall wooden high-rise building in 2041, which will mark the 350th year since foundation of business in 1961, in preparing to create Timberized Eco Cities. The plan is intended to develop future technologies that contribute to people's lives, society and the global environment, including building construction methods, environmental technologies, wood for building materials and resources.

The new three-story wooden research building completed in October 2019 at the Tsukuba Research Institute will help further this plan as a research and development base.

### Toward Realizing the W350 Plan

Managed mainly by our research and development center, Tsukuba Research Institute, the W350 Research and Technological Development Plan is a roadmap for future technologies; to develop building construction methods, environmental technologies, wood for building materials and resources. This roadmap will expand the possibilities of wooden structures.

This plan of creating Timberized Eco Cities centered on wooden high-rise buildings will revitalize the forestry industry with increased demand of timber and mitigate climate change with increased fixation of CO<sub>2</sub>; in essence, Sumitomo Forestry will contribute to invigorate the community and to realize coexistence with the global environment.

**Building outline:**

- Height - 350m, Number of floors above ground - 70 floors
- Building use: Stores, offices, hotels, residences
- Building area: 6,500m<sup>2</sup>
- Design collaboration: Nikken Sekkei Ltd.
- Architectural area: 455,000m<sup>2</sup> (6,500m<sup>2</sup> × 70 floors)
- Amount of timber used: 185,000m<sup>3</sup>
- Structure: Wood and steel hybrid structure (Internally, pure wooden structure)



## New Research Building of the Tsukuba Research Institute, Which will Serve as the Research Base for the W350 Plan

It has been 29 years since Tsukuba Research Institute was established. The deterioration of the main research building and increase in staff have become issues needing to be addressed. The new research building completed in October 2019 adopts new Post-tensioning<sup>\*1</sup> technology related to the wooden structures. Other technologies used in this building will also form foundation for the W350 Plan. Energy saving technology and renewable energy will also be used with a view of achieving a zero energy building (ZEB).

The new research building is a three-story building with a floor area of 2,532.67m<sup>2</sup>. The exposed beams, pillars, and wall structure has been designed using the semi-fireproofing technique. Full building evacuation safety verification [Route C (Minister's certification)]<sup>\*2</sup> makes it possible to reduce restrictions on wooden interiors so that spaces with the qualities of wood can be presented. The building greatly reduces CO<sub>2</sub> emissions by installing solar panels on the roof and adopting absorption water chiller-heaters fired using wood pellets. With roofs, balconies and exterior walls used as areas to test greening, the research and development of green technologies for non-residential wooden architectural structures will be conducted while office space will be used for verifications such as green layouts that seek to improve intellectual productivity.

This facility has been accepted as a pilot program for sustainable buildings (wood type) in fiscal 2017 promoted by Ministry of Land, Infrastructure, Transport and Tourism. This includes an office for housing 140 persons and a gallery that provides information about timber.

With the new research building positioned as the cornerstone of the W350 Plan, we also began a construction plan for a six-to eight-story wooden building (20m to 30m tall) as the next actual step forward. This plan has been named "W30" and is currently under way.

\*1 Technology where high-strength steel poles and wire ropes running through load-bearing members are tensioned to increase the fixation of position between members.

\*2 A method for verifying safety performance where everyone within a building is able to evacuate safely to the ground level given a pre-determined fire scenario. If safety can be confirmed, some of the regulations of the Building Standards Act of the Japanese government are eased, enabling greater freedom of design, such as exposing wood structural members to view. Route C designation requires certification by the Minister of Land, Infrastructure, Transport and Tourism, but since evacuation safety performance is confirmed using sophisticated calculation methods not stipulated by the notice, it allows for the highest level of design freedom.

### Overview of New Research Building at Tsukuba Research Institute

- Location : Midorigaoka, Tsukuba-shi, Ibaraki Prefecture, Japan
- Building area: 1,120.27m<sup>2</sup>
- Floor area: 2,532.67m<sup>2</sup>; 1F: 1,001.95m<sup>2</sup>; 2F: 894.44m<sup>2</sup>; 3F: 636.28m<sup>2</sup>
- Structure: Three-story wooden Original Post-tensioning Semi-fireproof Structure
- Application: Research Facility
- Project Management: MOCCA (Timber Solutions) Department\*, Sumitomo Forestry Co., Ltd.
- Design: le style h/Atelier Asami Kazuhiro and MOCCA (Timber Solutions) Department, Sumitomo Forestry Co., Ltd.
- Construction company: Kawada Industries, Inc.
- Construction Period: March 26, 2018 to September 30, 2019

\* Restructured as the Construction Market Development Department on April 1, 2020

► **Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society**

## The New Research Building at the Tsukuba Research Institute Receives the Minister of Land, Infrastructure, Transport and Tourism Prize for Wood Design

The New Research Building of the Tsukuba Research Institute completed on September 30, 2019 received the Minister of Land, Infrastructure, Transport and Tourism Prize for excellence in the 23rd Utilization of Wood Contest. This is the first time Sumitomo Forestry has received this award. The judging selected a total of 76 candidates through preliminary screening from a total of 173 total entries before selecting 21 to receive awards, including the highest honors.

The new research building was praised for using technologies such as exposed interior timber (arawashi) achieved by paying close attention to evacuation safety in the event of a fire as well as indoor and outdoor greening and the original structure using Post-tension technology.



## Contributions to Eco Cities Through Greening

### Basic Policy

The use of as many plants as possible which are native to the region in property development is a growing trend as society shifts toward a goal to co-exist with nature.

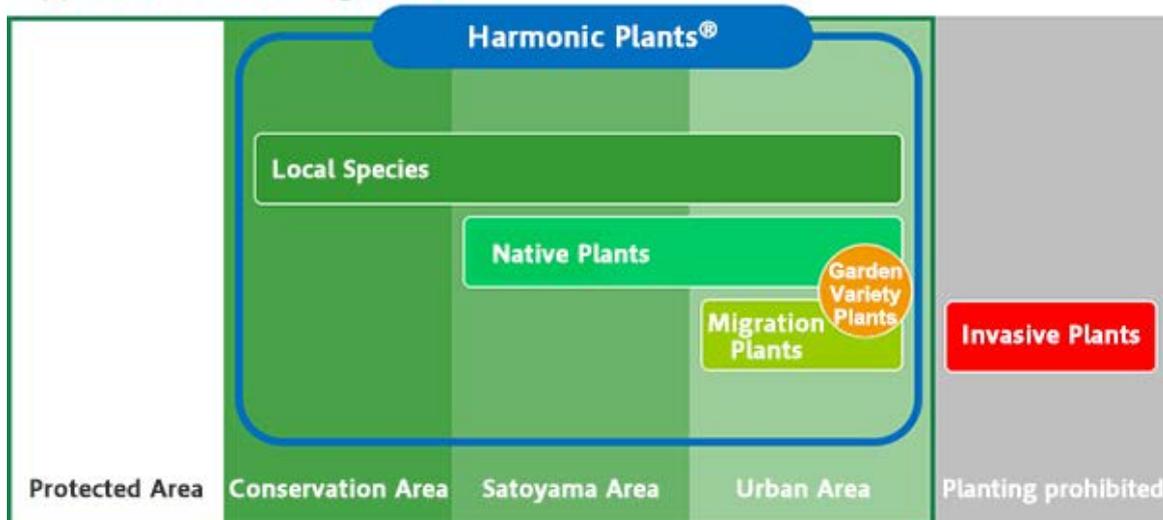
In the midst of these trends, Sumitomo Forestry Landscaping has defined Harmonic Plants<sup>®</sup> guidelines for selecting plants species based on greening areas with the concept that using indigenous and local species in greening plans is in the best interest of natural revitalization. The Company has been promoting this model up until now.

There are plants that have grown in Japan since long ago (native plants) and plants that have come to Japan from abroad (migration plants) for trees. Among these migration plants, there are species that will overrun areas where native plants live due to their characteristics, which endanger the biodiversity of the region (invasive plants<sup>\*</sup>).

Garden vegetation plans are separated into four areas that take into account the conservation level (protected areas, conservation areas, satoyama areas, urban areas) to select plant species based on these areas. For example, in urban areas when building gardens for residences, the colorfulness is represented by selecting a balance of greening plants from non-invasive migration plants around a main selection of native plants, including garden variety plants. In addition, the Group has in place a policy of not using invasive plants that clearly have an adverse impact on local ecosystems and a division responsible for coordinating technology at Sumitomo Forestry Landscaping Co., Ltd. checks that such species are not used.

\* Specified alien species and alien species requiring caution as stipulated by the Invasive Alien Species Act

### Approach to Planting Areas



## Contributions to Property Development

### Project to cultivate leaders to form an ecological network for corporate green zones along the coastal area of the Chita Peninsula received a special jury prize at the Environmental Awards 2019

In the industrial zone along the northern coast of the Chita Peninsula in Aichi Prefecture, this conservation initiative brings together corporation green zones as regional ecological sites to unify students, companies, NPOs, and government agencies.

In June 2019, these Chita Peninsula ecological conservation efforts provided an excellent example of an initiative to conserve the ecosystem through a consortium honored with a special jury prize in the 46th Environmental Awards (held by the National Institute for Environmental Studies, Japan and Nikkan Kogyo Shimbun with the support of the Ministry of the Environment).

Sumitomo Forestry Landscaping joined this project as an advisor and consultant with MS&AD InterRisk Research & Consulting, Inc. and Regional Environmental Planning, Inc. We cooperated broadly by providing advice such as methods for greening renovations that increase biodiversity and methods to monitor life with the participation of students and employees.

As the recovery of biodiversity becomes of major interest today, Sumitomo Forestry will not only further deepen but also broaden its consulting capabilities related to biodiversity conservation.



Connecting Life Student Project

### Assisting Nakashinden Green Area of Aichi Steel Corporation and the Central Negishi Refinery Garden of the ENEOS Corporation to Receive ABINC Certification

The Nakashinden Green Area of Aichi Steel Corporation (Aichi Prefecture) that Sumitomo Forestry assisted in obtaining the ABINC certification\* is a roughly 2 ha corporate green zone adjacent to the plant in the head office district of the company. The area had originally been used for a plant, but this plan set out to open the zone as a local ecological site. The project was able to take advantage of the marshy and grassy environment to create a natural ecological garden. Employees, local citizens, student volunteers, and many others are helping build this green area to nurture even greater biodiversity.

In the same way, the central garden at the ENEOS Corporation refinery (Kanagawa Prefecture) that Sumitomo Forestry assisted in obtaining the ABINC certification\* is a large-scale green space 100 meters wide and 800 meters long with three biotope ponds. In recent years, the initiative has been aiming to create green areas friendly to biodiversity by linking to nearby lush natural areas, such as the Sankeien Garden. Undeveloped woodlands on plant premises are expanding diverse environments, such as the water lands attracting kingfishers and grasslands filled with common bluebottle butterflies.

As shown by these two examples, efforts to try and transition production plant gardens into green areas where biodiversity flourishes are booming. In the future, Sumitomo Forestry will emphasize consulting related to the biodiversity conservation even more.

\* This system certifies results of biodiversity preservation activities of companies to promote coexistence of nature and people.



Planting Event in the Aichi Steel Nakashinden Green Area



Environmental Awareness Building Activities in the Aichi Steel Nakashinden Green Area



Nature Observation Event at the ENEOS Negishi Refinery



Goats Grazing to Weed the Garden at the ENEOS Negishi Refinery

## Exhibited a Garden at the 36th National Urban Greenery Fair in Shinshu

The “Gift from the North Alps” Shinshu Flower Festival 2019 at the 36th National Urban Greenery Fair in Shinshu (Hosted by: Nagano Prefecture, Matsumoto City, Omachi City, Shiojiri City, Azumino City, and the Organization for Landscape and Urban green Infrastructure; Proposed by: Ministry of Land, Infrastructure, Transport and Tourism) was held over 53 days from April 25 to June 16, 2019 using the Nagano Matsumoto Daira Park (Shinshu Sky Park) as the main venue.

The National Urban Greenery Fair is a festival of flowers and nature that has been held every year throughout each region in Japan since 1983 as a project to raise awareness of property development that pursuit of comfortable, welcoming living filled with greenery.

Under a theme of connecting nature to forests, people, and the future, this fair advocate various greenery from original wall gardens to highly-durable wood decks and wood fencing, locally produced stone materials for local consumption, and vegetation suitable for different environmental conditions. In addition to native species such as Japanese white birch, Japanese dogwood, siebold maple, azalea, and Lily-of-the-Valley indigenous to Nagano and popular garden plants, this festival showcased how to cultivate a pleasantly refreshing garden unique to Shinshu that was then put on display.



Planting Design  
Adopting Natural  
Nagano Vegetation



## Education for Biodiversity Conservation

### Publish of Biodiversity Handbook Vol. 2: Local Vegetation

We are receiving a wide range of concerns for information about what the local vegetation is to the production, distribution and consumption of native plants and the cultivation plans for native plants in addition to future trend of local vegetation required for greening that consider biodiversity.

Sumitomo Forestry Landscaping has responded to these concerns by publishing the Biodiversity Handbook Vol. 2: Local Vegetation in January 2018.

This handbook offers explanations while interweaving cutting-edge examples that use locally cultivated plants to address primarily the information below.

1. Reconstruction projects for the Great East Japan Earthquake using local plants
2. The development of large-scale test driving course using local plants in
3. Beach plant revitalization project using local plants
4. Urban redevelopment using local plants from the Edo period
5. Mixed tree revitalization using local plants cultivate on large-scale artificial grounds



Cover of the Biodiversity Handbook Vol. 2: Local Vegetation

### Publish of an Illustrated Guide to Home Trees Revised Edition

The Ministry of the Environment and The Ministry of Agriculture, Forestry and Fisheries of Japan newly released a list of alien species which harm biodiversity of Japan (list of potentially harmful alien species for biodiversity) for the purpose of deepening interest and understanding about alien species to incite the appropriate action by various independent entities.

This list not only stipulates the specified alien species up until now but also selects alien species which have the potential to become highly invasive to the ecosystem or kill or harm people as well as damage agriculture, forestry and fisheries.

Sumitomo Forestry Landscaping has reorganized criteria for alien species unique to its business in accordance with the regulations on the list of harmful alien species for biodiversity with considerations to further impact on the ecosystem. The Illustrated Guide to Home Trees published based upon this criteria has released a revised edition in March 2017 which replaces some of the tree species included therein.

We will continue to advocate Harmonic Plants® and the use of these standards for alien species to include in proposals for plants to customers as well as in raising the awareness of our employees.



Cover of "An Illustrated Guide to Home Trees Revised Edition"



## Residential Property Development Business

### Basic Policy

Sumitomo Forestry strives in the residential property development business by providing roughly 300 high-quality single-family spec homes each year through technical expertise accumulated in custom-built housing and greening businesses. We develop long-lasting properties by taking advantage of nature with the goal of realizing a sustainable, prosperous society founded in the Sustainable Development Goals (SDGs). Employing lifestyle design concepts, we respect the history, environment, and culture of each region to bring out these characteristics to create townscapes in harmony with nature. Sumitomo Forestry is driving property development toward an ideal of high asset value by considering all aspects of living from the purchase of land to the design of townscapes and living spaces.

### Developing Beautiful, Long-lasting Cities and Communities

Sumitomo Forestry formulates townscapes Development Guidelines for each project that incorporates the size, geography, environment and other distinct characteristics of each property to develop beautiful, long-lasting towns and communities. In addition to property design codes, we also create landscapes that unify homes with nature to bring a sense of oneness. Our goal is to realize comfortable living environments through land plans and building arrangements that consider the adjacent land and buildings and take advantage of natural airflows, sunlight, and vegetation. At the same time, we place particular emphasis on the design and structural layout of residential spaces to bring out the most comfortable living spaces that also provide privacy.

### Residential Property Development Initiatives

#### Forest Garden Hadano Receives the First ABINC Certification As a Detached Housing Complex.

Forest Garden Hadano, a detached housing complex in Hadano City, Kanagawa Prefecture, received the first ABINC (Association for Business Innovation in harmony with Nature and Community) certification under the detached housing complex and city area category in March 2018. The ABINC certification system certifies results of biodiversity preservation activities of companies to promote coexistence of nature and people. The certification began the certification of office buildings and commercial facilities from 2014 and has expanded its scope to include housing complexes and factories. Furthermore, detached housing complex and city area category and city area category and logistic facilities were newly added in fiscal 2017.

The property design of Forest Garden Hadano is green property that coexists with life. It realizes rich greenery through the use of local tree species and Harmonic Plants<sup>®</sup>. Consideration toward sustainable circulation of water utilizing spring water was one of the major factors of receiving the certification.



Property Design of Forest Garden Hadano

## Overseas Housing and Real Estate Business

The Sumitomo Forestry Group is expanding housing and real estate businesses in the United States and Australia that have large, mature wooden house markets, as well as in Asian regions where significant growth is expected in the future. We not only sell housing that matches the needs of the climate and natural features as well as markets in each region but also engage in various initiatives to create shared value through our business activities by respecting employees, local residents, corporate organizations, society and every other stakeholder.

### Respect for Regional Culture for Housing, Lifestyle, and Architecture

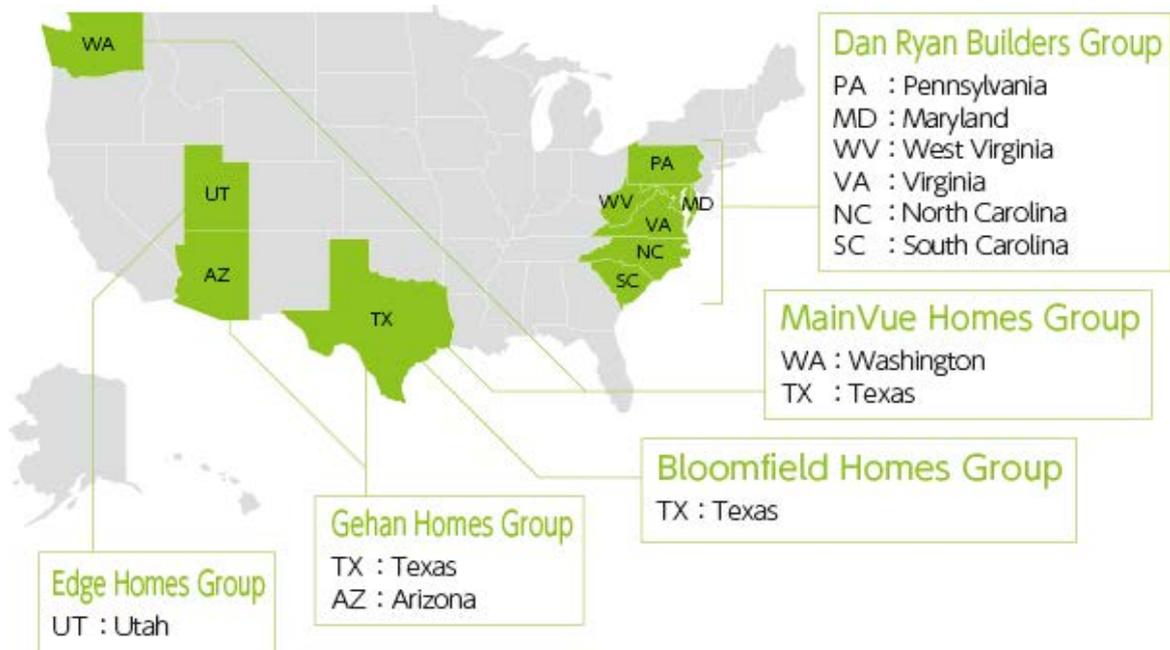
Sumitomo Forestry has built a proven track record in wooden house construction in Japan, and its overseas housing and real estate businesses also place value on construction that adapts to the living customs and culture of each region. We respect the business policies of our local Group companies that are well versed in the culture, needs and characteristics of each region. This approach allows us to create a system that is able to provide products and services best suited to each region.

### United States Business

Sumitomo Forestry is expanding a multifaceted housing and real estate business in the United States where stable population growth and strong housing demand are expected to continue in the future.

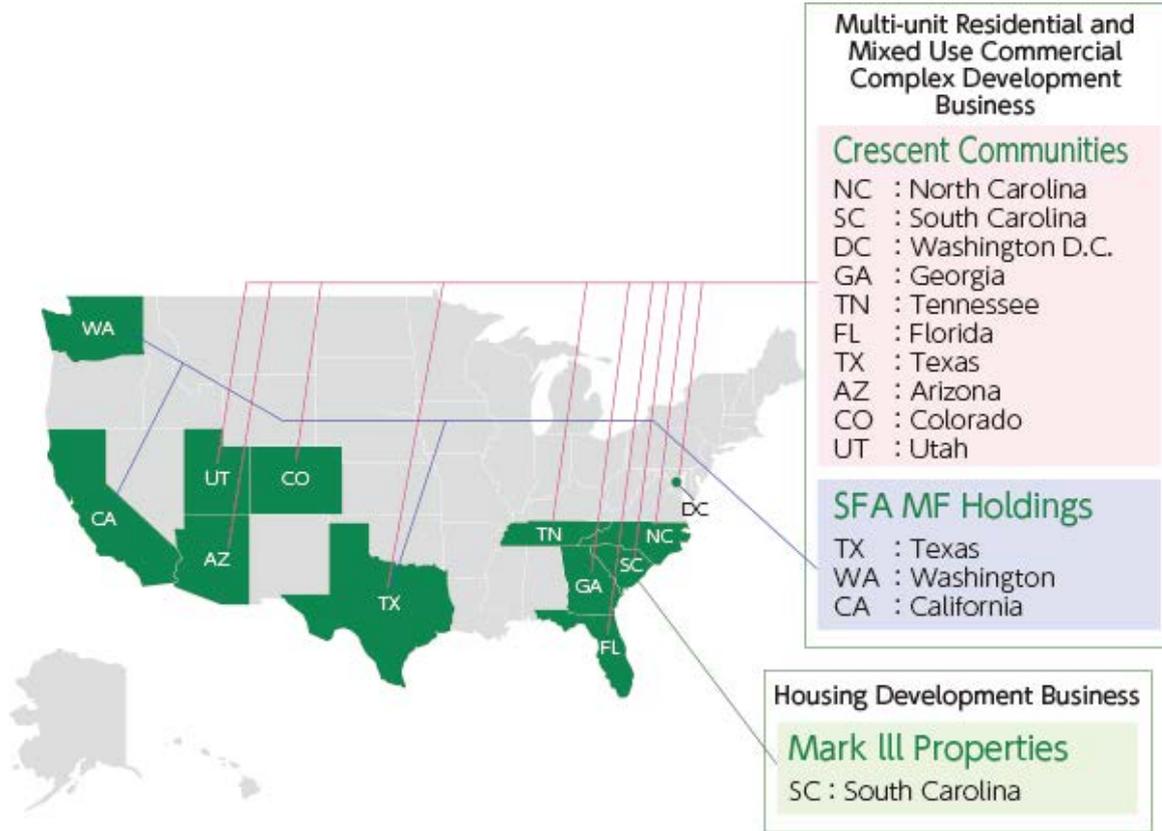
We entered the U.S. housing market—the biggest in the world—in 2003. Initially, it provided single family homes in Seattle, Washington, which is our base for trading timber and building materials for more than fifty years. Today, we have five home builder companies in a broad area from the west to east coast that are expanding the subdivision business and providing high-quality wooden houses. Through careful marketing in the business regions of each company, we supply various types of housing in a broad price range, such as detached houses, town homes and condominiums, to adeptly respond to the ever more diverse range of needs.

#### Housing Construction Business Areas



We started a multi-unit residential development business in 2016. In 2018, two companies joined the Sumitomo Forestry Group to expand business domains; Crescent Communities, a general real estate company which develops multi-unit residential, offices, logistics centers and other commercial and mixed use complexes, and Mark III Properties, a land development business. We are establishing a more stable and diverse revenue base in the United States, while building a framework that can provide a wider variety of housing and real estate products.

### Housing, Multi-unit Residential and Mixed Use Commercial Complex Development Business Areas



Detached Housing



Town Homes



Condominiums



Multi-Use Complexes (Rental Housing/Commercial Facilities)



Land Development

## Australian Business

Three Group home builder companies are expanding the -order homes and spec home businesses in Australia. By adding Scot Park Group in Western Australia, in 2019, the Group built an operation network with coverage from eastern to western Australia and provides quality wooden housing at a broader scope. Australia is expecting long-term population growth in light of its immigration policies, and we will provide homes that are affordable to a various income groups by developing business using multiple brands with varying price ranges according to each region.



## Asian Business

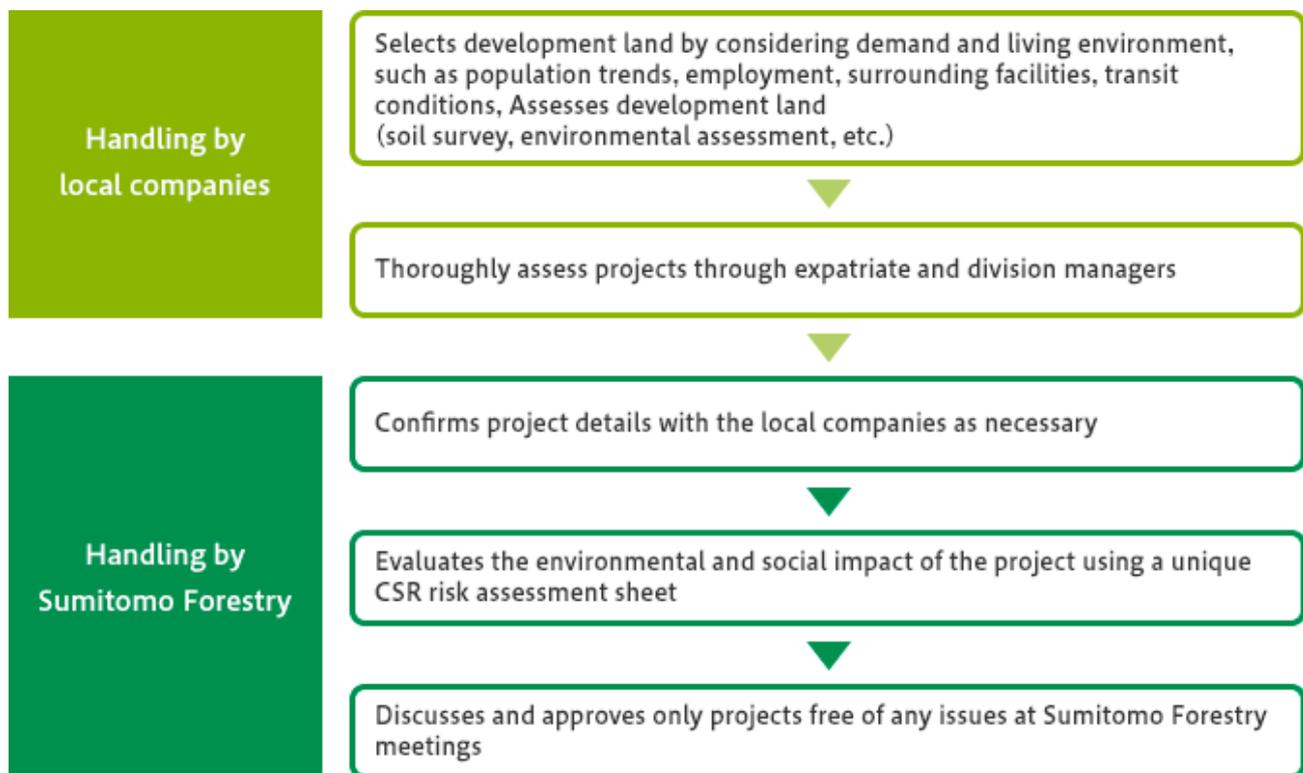
Sumitomo Forestry engages mainly in the large-scale real estate development business in South East Asia. By employing a joint venture scheme, we are promoting the provision of high-quality homes by taking advantage of the functionality and resources of local partners and integrating the technology and expertise possessed by Sumitomo Forestry and its affiliated companies.

In China, Sumitomo Forestry is also providing outsourcing service that produces residential blueprint data. This business plays a role in heightening operational efficiency and quality in the housing industry overseas.

## Understanding and Assessing Development Risks

Properly understanding the geological and geographical risks unique to each property is vital in the development of housing and real estate. The Sumitomo Forestry Group has put in place the necessary systems to verify whether there are any issues through careful surveys at the assessment stage of development in addition to other multistage checks done before determining how to implement a project.

We first select the land to develop and then outsource soil survey and environmental surveys to external research firms to fully understand the risks from an objective standpoint. We not only ask local affiliated companies to give their input on risks but the Sumitomo Forestry head office also conducts property inspections and environmental and social impact studies using its own CSR risk assessment sheet for projects larger than a certain scale. Management also provides feedback through meetings at the Sumitomo Forestry head office to analyze risks from diverse multistage perspectives. We only engage in projects determined to be acceptable through this process.



Construction also comes with the risk of occupational accidents during the construction phase. Sumitomo Forestry complies with occupational health and safety laws and works to prevent occupational accidents at local affiliated companies and also puts in place systems to immediately report any accident that occurs to the headquarters so it can quickly understand what happened as well as plan and execute measures to prevent recurrence.

## Community Development to Enhance the Value of Living Spaces

Each Group company works to heighten the level of enhancements to lifestyle and environmental aspects when developing housing, commercial complexes and other facilities.

We strive to provide robust common areas in addition to residential units through five home builder companies in the United States that sell single-family spec homes, such as the installation of green areas and promenades formed to fit the size, landscape and surrounding environment of the property. Large-scale developments heighten community value and satisfaction of lifestyle environments by installing information centers built alongside pools, parks, tennis courts, cafés and other amenities.

Crescent Communities, a real estate developer, provides living and community spaces that offer more value than just a home to residents by incorporating the distinct characteristics and history of the surrounding environment in building specifications, spatial design, and resident services with the participation of the neighbors and everyone else involved when planning the concept for each project.

## Sales of Environmentally-conscious Housing

Henley Properties drove forward efforts to enhance energy-saving performance in the Australian housing industry, such as pioneering its own standard specifications ahead of competitors, by recommending a five-star energy rating<sup>\*1</sup> for the standard energy-saving performance in 2001. Efforts toward the environment accelerated further after the involvement of the Sumitomo Forestry Group in 2009. We conducted a variety of initiatives to reduce the environmental impact, including the realization of the first zero emission house<sup>\*2</sup> for the general consumer as a major home builder company in the country.

In Victoria, Henley Properties also uses low carbon concrete by replacing approximately 20% of cement, the primary ingredient in concrete used in foundations of homes, with fly ash (waste produced when burning fossil fuels) and blast furnace slag (byproduct separated from iron ore in the iron manufacturing process in blast furnaces). The low carbon concrete reduces CO<sub>2</sub> emissions by about three tons per home in the construction stage.

More than 80% of new homes built in Australia uses veneer glass because multi-layered glass has not become as popular for use in homes as in Japan due to cost. However, in 2018, Henley Properties was the first in Victoria to make multi-layered glass a standard specification in order to increase the insulation efficiency of homes<sup>\*3</sup>.

Henley Properties also leads the industry in efforts to improve airtightness. A survey conducted in 2019 showed homes built by Henley Properties have shown airtightness roughly three times higher than the average home in Australia<sup>\*4</sup>. This level of airtightness can reduce the power consumption necessary for heating and cooling the average home by approximately 25%.

Henley Properties is not only improving environmental performance but is also pioneering the development of residential properties that consider the health of the people living there. The Company is also developing a system to provide ventilation while mitigating construction, lighting, and heating costs to improve the air quality inside the home. Moreover, Henley Properties reviewed primary construction and finishing materials and adopted interior coatings with ultra-low VOC<sup>\*5</sup> in accordance with the advice from the National Health and Medical Research Council of Australia. These measures achieve housing that suppresses rising costs, maintains high quality, and protects the health of the people living there.

\*1 An evaluation metric of the energy burden for heating and cooling the inside of a building in Australia. Insulation, windows, the type, size and orientation of the building, and the climatic zone are all items included in this metric.

\*2 Environmentally-friendly housing expected to have an energy-saving effect of more than 70% compared to conventional housing.

\*3 Multi-layered glass is effective in improving insulation efficiency of homes by limiting the thermal reflux to approximately 35% less compared to veneer glass.

\*4 The average value for Henley Properties is 5.9 ACH where the average housing in Australia is 15.4 ACH (ACH is an index that indicates the air leakage per hour at a 50 Pa indoor-outdoor air pressure difference. The lower the value the higher the airtightness).

\*5 Volatile Organic Compounds (VOCs) are organic chemical substances volatile in the air at ordinary temperatures and pressures. Many construction coatings and adhesives contain these organic chemicals and have the potential to cause sick house syndrome or impact human health in other ways when dispersed in large quantities.



Ventilation System Development



Coatings Containing Low VOC Percentage

## Occupational Health and Safety Management

Henley Properties also focuses on worker safety management in Australia. The Company is developing businesses across four states of Australia: Victoria, Queensland, New South Wales, and South Australia. Under the company-wide safety management policies, Henley Properties builds the highest level of safety management system that includes drafting annual safety management policies and targets, conducting risks assessments of each site (evaluating danger and planning measures to mitigate those risks), providing on-site managers and employees with safety management training, understanding the safety management capabilities of partner companies, and ensuring thorough reports on any accidents that do occur. The Company also acquired the ISO 45001 certification, an international occupational health and safety standard, in April 2019.

Additionally, Wisdom Properties Group, a business operator in New South Wales, has established an advanced occupational health and safety management system. The Company has also acquired the AS4801 certification, an Australian occupational health and safety standard. The Company has built system able to provide stable on-site operations by preventing accidents before they happen and protecting workers' health.

## Building Positive Work Environments

In the United States, federal and state laws prohibit any employment discrimination for reasons such as race, gender, religion, birthplace, or health condition. Sumitomo Forestry Group companies in the United States strive to share the same philosophy in prohibiting discrimination and providing fair opportunities, by including these topics in the employee handbook.

Each of these companies also engages in various other measures, such as consultation hotlines to report harassment and discrimination in the workplace. Crescent Communities has put in place initiatives to provide comfortable environments for employees to work beyond strict legal compliance, such as the adoption of a system whereby a corporate insurance policy covers 60% of the salary of an employee who cannot work for seven days or more due to reasons such as injury, illness, or mental disease.

## Third-Party Evaluation

### **Henley Properties Group Honored as Australia's No. 1 Home Builder in the Professional Major Building Category of the HIA-CSR Australian Housing Award**

Henley Properties Group has received the HIA Australian Professional Major Builder award at the HIA-CSR Australian Housing Awards held in May 2020 by Australia's Housing Industry Association (HIA) as Australia's No. 1 home builder.

This event has a history of over 70 years since its establishment in 1945. It is organized annually by HIA, which is an industry association with more than 40,000 members who are housing construction companies and renovation operators undertaking more than 85% of the overall construction work in Australia. Winners of state-level events from the previous year move on as representatives of their states to compete during this year's event to determine the No. 1 position in Australia.

The Professional Major Builder award is given to the most outstanding major home builder companies—with an annual turnover of AU\$50 million or more—in terms of industry leadership, customer service and satisfaction, business scope, financial soundness, undertaking of social contribution activities and other factors. Henley Properties has won the No. 1 position at the state level three times in the state of Victoria and eight consecutive times since 2012 in the state of Queensland. At the national level, this is the second time Henley Properties has emerged as No. 1 in Australia since 2015.

This time, Henley Properties was given the award due to its meticulous handling of customers, including a maintenance hotline that is operated throughout the year and its long-term structural guarantee. Henley Properties was also recognized for implementing a pioneering employee development program that seeks to nurture future industry leaders.

## Crescent Communities Receives Top Award at the NAHB Multifamily Pillars of the Industry Awards

Crescent Communities, LLC, a Group company in the United States, has been named Multifamily Development Firm of the Year award at the 2019 Multifamily Pillars of the Industry Awards organized by the National Association of Home Builders (NAHB).

With a history stretching for over 70 years since its founding in the 1940s, NAHB, the organizer of these annual awards, is the largest housing construction industry body in the U.S., representing more than 140,000 members.

The Multifamily Pillars of the Industry Awards give public recognition to enterprises and projects in the multi-unit residential industry, appraising creative development concepts, innovative financing strategies, superior design and marketing in the development of multi-unit residential. Crescent Communities was honored as the Multifamily Development Firm of the Year, as the top multi-unit residential developer in the U.S. and NOVEL South Capitol—a multi-family housing project in Washington, D.C. in which Crescent has been involved in development—was named the Best Overall Leasing or Sales Campaign for a Multifamily Community\*.

\* Category to commemorate projects with superior initiatives to attract customers



Exterior View of NOVEL South Capitol

## Distribution Business

### Business Overview

Based on a global network built up over years of developing operations worldwide, the Timber and Building Materials Distribution Business sources stable supplies of high-quality timber from properly managed forests. As the No.1 share company in the domestic timber and building materials distribution markets, we provide total solutions for customer needs.



#### Main Business Figures (FY2019 Result)

##### Japan Timber Raw Wood Exports



##### Sustainable procurement survey implementation rate of suppliers of imported timber products



### Value Chain of Distribution Business



#### Verification of Legal Compliance and Sustainability

The Sumitomo Forestry Group engages in due diligence on its procurement suppliers and timber procurement according to the Sumitomo Forestry Group Procurement Policy. We not only ensure legal compliance but also verify considerations toward human rights, labor, biodiversity conservation and the local community while practicing sustainable procurement.

##### Relevant Social Issues

The Sumitomo Forestry Group recognizes a broad range of social issues related to wood that are connected to business risks such as compliance with laws, regulations and social norms, respect of human rights, securing of occupational health and safety, biodiversity conservation and the consideration of local community.

##### Relevant Sustainability Initiatives

- ▶ [Procurement Initiatives](#)



## Procurement

The Sumitomo Forestry Group strives to conduct procurement activities while making considerations about human rights and labor in all timber and wood products verified to be sustainably and legally compliant as well as conserve biodiversity and contribute to the local community. The progress of these initiatives is reported to the Timber Procurement Committee made up of managers from each section procuring timber to encourage continued improvements in the supply chain.

In addition, given that it is characterized as being a regional industry, Sumitomo Forestry Group maintains close communication with the suppliers and purchasers of timber and building materials in each region.

### Relevant Social Issues

In efforts at the stage of procurement in distribution operations, we verify legal compliance and sustainability while also endeavoring to respond to broad social issues such as human rights, occupational health and safety, labor, biodiversity conservation and the local community.

In response, we have built a management system which deliberates matters such as timber procurement standards and illegal timber with the Timber Procurement Committee at its core. We are confirming traceability of timber and legal compliance while also confirming consideration towards human rights, labor and biodiversity conservation.

### Relevant Sustainability Initiatives

▶ [Procurement Initiatives](#)



## Commercialization and Delivery

Sumitomo Forestry Group commercializes and ships the timber that is procured not only as raw wood but also plywood, commercial timber, building materials and other products.

### Relevant Social Issues

In developing and delivering products, we engage in appropriate information disclosure regarding our initiatives related to social challenges from not only the quality as products but also with certification of sustainability and legal compliance.

### Relevant Sustainability Initiatives

▶ [Sales Initiatives](#)





## Shipping and Sales

The Sumitomo Forestry Group fulfills accountability by encouraging sales of certified timber as well as labeling with considerations to traceability.

Increasing support to generate demand for wood not only from Japan but overseas as well as increasing exports of Japanese timber is helping revitalize forestry in Japan.

### Relevant Social Issues

Social challenges related to initiatives at the point of sales such as certified and Japanese timber include the depletion of forest resources, illegal logging and regional revitalization.

Our Group believes it is our social responsibility to respond to social challenges related to wood now and into the future by encouraging sales of certified materials and Japanese timber.

### Relevant Sustainability Initiatives

▶ [Sales Initiatives](#)

## Procurement Initiatives

### Basic Policy

Sumitomo Forestry Group strives to contribute to a sustainable and prosperous society through business activities that use wood, a renewable resource. To do so, we engage in responsible timber procurement activities in accordance with our Timber Procurement Basic Policy formulated in 2005 and our Timber Procurement Principles and Policies formulated in 2007. To deliver legal and sustainable timber, we only engage in responsible timber procurement.

In 2015 with the Sumitomo Forestry Group Procurement Policy, we expanded our scope beyond timber to include a wide range of other procured products, such as metals, ceramics, resin and other building materials, and based on this policy, are engaged in procurement activities that take into consideration the economy, society and environment.

► [Sumitomo Forestry Group Procurement Policy](#)

### Promotion System of Timber Procurement Management

Sumitomo Forestry Group established the Timber Procurement Committee, chaired by the officer in charge of sustainability promotion at Sumitomo Forestry (director and managing executive officer) and comprising managers from departments in charge of timber procurement. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.

In fiscal 2019, the Timber Procurement Committee met four times and confirmed legality and conducted a Sustainability Survey for suppliers of imported timber products at all 162 direct import source companies who are covered in the study and 48 companies that our overseas group companies (distribution) procure from. Regularly (once a year or once every two years), we confirm legality and sustainability of both new and ongoing parties we conduct business with.



Timber Procurement Committee meeting

### Sustainable Timber Procurement Initiatives

#### Promoting Initiatives Adhering to the Procurement Policy

##### Procurement Policy

Under the Sumitomo Group Procurement Policy, Sumitomo Forestry Group carries out due diligence on timber procurement to ensure that the procurement is performed in a sustainable manner with consideration of legal compliance, human rights, labor practices, biodiversity conservation, and local communities.

#### Sumitomo Forestry Group Procurement Policy

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

##### 1. Procurement based on legal and highly reliable supply chains

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

## Compliance

Timber & Building Materials Business, Housing & Construction Business and each of timber procurement division at each Group company confirm that the timber provided by suppliers has been legally harvested, or that the wood products they provide have been made only from legally harvested timber as a raw material. Each person in charge of procurement is required to follow the Timber Procurement Due Diligence Manual, gather the following information, cross-check relevant documents for each location and tree species, and confirm traceability of the entire supply chain all the way to the logging site.

No.	Category name
1	Supplier name
2	Supplier address
3	Timber type
4	Tree species of timber type
5	Country or region of logging
6	Annual procurement volume (weight, area, volume or quantity)
7	If sold to a legal entity, the name and address of that legal entity
8	Results of supplier surveys and other, inspection records and other
9	Documents certifying that harvesting was conducted in accordance with laws and regulations of the logging country

With these information sorted by country, region, tree species, and timber type, risk assessment on the illegal logging or human rights violation is carried out based on procurement standards stipulated by the Committee. Risk categories are A (low risk), B (medium risk) and C (high risk). Timber and wood products in the B (medium risk) and C (high risk) categories should not be solely evaluated with documentation to prove that they are legally harvested according to that country’s laws and regulations. In addition, when necessary, company staff are sent for on-site inspections to ensure traceability back to the logging site. In fiscal 2019, we audited 33 companies in Category A, 30 companies in Category B, and 99 companies in Category C before terminating business transactions with 16 of those companies.

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

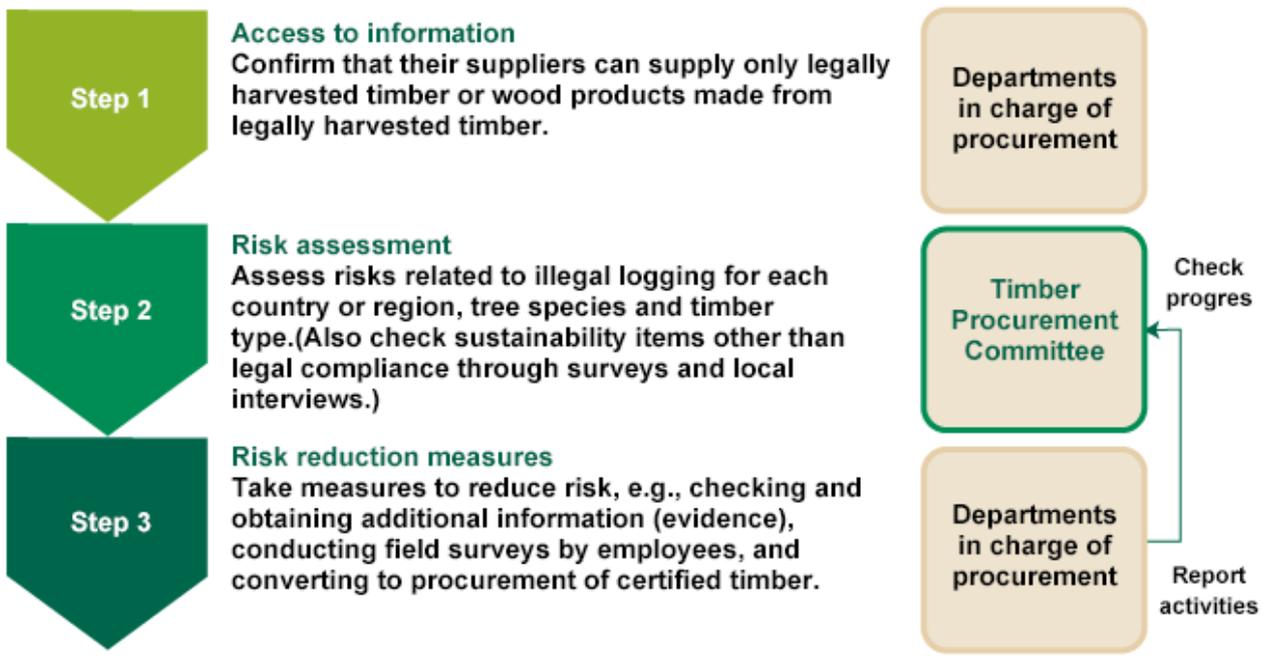
Following items are checked, through Sustainability Procurement Surveys to suppliers and local interviews for the products that are being procured:

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

**Review**

Each procurement division reports the status and progress of these initiatives to the Timber Procurement Committee, facilitating continuous improvements throughout the supply chain. In fiscal 2019, we added necessary items from social and environmental aspects to the questions in the Questionnaire on Sustainable Procurement used up until then to revise this questionnaire into the Sustainability Procurement Survey. We strengthened the management system by scoring survey outcomes to improve the visualization of sustainability initiatives at our suppliers.

**Timber Procurement Management System**



## Reinforcing Measures for the Sustainability of Timber Products

There is increasing concern about deforestation as climate change. Our Group's timber procurement sustainability measures comply with our own Timber Procurement Due Diligence. In May 2019, we newly implemented an Action Plan to further reinforce evaluation standards for sustainability.

### Policy on "Sustainable Timber and Wood Products"

We define timber and wood products as sustainable if they fulfill one of the following:

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

In the "Mid-Term Sustainability Targets as part of the 2021 Mid-Term Management Plan" announced in May 2019, we will promote the gradual increased use of alternative wood (natural timber from forest thinning or plantation timber) to stop the handling of items that do not fall under our definition of sustainable timber or wood products, even in situations where legality can be confirmed. By our target fiscal year of 2021, we strive to achieve our goal of 100% handling of sustainable timber and timber products.

Percentage of sustainable timber  
and timber products handled  
FY2019 result

**89.8%**

Percentage of sustainable timber  
and timber products handled  
FY2021 target

**100%**

 [About symbol for Independent assurance](#)

### Reinforcing Timber Procurement Due Diligence Through Our Action Plan

The Company engages in responsible timber procurement as a Group in accordance with the Sumitomo Forestry Group Procurement Policy. To respond to recent concerns, in May 2019, we created an Action Plan to reinforce on a regular basis our timber procurement due diligence. Major areas of reinforcement to further promote responsible procurement include the appointment of the director in charge of sustainability promotion as the chairman of the Timber Procurement Committee, the holding of regular study sessions for persons in charge of procurement, and for suppliers with low scores, a two-year probation period to implement requested improvement measures and the cessation of transactions in the event that no improvement is seen.

## Education for Personnel in Charge of Procurement

### Timber Production and Sustainable Forest Management in Indonesia and Malaysia

As concern about deforestation increases worldwide, interest is focusing on efforts by companies with regard to procurement of tropical timber. In this connection, we held a seminar on October 31, 2018 titled "Timber Production in Indonesia and Malaysia and Efforts Toward Sustainable Forest Management." It was attended by a total of 32 managers and other responsible personnel at international distribution departments handling tropical timber and other imported timber. At the seminar, participants learned the latest information about timber legality certification systems in both countries, the current state of certified timber, and sustainable forest management.

Each year, we keep up with changing circumstances by providing seminars and training sessions on the latest societal and environmental issues. These are separate from the ordinary training provided to all employees by the Personnel Department.



Institute for Global Environmental  
Strategies (IGES)

A lecture by Research Manager  
Hiromitsu Samejima

### Forest Certification Systems

The Sumitomo Forestry Group operates under a system related to certified timber as one of sustainable timber and wood products defined as the handling of sustainable timber and wood products expands. To share the latest information, we held a Forest Certification Seminar on February 18, 2020 with the participation of 16 people in charge of timber procurement, including Timber Procurement Committee members. This seminar covered the history of the FSC, PEFC, SGEC certification systems and the latest information about the FM and CoC certifications.



Japan Gas Appliances Inspection  
Association

Forest/EPA Group  
FSC-CoC Examiners

Lecture by Kentaro Katase

## Reinforcing Engagement with NGOs and Other External Stakeholders

To formulate and implement our Action Plan, to respond sincerely to societal demands and to promote responsible procurement, we organized a stakeholder dialogue with environmental NGOs, ESG specialists and researchers (held in July 2019).

Experts from the certified NPO Sustainable Management Forum of Japan, the World Wildlife Fund (WWF) Japan, FoE Japan, Global Environment Forum, Institute for Global Environmental Strategies, Takasaki City University of Economics and Waseda University participated to discuss various themes, such as the implementation of the Sustainability Procurement Survey, the process and timeframe for demanding improvements, timber from conversion forests and recycled timber.

During the discussions, in addition to considering ways to build capacity, participants agreed on the need for adequate communication with suppliers in implementing Sustainability Procurement Surveys and requesting improvement measures in a manner that would enhance the quality of suppliers and consequently, lead to utilization of sustainable forest resources throughout the industry. For timber from converted forests, while keeping close watch on measures for sustainable commodity production in other industries, it should be confirmed that appropriate assessment, such as for forests with high protection value (HCVA), is being conducted. Participants voiced the opinion that recycled timber should be defined as timber that has been used once by the consumer (building materials, etc.) and that wood waste, old fruit trees and such should undergo the same level of due diligence as regular timber.

With these opinions in mind, the Company revised and is implementing its Timber Procurement Management Regulations and its Timber Procurement Due Diligence Manual to fulfill its goal of 100% handling of sustainable timber and timber products as outlined in the Management Plan 2021.



The scene at the Dialogue Conference

## Assessing Timber Procurement by local interviews

### Timber Procurement in Romania

Several environmental groups have expressed concerns about forest management and timber production in Romania in terms of whether or not logging has been appropriately conducted. In April 2017, members of the Timber Procurement Committee conducted on-site inspections, first gathering information through meetings with such organizations as the Ministry of Environment and Forests of the Romanian Government, the Embassy of Japan in Romania, ASFOR (Romanian Forest Association), among others. The members also went to a supplier manufacturing facility and inspected representative logging sites of logs that were transported to the facility. At the manufacturing facility, they confirmed that the supplier properly checks transport permits and the logs bundled on the trailer when receiving raw material logs at the lumber manufacturing plants. For example, the visiting team was able to confirm that the supplier was thorough in segregated management to ensure that logs exceeding the amount permitted were not used and that they engaged in such measures as reporting to forestry authorities. The team received an explanation about forest management from a forest ranger at the logging site and checked the actual hammer stamp mark and process when loading the trailer in the field. In addition, they were able to confirm the dedication to preserving the rare forest ecosystem by observing forest conservation areas under the Romanian government's jurisdiction.

The Company regularly meets with environmental groups that we receive concerns from. In the meeting of January 2019, we obtained information and provided the latest on our Group initiatives.



Inspection of harvest land still covered in snow



Check when loading the trailer



Properly checking the delivery at the plant using tablet terminals



Segregated management of round wood beyond the amount on the permit

## Concrete Form Plywood from Indonesia

In recent years, several environmental groups have expressed their concerns about the legality of the logs used as raw material for plywood manufactured in Indonesia. In Indonesia, the SVLK timber legality verification system is in place, requiring timber product manufacturers and exporters to register by obtaining SVLK business certification issued by an independent evaluation and certification organization recognized by the National Accreditation Committee. Upon doing so, the business obtains documentation (V-Legal documents) from the independent verification and certification body certifying the timber as legal, and expressly confirming the legality of the entire supply chain, from logging to timber processing at manufacturing plants to export. In July 2018, we conducted an on-site inspection of the concrete formwork paneling plywood manufacturing plant that serves as our supplier. At a timber yard near the harvesting site, we were able to use QR-code labeling on tags attached to logs to confirm the harvesting information at the Indonesian Ministry of the Environment and Forestry website, as well as with V-Legal documentation. After the same logs were transported to the plant, we were once again able to use QR codes at a plant timber yard to access the ministry website and V-Legal documents, successfully tracing them back through the transport process to their harvest location.

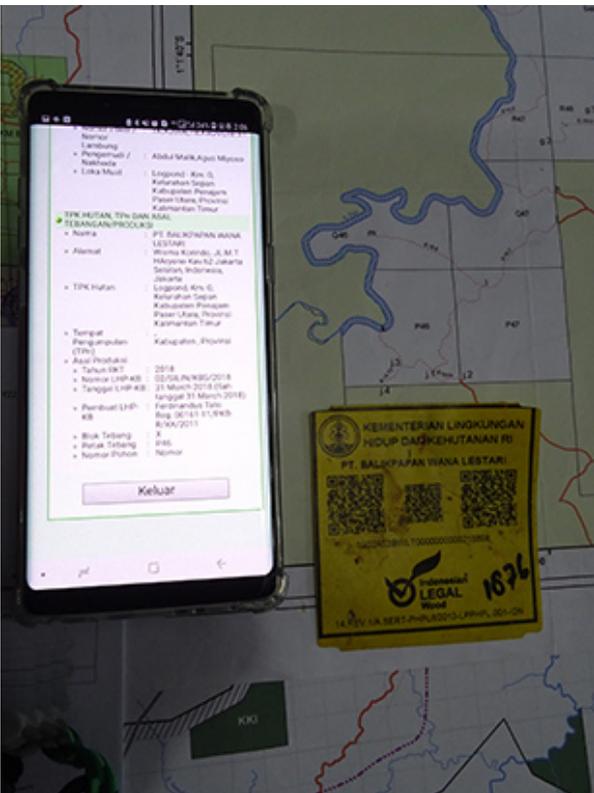
In terms of the procurement of raw material logs used to process plywood, the Company continues to work with suppliers on various initiatives as we strive to fulfill our “Mid-Term Sustainability Targets as part of the Mid-Term Management Plan” to achieve the target of 100% handling of sustainable timber and timber products.



Confirming tags attached to the logs at the plant timber yard



Confirming tags at an intermediate timber yard



Confirming the harvest site from tag information at the logging company (1)



Confirming the harvest site from tag information at the logging company (2)

In terms of concrete formwork plywood for the construction of sports facilities, in November 2018, environmental NGOs reported to the Organizing Committee their concerns that the Company's supplier may be using raw material logs that were not appropriately managed or harvested. With this, we responded by submitting relevant documents and explaining to the Olympic Organizing Committee that these types of raw material logs were not part of the Company's supply chain. As a result, the Olympic Organizing Committee concluded that the concerns were unfounded and not eligible for reporting, which was disclosed in February 2019 on their website.

## Plywood from Sarawak, Malaysia

In recent years, as is the case with Indonesia, several environmental groups have expressed their concerns about the legality of the logs used as raw material for plywood manufactured in Sarawak, Malaysia. Sarawak Forest Corporation was established in 2003 for the purpose of eliminating illegal logging in Sarawak, Indonesia. Thereafter, the Sarawak Timber Legality Verification System (STLVS) was created in 2015 to further strengthen efforts to eliminate illegal logging, reflecting the trend of elimination of illegally logged timber in countries such as the United States, the EU, and Australia. Sumitomo Forestry conducted an on-site audit of a plywood production plant of one of its suppliers in September 2019 to primarily confirm whether the STLVS was properly in operation from the logging sites to the plant landing.

We were able to confirm that tracking is possible from logs arriving at the plant to the harvesting district via identification processes such as orange tags proving royalty payments (for processing domestically), white tags (for log production) as well as markings and relevant transfer permits from regional forest offices through the detailed logging plans and tree logging lists required by STLVS. In addition, a signature from a representative in charge of the regional forest office on the back of the export application (K2) necessary to export plywood products confirms the products satisfy all of the STLVS standards.



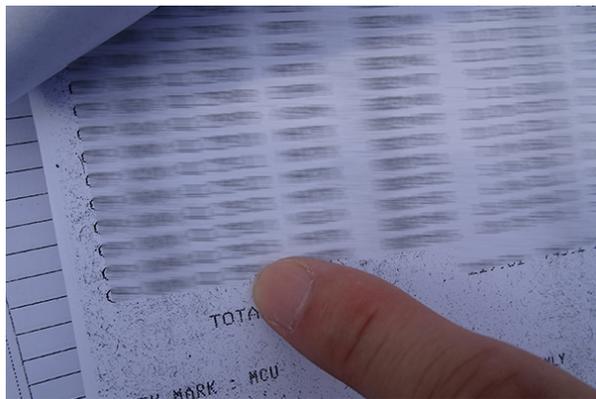
Logs for Plywood Stacked at a Log Pond



Log Production Tag (White) and Royalty Tag (Orange) at the Log Pond



Logs Stacked at the Landing of the Plywood Production Plant



Confirming the Royalty Number Written on the Log Delivery Ledger

## Promoting Certified Timber

Sumitomo Forestry Group works with its procurement partners to build a reliable supply chain and to procure sustainable timber. As an index to confirm whether timber was obtained from forests with sustainable forest management, we support and utilize the Forest Certification System, a third-party certification system.

Furthermore, the Company itself receives the Forest Certification and we believe we can contribute to the system's wider use by providing the market and consumers certified timber.

Sumitomo Forestry Group has obtained FM certification (forestry certification system) for 221,000 hectares and CoC certification for 9 organizations.

### Status of Sumitomo Forestry Group Forest Certification/ CoC Certification\*<sup>1</sup> (FSC-C113957)

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division, International Marketing Department, Branch	FSC®	November 1, 2019	JIA-COC-190013 / JIA-CW-190013	Control Union Certifications
	PEFC	December 14, 2017	CEF1201	Control Union Certifications
Sumitomo Forestry Co., Ltd. Timber and Building Materials Department, Timber and Building Materials Division, Hokkaido Branch MOCCA (Timber Solutions) Department, Housing and Construction Division	SGEC	January 24, 2017	JIA – W045	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Co., Ltd. Hokkaido Branch, Timber and Building Materials Division Construction Materials Development Department, Housing and Construction Division	SGEC	October 1, 2017	JAFTA-W038* <sup>2</sup>	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Wood Products Co., Ltd.	SGEC	September 25, 2016	JAFTA-W017	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Crest Co., Ltd.	FSC®	March 3, 2020	SGSHK-COC-006693	SGS
	SGEC	December 26, 2017	JAFTA-W041	Japan Gas Appliances Inspection Association (JIA)
Nelson Pine Industries Ltd. (NPIL) (New Zealand)	FSC®	June 21, 2019	SAI-COC-001290 / SAI-CW-001290	QMI-SAI CANADA Limited
PT. Kutai Timber Indonesia (KTI) (Indonesia)	FSC®	January 10, 2020	TT-COC-002009	BM TRADA
PT. Sumitomo Forestry Indonesia	FSC®	April 26, 2016	TT-COC-005903	BM TRADA
Sumitomo Forestry (Singapore) Ltd.	FSC®	December 5, 2018	NC-COC-005542 / NC-CW-005542	NEP Con

\*1 CoC (Chain of Custody) certification is a system that covers the processing and distribution of forest products. In addition to determining whether the forest product was from a certified forest (certified timber) at each stage of processing and distribution, it certifies risk assessments for uncertified timber. When all companies in the entire process obtain CoC certification, a certification mark can be displayed on the product.

\*2 Includes operators other than Sumitomo Forestry Group companies due to being a comprehensive certification.

## Major Forest Certification Systems

---

### **FSC (Forest Stewardship Council®) (FSC-C113957)**

FSC is an organization founded in 1993 led by World Wide Fund for Nature (WWF) and consists of representatives from environmental organizations, forest workers, timber users and traders, human rights organizations, and local forestry unions. It is considered a pioneer amongst forest certification system operators.

Adhering to the 10 principles and 56 regulations encompassing environmental impact, local society, and indigenous people's rights, FSC-accredited certification bodies will undertake reviews. Recently, country or regional standards as well as the review procedure for small-scale forest owners have been introduced to provide greater support for diverse forests and owners.

### **PEFC (Programme for the Endorsement of Forest Certification)**

Forestry organizations of 11 European countries established PEFC together in 1999 as an organization to mutually authenticate the system of each country. PEFC does not directly authenticate an individual forest, but when the PEFC's required conditions that adapted "the inter-governmental process" implemented by 149 countries is met, the country's own forest certification system is authenticated by PEFC. Joined by non-European countries in 2003, the organization originally called Pan European Forest Certification Schemes changed its name to Program for the Endorsement of Forest Certification. Since then, PEFC has shown drastic growth, and to date its total certified area is the largest across the world.

### **Sustainable Green Ecosystem Council (SGEC)**

SGEC authenticates forest management that demonstrates both rich natural environment and sustainable timber production in Japan. With reverence for Japan's indigenous natural environment, social customs, and culture, the review premises on seven criteria. SGEC can also authenticate forestry operations and distribution systems under CoC. SGEC joined PEFC in November 2014 and submitted a mutual authentication application to PEFC in March 2015, which was mutually approved in June 2016.

## Promoting the Use of Certified Timber

The most important aspect of selling certified timber is managing the procurement of certified timber separately from other types of timber. With CoC certification, because we are inspected by a third party, we are able to guarantee that timber and other products are from certified forests and sell them to our customers.

Sumitomo Forestry Group has set a goal to achieve by 2020 to at least a 12% sales volume ratio of imported certified timber and other products. In fiscal 2019, the actual figure was 10.7%.

Furthermore, for sales of SGEC certified timber, Japan's forest certification system, we have set a sales volume target of 85,000 square meters or more by 2020. In fiscal 2019, the actual figure was 71,000 square meters.

Sumitomo Forestry supplied raw wood cut from the Mombetsu company-owned forest to use as raw materials of timber products for new competition facilities for sporting events. After delivering these raw materials, some media outlets published a story about the company-owned forest being certified but that no Free, Prior and Informed Consent (FPIC) had been obtained from the indigenous people for the logging. Our company addressed these concerns with everyone involved through by explaining the following:

- Since starting our own company-owned forest business in 1926, Sumitomo Forestry has not confirmed any concerns from or demands made by indigenous people about its business areas or management methods.
- Sumitomo Forestry requires materials from certified forests for all relevant facilities, and our certified timber complies with all timber procurement standards for sporting events.
- When Sumitomo Forestry supplied logged materials for relevant facilities from the Mombetsu company-owned forest in 2017, for this forest certification, the standards, regulations, guidelines and evaluation criteria related to FPIC have been gradually put in place since 2015. The Mombetsu company-owned forest was up to date with all of the required measures at that time.

The Sumitomo Forestry Group will listen carefully to all of its stakeholders in the future in an effort to ensure even more sustainable forest management.

## Smooth Response to the Clean Wood Act

The Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (the Clean Wood Act) was enacted in May 2017 to encourage use of timber from trees harvested in compliance with the laws and regulations of Japan and other countries and to create a market where illegally logged timber, which damages the environment, is not made available. Sumitomo Forestry was the first in the country to register the Timber and Building Materials Business, which imports and sells timber, as a Type 1 Wood-Related Entity on November 22, 2017. This same division was registered as a Type 2 Wood-Related Entity on August 1, 2018. Subsequently, Sumitomo Forestry Wood Products was registered as a Type 1 and Type 2 Wood-Related Entity (purchase and sale of timber) on February 20, 2018, and furthermore, the Housing and Construction Division (on March 16, 2018) and Sumitomo Forestry Crest (on May 9, 2018) were registered as Type 2 Wood-Related Entities as part of our efforts to procure legal timber throughout the entire Group.

Registered Wood Related Entity	Type	Registration Date	Registration Number	Agency Issuing Registration
Timber and Building Materials Division	Type 1, Type 2 Wood Related Entity	November 22, 2017	No. JIA-CLW- I II 17001	Japan Gas Appliances Inspection Association
Building Materials Procurement and Logistics Department, Housing and Construction Division	Type 2 Wood Related Entity	March 16, 2018	No. HOWTEC-CLW-II 0001	Japan Housing and Wood Technology Center
Sumitomo Forestry Wood Products	Type 1/Type 2 Wood Related Entity	February 20, 2018	No. JIA-CLW- I II -3	Japan Forest Technology Association
Sumitomo Forestry Crest Co., Ltd.	Type 2 Wood Related Entity	May 9, 2018	No. JIA-CLW- II 18002	Japan Gas Appliances Inspection Association

## Participation in JBIB (Japan Business Initiative for Biodiversity)

Sumitomo Forestry participates as a member of the Japan Business Initiative for Biodiversity (JBIB), made up of companies that engage in activities aimed to conserve biodiversity. In fiscal 2019, the supply chain working group continued to conduct research and worked on creating lists of disclosed information that could be used to assess risk that began in fiscal 2018 and participated in seminars lead by third-party certification companies as well as NGOs to deepen understanding about biodiversity conservation.

## Communication with Our Business Partners

In the distribution operations of timber and building materials, given that it is characterized as being a regional industry, Sumitomo Forestry maintains close communication with the suppliers and purchasers of timber and building materials in each region.

### Main Communication Activities with the Business Partners of the Timber and Building Materials Division

Name/Scale	Description
<p>The Sumirin club -a membership organization to communicate with regional suppliers of timber and building materials Number of members: 880 companies (as of July 2019)</p>	<p>Established in different regions around Japan as a forum for communication with business partners for distribution operations of timber and building materials. Training sessions and informational exchange meetings are held two or three times a year in each region, allowing members to deepen mutual friendships, promote product R&amp;D, enhance production and distribution, and support improvements in the industry as a whole.</p>
<p>Publication of Building Materials Monthly Monthly print run of approximately 4,200 copies</p>	<p>With a history spanning more than half a century, this monthly magazine publishes timely information and topics regarding timber, building materials and the housing industry from our distinct perspective.</p>

## Sales Initiatives

### Basic Policy

Sumitomo Forestry Group engages in responsible procurement in accordance with the Sumitomo Forestry Group Procurement Policy to further expand the amount of sustainable timber and wood products handled and used. The Mid-Term Sustainability Targets sets a numerical target that commits to 100% sustainable timber and wood products handled and used by the Group by the end of fiscal 2021. We promote even greater standardization of sustainable wood materials and construction materials in society by using a PDCA cycle to drive initiatives further toward reaching this target.

### Promotion for Sales of Environmentally-friendly KIKORIN-PLYWOOD

Sumitomo Forestry has set a ratio of products that use certified timber and plantation trees from the procurement of import wood board products such as plywood as a 2020 target and it strives to expand this. Among these products, JAS Plywood that uses 50% or more FSC-certified or PEFC-certified timber and sustainable plantation timber is marketed as KIKORIN-PLYWOOD, and some of its revenue is invested in plantation businesses in Indonesia. This product made using 50% or more certified timber or plantation timber, was praised as being environmentally conscious. It received an encouragement prize in the 1st EcoPro Awards\* on September 12, 2018. It accounted for about 11% of our plywood sales volume during fiscal 2019, amounting to about 51,417 m<sup>3</sup>. We will contribute to environmental protection by expanding this volume by about two-fold in fiscal 2020 to 100,000 m<sup>3</sup>.



KIKORIN-PLYWOOD



EcoPro Awards

\* Hosted by the Japan Environmental Management Association for Industry. It was established in fiscal 2004 in order to help further develop and spread the use of Japanese eco-products by broadly communicating information about eco-products among current and prospective clients while also supporting the efforts of the relevant suppliers. The EcoProducts Awards were renovated in fiscal 2018, now presented as the EcoPro Awards.

### Sales of KIKORIN-PLYWOOD

2015	2016	2017	2018	2019
28,100m <sup>3</sup>	30,200m <sup>3</sup>	46,255m <sup>3</sup>	50,541m <sup>3</sup>	51,417m <sup>3</sup>

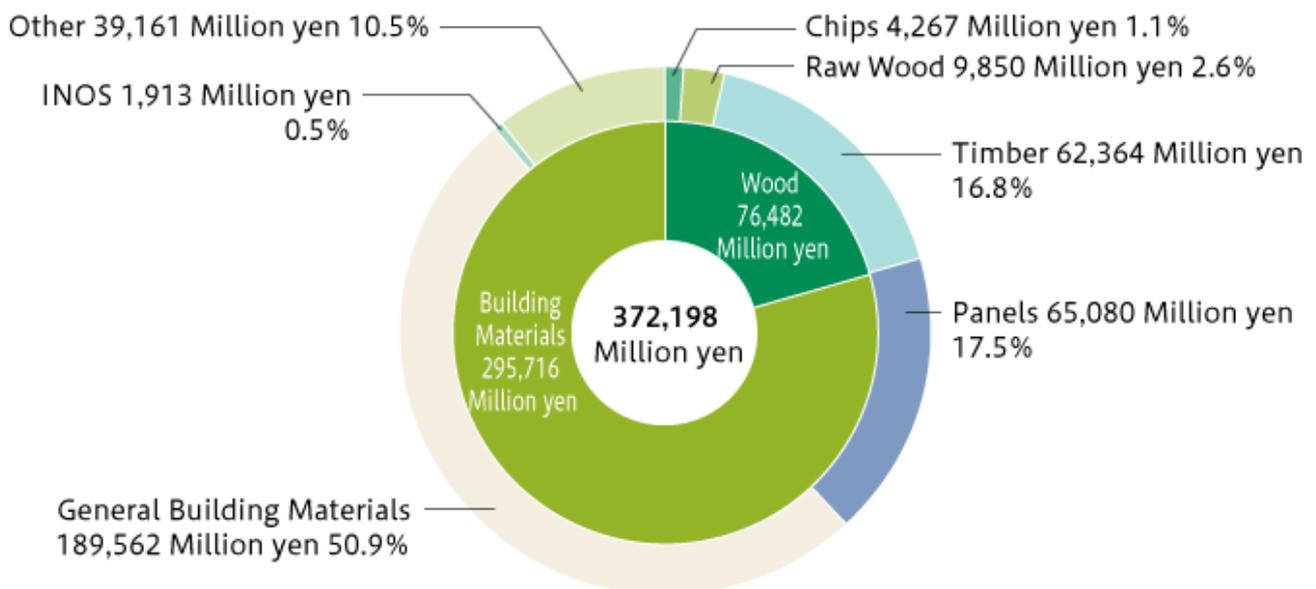
## Exporting Domestic Timber

Overseas demand for timber is forecast to grow in emerging countries including China propelled by economic development and population growth. Under these circumstances, Japanese timber exports have also been on the rise in recent years, and a target of 262,000 m<sup>3</sup> has been set for Japanese timber export volume within our Mid-Term Sustainability Targets, to be reached in fiscal 2021 as we explore overseas market opportunities for Japanese timber.

In fiscal 2019, exports of domestic timber declined 29.3% to 126,900 m<sup>3</sup> compared to the previous term due to a market crash caused by the trade war between the United States and China at the beginning of the fiscal year, and a flood of damaged materials into the European market, and then another subsequent market crash caused by the spread of the novel coronavirus infection (COVID-19) at the end of the fiscal year.

In fiscal 2020, we expect exports to rise to fiscal 2018 levels in light of the containment of COVID-19 in China and market recovery.

## Fiscal 2019 Breakdown of Net Sales in the Timber & Building Materials Business (Non-consolidated)



## Manufacturing Business

### Business Overview

The Manufacturing Business in Japan produces construction articles such as doors and windows, interior wood materials, and staircase materials. Overseas, we produce wooden board products such as plywood, medium-density fibreboard (MDF) and particleboard and various building materials such as flooring, furniture and kitchen cabinets at each location in South East Asia, Oceania, and North America. We supply them all over the world including Japan.



#### Main Business Figures (FY2019 Result)

##### Recycling rates at manufacturing plants



Japan	<b>99.0%</b>
Overseas	<b>97.5%</b>

### Value Chain of Manufacturing Operations



#### Product Development/Raw Material Procurement

We work to meet customer's needs not just through design in slab and board operations and building material and timber product operations, but also by moving forward with product development that optimizes the characteristics of raw materials and procurement that takes into account the sustainability of raw materials.

##### Relevant Social Issues

Forests around the world continue to decline due to practices such as illegal logging and excessive slash-and-burn farming, making sustainable timber procurement a crucial issue.

We procure plantation timber and certified timber which are legal and highly sustainable in order to achieve ongoing timber and materials procurement that considers sustainability and biodiversity.

##### Relevant Sustainability Initiatives

- ▶ [Procurement Initiatives](#)





## Manufacturing

By operating according to the ISO9001 International quality management system and through management that meets or exceeds JIS/JAS product quality requirements, we manufacture high-quality products and strive to build products with even greater safety. We are also focusing on greater energy and resource savings and recycling in manufacturing processes.

Our Group also regards the establishment of a safe, healthy work environment for all employees working in each manufacturing plant as our responsibility, and we therefore continually pursue a goal of zero occupational injuries.

### Relevant Social Issues

We recognize that it is crucial that we strive (1) to manufacture and market safe, reliable products, (2) to create positive work environments, and (3) to reduce environmental impact. We will manufacture safe, reliable products while valuing customer feedback.

We recognize that establishing safe, stable working environments and reducing the environmental impact at manufacturing plants is a material issue. Therefore, we are working to enhance safety measures, improve working environments, and reduce greenhouse gas emissions while increasing recycling rates.

### Relevant Sustainability Initiatives

- ▶ [Product Safety and Quality Control](#)
- ▶ [Occupational Health and Safety](#)



## Delivery

We ship and sell processed and manufactured products not only in Japan, but in countries around the world.

We have been moving forward with continual improvements such as redesigning packaging to cut waste, revising delivery methods to provide customers with greater ease of access, and reductions in greenhouse gas emissions.

### Relevant Social Issues

We do business in each country from a compliance perspective for shipments and product sales. The extent to which delivery can be made more efficient by reducing the greenhouse gas emissions associated with transport has become a societal issue. We promote initiatives to improve load efficiency and transport waste on return trips after the delivery of construction materials.

### Relevant Sustainability Initiatives

- ▶ [Product Safety and Quality Control](#)
- ▶ [Reducing CO<sub>2</sub> Emissions from Transportation](#)

## Procurement Initiatives

### Basic Policy

The Sumitomo Forestry Group promotes the procurement of legal and sustainable materials while working with procurement suppliers through the manufacturing business in efforts such as sustainability procurement surveys and on-site field surveys for not only domestic timber in Japan but also hardwood from North America, and plantation timber from New Zealand and Indonesia.

We encourage the use of certified timber and plantation materials for new raw materials during raw material procurement and promote suppliers to understand and practice the Sumitomo Forestry Group Procurement Policy for raw materials currently in use. These efforts promote procurement of legal and sustainable raw materials.

### Promoting Sustainable Timber Procurement

PT. Kutai Timber Indonesia (KTI), a production site in Indonesia, has been working to build a system for sustainable forest management in cooperation with local plantation cooperative associations to heighten the ratio of plantation timber used as raw materials.

KTI also began reforestation with fast-growing trees such as Falcata (*Albizia falcataria*) in 1999. With the system of "social forestry", KTI has aimed to support the environment, community and economy by distributing seedlings to local residents for free to plant on the lands they own and promises to purchase timber when the trees are mature at its market value. In addition, the KTI Reforestation Cooperative supported by KTI (KBM KTI)\* has acquired the FSC-FM certification for forests owned by KTI (KAM-KTI)\*.

In the future, KTI will strive to expand the manufacture and sales of products with high environmental value by expanding the area of certified forests and procuring sustainable timber in order to fulfill the requirements of many of our business partners.

\* KAM KTI: FSC-C023796, KBM KTI: FSC-C133562



View of Plantation Forest

### Promotion of the Plantation Timber and Certified Timber Utilization

PT. Sinar Rimba Pasifik uses sustainable timber that takes into consideration the environment and at the same time, manufactures high-quality wood interior materials (floors, stairs, counters, etc.) of a consistent design and supplies products primarily for Sumitomo Forestry Home houses. The timber used as the main raw material procured for these products is solely plantation timber or certified timber.

In fiscal 2019, approximately 60% of our overall timber used was imported from North America, and all of the imported timber from North America is certified timber based on American Hardwood Export Council (AHEC) or Quebec Wood Export Bureau (QWEB). The remaining 40% of our overall timber used is materials purchased from a forestry company in Indonesia (Perum Perhutani), all of which are materials that have received SVLK (Sistem Verifikasi Legalitas Kayu) certification.

We will continue to pursue sustainable timber and manufacture and sell high-value-added products that use verified as legal and sustainable timber.



Timber Storage Warehouse

## Product Safety and Quality Control

### Basic Policy

In response to legal requirements and customer requests, we use PDCA cycles as we work to ensure and improve product safety and quality at each stage of our business activities, from planning and product development to production and sales. Moving forward with continual improvement is a policy we pursue in our manufacturing operations in order to elevate the quality of the products and services we provide.

### Product Safety and Quality Control in the Domestic Manufacturing Operation of Wood Building Materials

#### Basic Policy for Product Safety and Quality Control

Sumitomo Forestry Crest Co., Ltd. has established a quality policy based on ISO 9001 as described below. Each plant and division has formulated specific quality targets and action plans in line with our quality policy, and is committed to maintaining safety and improving quality.

Operating in keeping with the 2015 version of the ISO 9001 quality management system, we strive to elevate quality and service by reinforcing its integration with our actual business operations.

#### Sumitomo Forestry Crest Co., Ltd.'s Quality Policy

1. Comply with all relevant laws, regulations and requirements in the provision of safe, reliable products.
2. Strive to understand customer needs and provide appealing products to improve customer satisfaction.
3. Constantly work to improve the quality management system in the pursuit of QCD.

#### Framework for Product Safety and Quality Control

Since October 2010, Sumitomo Forestry Crest Co., Ltd. has been operating with integrated ISO 9001 at its plants nationwide. Having developed a framework for quality control based on the quality policy as well as a strict framework for process control, the company manufactures products of high quality. Furthermore, by utilizing a quality information management system, the company endeavors to reflect customer feedback and demands at production sites.

Internal audits are also carried out twice a year at all plants for the purpose of following the PDCA cycle for the quality management system established under ISO 9001. In order to ensure product safety and quality, we have put in place a system in which any key information on a product defect can be communicated by the person in charge through an emergency contact network to the company president within two hours of obtaining the information.

## Promotion of Quality Improvement Activities Based on Company-Wide Targets

Sumitomo Forestry Crest Co., Ltd. has set quality targets at each plant and division, and is promoting quality improvement activities.

During fiscal 2018, it strived to enhance and maintain quality control systems at manufacturing locations as well as at business partners' plants.

These management control systems were maintained in fiscal 2019 including measures to help prevent human error through standardization of procedures, revision of logs, work operation standardization and QC process chart compliance. Complaints related to manufacturing mistakes declined 48% compared to fiscal 2018.

In fiscal 2020, we will further improvements according to a new quality policy.



Quality Check in Plant

## Sumitomo Forestry Launches Full-Scale Sales of Light, Low-Cost and Attractively-Designed Wooden Fire-Prevention Door Using Balsa

Sumitomo Forestry Co., Ltd. launched in May 2015 full-scale sales of own branded wooden fire-prevention doors, made from "balsa" known as the lightest timber in the world, which are lighter, less-expensive and more attractively-designed than existing products. The product was developed to meet the needs of wooden fire-prevention doors in three- and four-story buildings in urban areas, and in constructions for mixed use such as medical facilities with adjacent accommodation. The doors are also environmentally-friendly products, with the raw material balsa being sourced from plantation timber raised from saplings and processed by a Group company, PT. Kutai Timber Indonesia (KTI).



Own branded wooden fire-prevention doors made from balsa

## Safety and Quality Control in Overseas Manufacturing Business

### Basic Policy and Framework for Product Safety and Quality Control

Group companies engaged in the manufacture of wood building materials overseas have acquired quality certifications such as ISO 9001, Japanese Industrial Standards (JIS) and Japanese Agricultural Standards (JAS). In line with the requirements of these certifications, each company has established policies and standards for quality control, and through education and training, strives to ensure that its employees understand them well. Furthermore, each company is making ongoing improvements to quality control management systems by means of annual certification audits through external organizations as well as periodic internal audits.

The quality standards of every company are being further improved to provide greater safety by focusing on communication and feedback from users about product safety and quality, especially in the production of products for Japan which demands the utmost safety and quality.

#### ► Quality Management

## Updating to ISO9001:2015

---

Six consolidated companies have completed their update to ISO9001:2015: Nelson Pine Industries (NPIL), Kutai Timber Indonesia (KTI), Rimba Partikel Indonesia (RPI), AST Indonesia (ASTI), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO).

Under the new quality management system, we will move forward with even greater continual improvement, maintaining and increasing the safety and quality of our products.

## Three-Company Technical Study Session on Particle Board

---

In 2018, three particle board companies, KTI and RPI of Indonesia and VECO of Vietnam, began holding study conferences aimed at mutually elevating their levels of particle board manufacturing technology, while improving quality. While the effort is similar to those conducted in the past, leadership by national staff is leading to greater awareness among all companies. These study sessions have been held three times in January, June, and October during fiscal 2019.

## Occupational Health and Safety

### Occupational Health and Safety Initiatives

#### Initiatives in Japan

Basic policy of Sumitomo Forestry Crest Co., Ltd. is to move “from zero accidents to zero danger.” Its goal is to achieve zero occupational injuries by nipping danger in the bud. To achieve this, Sumitomo Forestry Crest began operating an Occupational Health and Safety Management System (OHSMS) in July 2012, and acquired OHSAS 18001 certification in February 2013. In addition, with OHSAS18001 set to migrate to ISO 45001 in March 2021, we acquired the ISO 45001 certification in January 2020 after undergoing a migration evaluation. Through repeating the PDCA management cycle with near miss incident reports submitted voluntarily by employees (568 reports by 509 employees in fiscal 2019), and sharing opinions through small-circle activities at each workplace (held weekly), efforts are being made to reduce risks while engaging in production. There were no occupational accidents in fiscal 2019.

#### Number of Occupational Injuries in the Manufacture of Wood Building Materials in Japan

FY2015	FY2016	FY2017	FY2018	FY2019
0	1	0	1	0

\* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

#### Safety Patrols and Risk Assessments

Each plant of Sumitomo Forestry Crest regularly conducts safety patrols at the workplace. Any sign of danger discovered in these patrols is immediately addressed with safety measures to prevent that risk from being realized. Furthermore, Sumitomo Forestry Crest is committed to ensuring the safety of its workplaces, responding from the following three perspectives by identifying operations and facilities at risk, such as of workers getting caught in or between machinery.

1. Reduce the frequency with which sources of danger are approached (keep people away, use of protective equipment etc.)
2. Reduce the likelihood of accidents (covers, auto-shut off, etc.)
3. Reduce the severity of injuries (protective gear, lower speeds, etc.)



A safety patrol

#### Overseas Initiatives

We are proactively moving forward with risk assessments (aiming for safety assessments of equipment once a month by 100 people) and danger prediction training (aiming to train employees once a month to avoid unsafe actions and increase sensitivity to unsafe conditions) at overseas manufacturers\*, particularly in Indonesia. We also implemented safety promotion procedures of group companies that have more developed initiatives in our efforts to ensure workplace safety.

\* Six consolidated group companies: Nelson Pine Industries (NPIL), Kutai Timber Indonesia (KTI), AST Indonesia (ASTI), Sinar Rimba Pasifik (SRP), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO).



Risk prediction training for local employees at Indonesian manufacturers

## Number of Occupational Injuries in the Manufacture of Wood Building Materials in Overseas

FY2015	FY2016	FY2017	FY2018	FY2019
18	16	23	11	10

\* Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

## Forest Management

### Business Overview

Sumitomo Forestry is expanding sustainable forest management founded in basic policy of sustainable forestry that plants, cultivates, harvests and replant trees. We currently own and manage about 48,000 hectares of forest in Japan and roughly 230,000 hectares of plantation forest land overseas. Our Group uses our expertise in extensive forest management cultivated worldwide to develop a sustainable plantation business in harmony with each local community and environment.



#### Main Business Figures (FY2019 Result)

##### Managed and owned forest area during FY2019

Japan: **Approx. 48,000 ha**  
Overseas: **Approx. 231,000 ha**

##### Carbon stocks of forests in Japan and overseas during FY2019



Japan: **13,300,000 t-CO<sub>2</sub>**  
Overseas: **9,330,000 t-CO<sub>2</sub>**

##### Domestic and overseas certified forest area



Japan: **Approx. 48,000 ha**  
Overseas: **Approx. 174,000 ha**

### Value Chain of Forest Management



#### Seedling Farming and Cultivation

We are contributing to the sustainability of forest resources and active resource production through efforts such as the construction of greenhouse-type cultivation facilities with proper environmental management using proprietary production technology for seedling containers.

We also engage in tree cultivation under the concept of “the right tree in the right place,” with consideration of soil conditions at a given plantation, orientation and geography, etc.

#### Relevant Social Issues

In addition to resource recycling and other environmental issues, we have taken the first step toward sustainable forest management. These steps are related to solving broad social challenges such as regional revitalization with the establishment of seedbeds, in addition to resource recycling and other environmental challenges.

#### Relevant Sustainability Initiatives

- ▶ Sustainable Forest Management
- ▶ Protecting and Utilizing Domestic Forest Resources



## Cultivation

The Sumitomo Forestry Group manages a total of approximately 48,000 hectares of company-owned forests in Japan and a total of around 230,000 hectares of company-owned plantation forest area overseas.

The Group works to maintain and enhance the public functions of forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

### Relevant Social Issues

Forests are managed in a way that allows the diverse needs for timber to be lastingly satisfied by maintaining a healthy ecosystem throughout the forest while receiving the benefit of the timber it provides. Within Japan, this management not only contributes to revitalizing the forestry industry, but also to addressing both economic and environmental challenges, such as climate change measures and biodiversity conservation.

### Relevant Sustainability Initiatives

- ▶ [Protecting and Utilizing Domestic Forest Resources](#)
- ▶ [Forest Management Overseas](#)
- ▶ [Consulting Business](#)
- ▶ [Reforestation Activities Contributing to the Society](#)



## Logging/ Transport

The Sumitomo Group logs in forests it owns or manages based on long-term logging plans. The timber that is harvested is transported to business partners and plants.

### Relevant Social Issues

Sumitomo Forestry Group realizes sustainable forest management through long-term planned harvesting to address a variety of social challenges, including resource recycling and response to climate change as well as the conservation of biodiversity.

In addition, ensuring the safety of every worker is an important issue when harvesting trees. Sumitomo Forestry Group pays close attention to the occupational health and safety of every employee who is working for the Group, including business partners.

### Relevant Sustainability Initiatives

- ▶ [Sustainable Forest Management](#)
- ▶ [Occupational Health and Safety in the Forestry Business](#)



## Site Preparation/ Planting

The Sumitomo Forestry Group prepares plantations that have been harvested to build an environment allowing subsequent planting.

### Relevant Social Issues

The Sumitomo Forestry Group always recognizes sustainability from an environmental perspective in a cycle that starts with planting, cultivation, harvest, use, and back to planting. We strive to address social challenges such as use of Japanese timber and forest revitalization.

## Sustainable Forest Management

### Basic Policy

Forests perform a variety of functions for the public good, such as storing and purifying water, preventing floods and landslides, and absorbing and retaining CO<sub>2</sub>, which is linked to global warming, preserving biodiversity, production of timber, and recreation.

On a basis of appropriate management, the Sumitomo Forestry Group advances sustainable forest management both in Japan and overseas to ensure that timber resources will be available in perpetuity while preserving the public functions of forests. In upstream forest management, middlestream timber distribution and downstream construction of wooden houses, the Sumitomo Forestry Group also promotes the acquisition of FSC forest certification as well as PEFC forest certification and the mutually authenticable SGEN forest certification both domestically and abroad.

In the domestic forestry business, production in company-owned forests is aimed at realizing profitable forestry together with ensuring legality with due consideration for biodiversity and unique local cultures. By practicing sustainable forest management, we have obtained and maintain certification of 100% of certifiable forests.

We operate under the following philosophy when obtaining new forests in our overseas forestry business.

1. To build good relationships with surrounding villages and local communities.
2. The major presumption is that HCVA\*<sup>1</sup>, HCSA\*<sup>2</sup> and FPIC\*<sup>3</sup> are to be implemented. It is also possible to eliminate environmental risk, and there must be no identified past environmental problems.
3. FSC®-FM certification must be obtained (FSC-CW and PEFC certification are also desirable).  
(FSC-C113957)

※1 High Conservation Value Assessment: inspection and assessment to establish conservation policies for areas specified as having high conservation value, such as rare flora and fauna habitat.

※2 High Carbon Shock Assessment: inspection and assessment to specify and restrict development in areas with high carbon absorption volumes so that the volume of carbon retained by forests does not decline when forest land is converted to other uses.

※3 Free Prior Informed Consent: Prior sharing of information and consensus formation with indigenous people and others in cases where there is likelihood that operations could impact the lands, territories or resources of indigenous people.

### ► Sumitomo Forestry Group Human Rights Policy

### Forest Management and Timber Usage

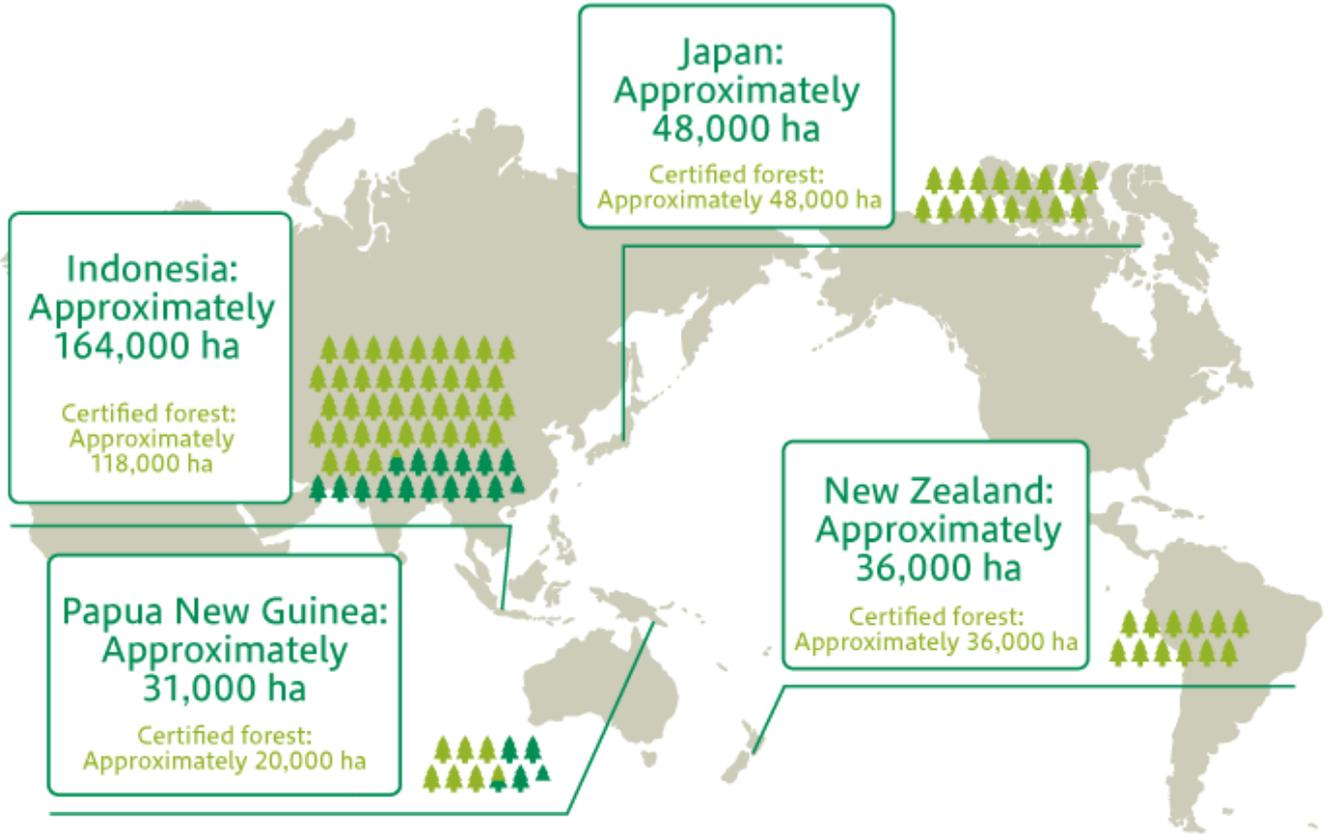


### Area of Forest Managed and Owned in Fiscal 2019

Total area: Approximately 279,000 ha

🌲 = 3,000ha

Certified forest area: Approximately 222,000 ha



Niihama Forest



New Zealand Forests

## Area of Forest Managed and Owned by the Sumitomo Forestry Group

As of March 31, 2020

Country	Company	Managed Area (ha)	Certified Area (ha)	Plantation Area for Social Forestry (ha)	FM Certification System *1	Certification Number	Certification Issuing Body
Japan	Sumitomo Forestry	47,967	47,736	-	SGEC	JAFTA-010	Japan Forest Technology Association (JAFTA)
Indonesia	PT. Mayangkara Tanaman Industri (MTI)	104,664	74,870	-	PHPL *2	015.4/EQC-PHPL/IX/2018	PT Equality Indonesia
	PT. Wana Subur Lestari (WSL)	40,750	40,750	-	PHPL *2	10-PHPL-006	PT Almasentra Konsulindo
	PT. Kutai Timber Indonesia (KTI)	5,873	0	-	-	-	-
	Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)	-	1,005	1,005	FSC®	SA-FM/COC-002083	Woodmark
	Koperasi Bromo Mandiri KTI (KBM KTI)	-	1,003	1,003	FSC®	SA-FM/COC-005493	Woodmark
	Other*3	-	0	10,743	-	-	-
	Subtotal	151,287	117,628	12,751			
Papua New Guinea	Open Bay Timber Ltd. (OBT)	31,260	12,854	-	FSC®	NC-FM/COC-005600	Nature Economy and People Connected
			7,006	-	FSC®	NC-CW/FM-003093	Nature Economy and People Connected
	Subtotal	31,260	19,920	-			
New Zealand	Tasman Pine Forests Ltd. (TPF)	36,360	36,360	-	FSC®	SGS-FM/COC-010806	SGS South Africa (Pty) Ltd
Total		266,874	221,644	12,751			

Total (Managed Forest Area and Plantation Area for Social Forestry)

279,625

\*1 Forest Management (FM) certification authenticates sustainable forest management by having a third-party inspect based on objective indicators with focus on: (1) compliance with laws and system frameworks, (2) forest ecosystem and biodiversity maintenance and conservation, (3) respect for rights of indigenous people and local communities, and (4) maintenance and enhancement of forest productivity.

\*2 Pengelolaan Hutan Produksi Lestari (PHPL) is an Indonesian certification of sustainable production forest maintenance.

\*3 The plantation area includes data for environmental reforestation for social contribution and consulting businesses for third-parties.

## Seedling Farming and Cultivation: A First Step Toward Sustainable Forest Management

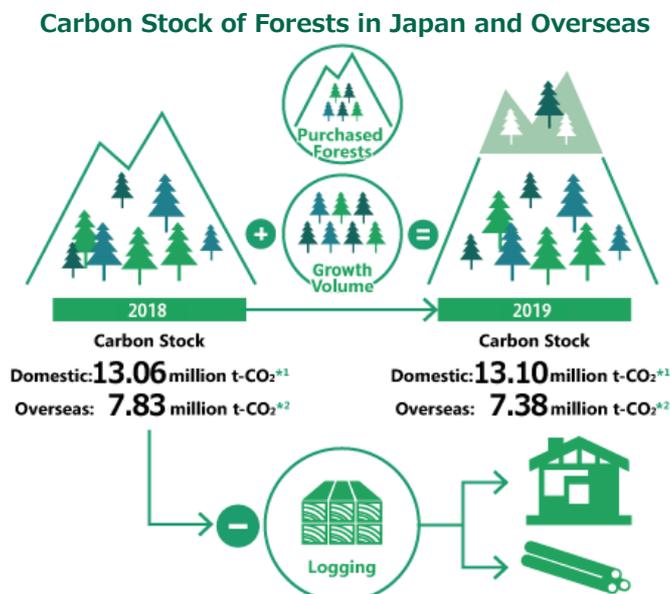
Securing superior seedlings is a crucial first step toward sustainable forest management. Stable production of superior seedlings enables appropriate forest establishment. Sumitomo Forestry was the first to modernize seedling production. We are contributing to the sustainability of forest resources and active resource production through efforts such as the construction of greenhouse-type cultivation facilities with proper environmental management. With the opening of a new facility in Minamiaizu, Fukushima Prefecture in fiscal 2019, we have established a system capable of cultivating 1.9 million seedlings a year with six locations throughout Japan. We produce our own seedlings to plant in Indonesia and Papua New Guinea as well. Our sustainable forest management plants, cultivates, harvests, and replants trees in New Zealand and every other region where we do business.

## Cultivation: Preserving the Public Functions of Forests Through Appropriate Management

The Sumitomo Forestry Group manages a total of approximately 48,000 hectares of company-owned forests in Japan and a total of around 230,000 hectares of company-owned plantation forest area overseas. The Group works to maintain and enhance the public functions of these forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

Carbon stocks\* of forests in Japan owned by Sumitomo Forestry Group at the end of fiscal 2019 were 13.3 million t-CO<sub>2</sub> (+200,000 t-CO<sub>2</sub> from the previous year). Carbon stocks at overseas plantation forests were 9.33 million t-CO<sub>2</sub> (+1,950,000 t-CO<sub>2</sub>).

\* The amount of CO<sub>2</sub> absorbed by forests and stored as carbon. Calculated using a formula that multiply volume density, carbon content, and other coefficients set per type of tree against the accumulated amount in the forest. Furthermore, if there is a purchase of large forest during this period, they are omitted as its increase of accumulated amount within the last year cannot be identified. Natural trees and planted trees are within the scope in Japan but only planted tree are included for overseas.



\*1 Domestic: Carbon stock as of the beginning of each fiscal year

\*2 Overseas: Carbon stock as of the beginning of each calendar year

## Logging and Transport: Supplying Timber Products Through Systematic Logging

The Sumitomo Forestry Group logged approximately 70,000 m<sup>3</sup> of trees in Japan and approximately 850,000 m<sup>3</sup> of trees overseas in fiscal 2019 in forests it owns or manages based on long-term logging plans. Harvested trees are milled and processed before finally reaching the market as products such as housing and furniture. In the case of timber turned into structural members for housing, the products are used for several decades. Even after being dismantled or at the end of their product life, wooden construction and timber products can be reused as fiberboard or other wood materials in construction or as raw material for making paper, and all that time it will continue to retain CO<sub>2</sub>. The CO<sub>2</sub> released when timber is ultimately burned as a wood fuel is what has been absorbed from the atmosphere as trees grow, and therefore it does not represent an increase in CO<sub>2</sub> in the atmosphere over the life cycle of the tree.

► [Carbon Stock in the Housing and Construction Business](#)

## Site Preparation and Planting: Preparing for the Next Cycle

Harvesting and using timber alone will lead to a diminishing of forest resources. The Sumitomo Forestry Group therefore promotes sustainable forest management by always planting new trees after logging.

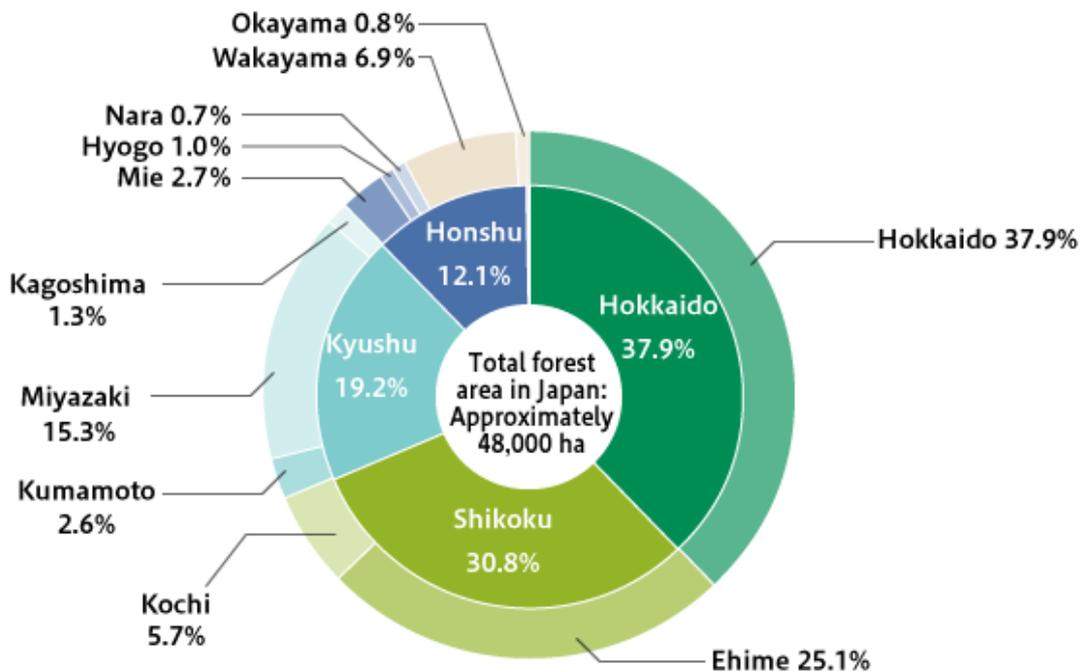
In fiscal 2019, we planted forests on 159 ha in Japan, and on 7,430 ha overseas. The newly planted trees will absorb CO<sub>2</sub> during their growth and retain it as carbon.

## Protecting and Utilizing Domestic Forest Resources

### Basic Policy

In recent years, the degradation across Japan of artificial forest plantations of cedar, Japanese cypress and other species has resulted in the alarming loss of the multifaceted functions of forests, such as water source recharge. The reasons for this devastation include the stagnation of timber value and worsening profitability as well as the inability for proper thinning or other management of the forests. In order to prevent further devastation of forests by revitalizing the forestry industry, the government of Japan has set a goal of raising Japan's timber self-sufficiency rate to roughly 50% by 2025. We will contribute to the targets laid out by the government of Japan while expanding our managed forest area, developing and introducing forestry machinery compatible with Japanese terrain and other such conditions, increasing the cultivation of fast-growing trees, spearheading planting and cultivation technologies, pioneering container seedling businesses, and promoting business solutions that leverage ICT.

#### Breakdown of Company-Owned Forests



### Preserving and Increasing Forest Resources Through Management of Company-Owned Forests

The Sumitomo Forestry Group owns a total of approximately 48,000 hectares (about 1/800 of the national land area) of forest land area. Company-owned forests are categorized as either “commercial forests,” where the production of timber is the priority, or “environmental forests,” where conservation of the environment is the focus.

Sumitomo Forestry acquired a forestry certification from Japan's Sustainable Green Ecosystem Council (SGEC)<sup>\*1</sup> for all company-owned forests<sup>\*2</sup> in 2006 and third-party evaluations have confirmed that the forests are being properly managed, including with regard to measures to conserve biodiversity. New forest purchases after the acquisition of the forest certification have each been under evaluation for certification and our certification rate is 100%.

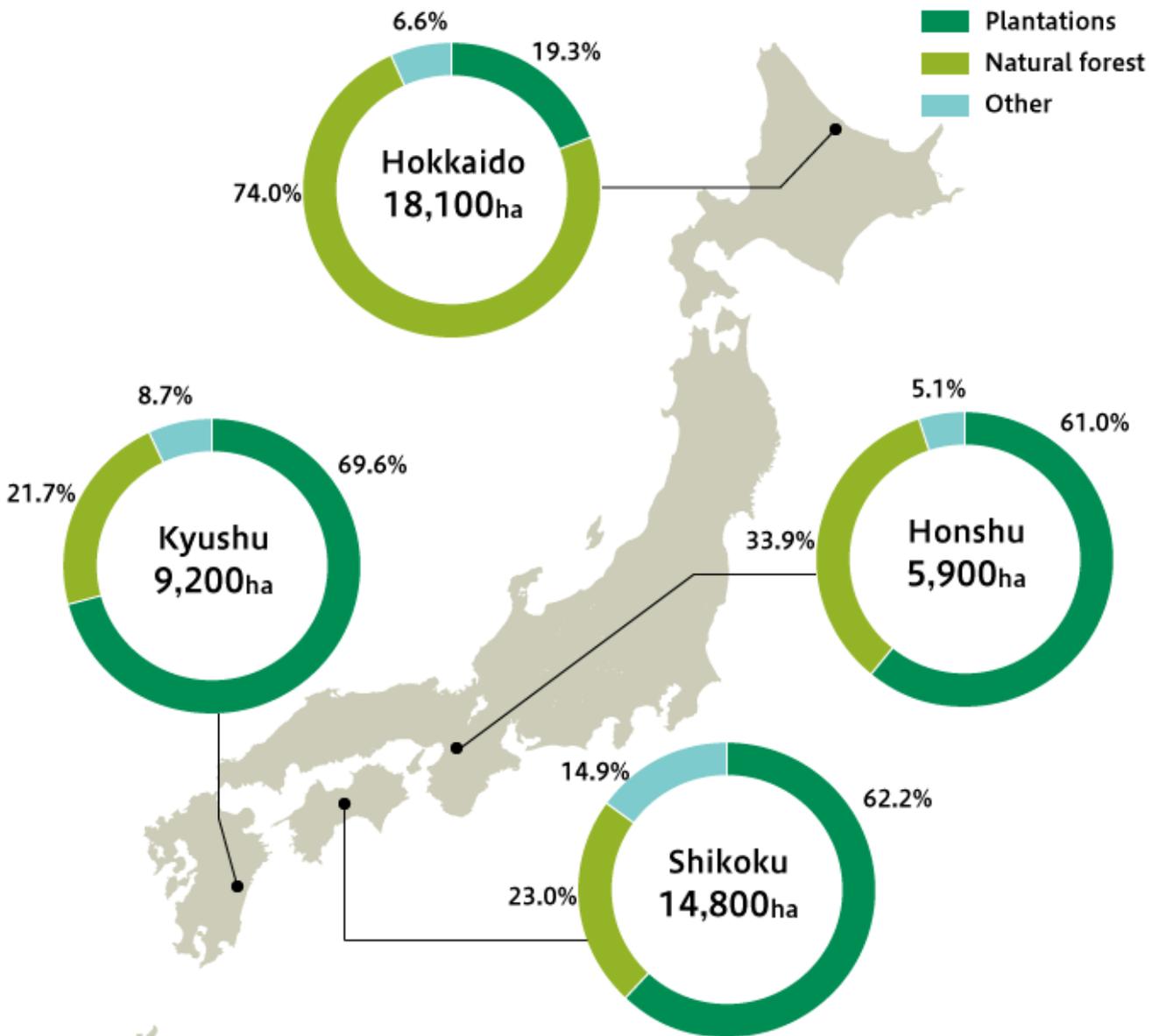
Forest operations include appropriate thinning, which helps to preserve and increase forest resources, while taking into consideration the surrounding environment including the ecosystem. Sumitomo Forestry also aims for highly productive management of its forests based on operational plans that follow the principle of performing the appropriate management for the appropriate tree species on the suited land.

\*1 Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources. Due to the June 2016 approval of mutual recognition of the PEFC\*<sup>3</sup> international forest certification system, international recognition has increased.

\*2 The forests owned by Sumitomo Forestry exclude the lands leased to Kawanokita Development Co., Ltd., which is a Group company responsible for operating a golf course, and the surrounding forest. Newly purchased forests are excluded because they underwent expanded inspections during the subsequent fiscal year.

\*3 The programme for the Endorsement of Forest Certification Schemes is an international NGO that mutually authenticates certification standards created in each country and region as criteria to be shared internationally. Forest certification systems in 49 countries have joined PEFC of which 44 have been mutually recognized as forest certification systems.

**Distribution and Area of Company-Owned Forests (as of March 31, 2020)**



**Total area of Company-owned forests approximately 48,000 ha (around 1/800 of Japan's land area)**

## Forest Revitalization Initiatives

### Seedling Production for Regional Revitalization

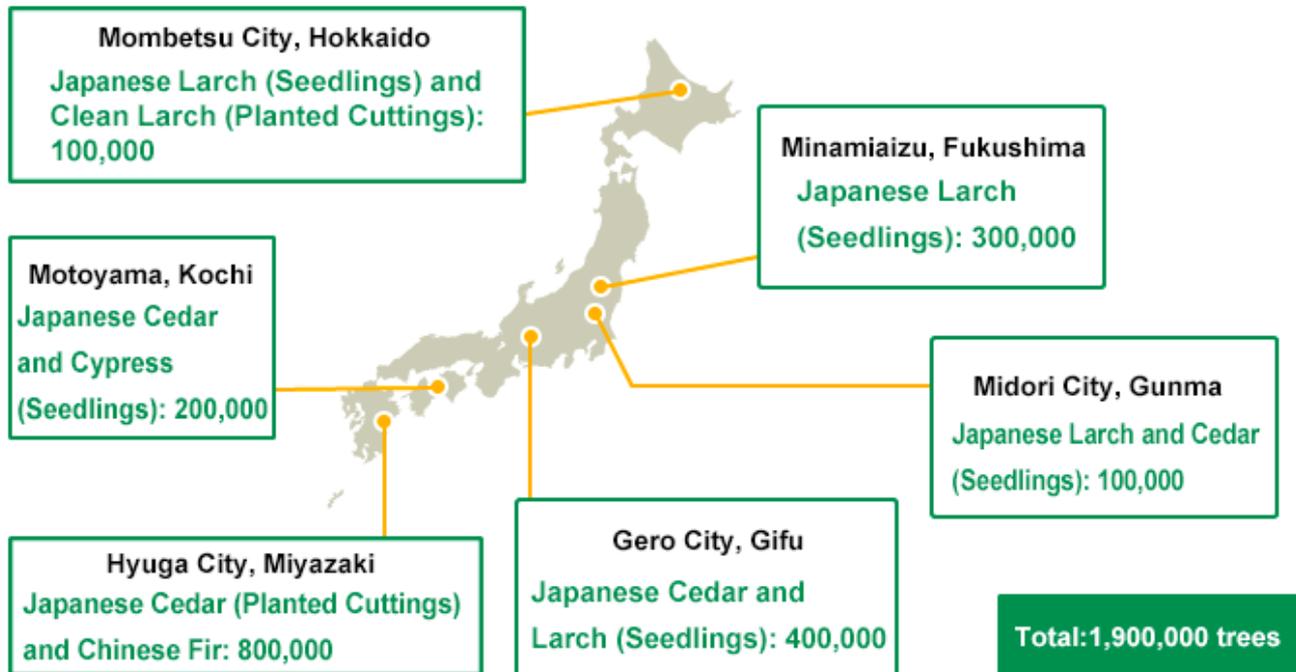
Increasing number of municipalities are working to foster forest resources that are not yet effectively utilized as one part of regional revitalization measures. Areas of clear cutting is expected to increase in the future as the harvesting period approaches for cedar and Japanese cypress planted after World War II, and a stable supply of seedlings is desired for reforestation. However, due to circumstances such as a lower number of producers, it is expected that the resources will be insufficient.

Sumitomo Forestry was the first to modernize seedling production. We are contributing to the sustainability of forest resources and active resource production through efforts such as the construction of greenhouse-type cultivation facilities with proper environmental management using proprietary production technology for seedling containers.

More specifically, starting from the development of an environmental control greenhouse facility in Hyuga City, Miyazaki in 2012, we established the know-how for production in Mombetsu City, Hokkaido as well. The production per unit of area significantly increased by controlling the temperature and humidity and allowing cultivation throughout the year compared to conventionally raising seedlings in the open. We opened greenhouse facilities in Gero City, Gifu Prefecture in fiscal 2016, in Motoyama City, Kochi Prefecture in May 2017, and in Midori City, Gunma Prefecture in fiscal 2018 as well as in Minamiaizu, Fukushima Prefecture in fiscal 2019 to establish a system capable of cultivating 1.9 million seedlings a year throughout Japan.

We are also linking to local municipalities to contribute to the revitalization of the region by establishing greenhouses with local employment as well as the development and standardization of new technology related to seedling cultivation in addition to as well.

#### Cultivating Sumitomo Forestry Seedlings Throughout Japan



## Efforts in Fast-Growing Trees

Sumitomo Forestry has begun efforts in fast-growing tree forests that are gaining more attention in recent years. Fast-growing trees are trees such as Chinese fir, chinaberry, willow and white birch that grow quickly and allow harvests in a short cutting cycle compared to Japanese cedar or Japanese cypress.

The Hyuga Forestry Office is conducting a test harvest of Chinese fir in the Hitoyoshi company-owned forest in Kumamoto prefecture. This test monitors aspects that include the reduction in weeding and a growth comparison with Japanese cedar through growth surveys and other research to examine the potential as a new tree species for garden vegetation.

In addition, Sumitomo forestry is also advancing the implementation of plans for test harvesting these fast-growing trees with the Forest and Landscape Research Center

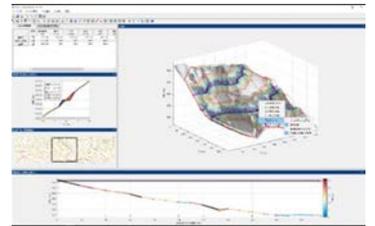


Chinese fir

## Launch of FRD Forestry Roadway Design Support System

Forests in Japan often have insufficient forest roads or strip roads in place which prevent smooth management of forests and transport of the timber that is harvested. Currently, when constructing forest roads or strip roads, lines are drawn by hand over a paper topographical map before visiting the site to see if that plan for the road network can be executed as is. This process of examination is usually done over and over again. The work to create these line drawn plans as well as check and verify the site rely heavily on individual intuition and experience as well as cost a vast amount of time and labor.

This software takes advantage of precise topographical data obtained from aerial laser and other measurements to design forestry road networks such as forest roads and strip roads. The main feature is a function for automatic design able to automatically create the line drawings by inputting the site of departure and destination in the operation screen. This feature creates line drawn plans based on parameters, including requirements such as longitudinal slope and the curvature radius, width, and operation costs specified in advance. In addition, we have devised a way for software to recognize dangerous terrain. This software packs more features than necessary for the job, such as allowing the design of safety lines that reflect areas which should be avoided due to potential collapse and other circumstances when creating a plan. The on-site exploration of the line drawn plans for roadways designed in the software offers efficient on-site verification.



Automatic Design Screen (Image)

## Spearheading Forest Revitalization and Developing Power Assist Suits for the Forestry Industry

---

The Forestry Assist Suit Research and Development Consortium led by Sumitomo Forestry exhibited its third prototype of the first power assist suit for the forestry industry developed in fiscal 2017 that is able to reduce physical labor by 17% at the Intentional Robot Exhibition 2017. In fiscal 2018, we tested the enhanced fourth prototype, featuring improvements making it easier to put on and take off, as well as more effective functionality. In fiscal 2019, we further enhanced the fifth prototype with success in a roughly 30% (6 kg) weight reduction and decrease in the physical strength necessary to traverse terrain. This consortium is comprised of the Forest Research and Management Organization, ATOUN Inc. and the Nara Institute of Science and Technology. Development is moving forward with the aim of practical application by 2025.

In addition to assisting operators while they walk when traversing up and down slopes, this forestry power suit can also reduce the load on the shoulders and feet of workers when carrying heavy seedling packs and planting tools for several dozen kilometers. Practical applications of the power assist suit for the forestry industry would reduce the physical burden on workers and improve work efficiency by alleviating concerns about exhaustion on steep slopes while allow each person to carry a larger amount of seedlings and tools.



Prototype Testing

## Forest Management Overseas

### Basic Policy

As national governments throughout Southeast Asia strengthen their promotion of natural forest conservation, they are implementing restrictions on harvesting and exports, among other measures that reduce the supply of natural wood. In addition, as momentum toward SDGs and sustainable development increases, it has become necessary to convert to timber obtained through forest plantation and certified forest management practices that ensure both environmental consciousness and stable supply. The Sumitomo Forestry Group implements forest plantation operations that take local communities and ecosystems into consideration to enable a stable and sustained timber supply while helping to reduce the impact on natural forests.

### Overseas Plantation Area (Unit: ha)

Country		Name of Plantation Business	Managed Area	Plantation Area for Social Forestry	Planted Area in FY2019	Logged Area in FY2019
Indonesia	Industrial tree plantation	PT. Mayangkara Tanaman Industri	104,664	-	2,787	2,396
		PT. Wana Subur Lestari	40,750	-	2,766	2,463
		PT. Kutai Timber Indonesia (KTI)	5,873	-	0	172
	Social forestry	PT. Kutai Timber Indonesia (KTI)	-	5,779	-	-
		Koperasi Serba Usaha Alas Mandiri (KAM KTI)	-	1,005	-	-
		Koperasi Bromo Mandiri KTI (KBM KTI)	-	1,003	-	-
		PT. Rimba Partikel Indonesia (RPI)* <sup>1</sup>	-	416	-	-
		Other* <sup>2</sup>	-	4,548	-	-
		Subtotal	151,287	12,751	5,553	5,031
	Papua New Guinea	Industrial tree plantation	Open Bay Timber Ltd. (OBT)	31,260	-	491
New Zealand	Industrial tree plantation	Tasman Pine Forests Ltd. (TPF)* <sup>3</sup>	36,360	-	1,386	776
Total			218,907	12,751	7,430	6,007

\*1 The land area is calculated by conversion from the number of seedlings distributed at RPI. Vegetation determined to have withered is included in the harvest.

\*2 Others includes data of environmental reforestation for social contribution and consulting business for other companies

\*3 Includes plantation forest and logged area for land afflicted by forest fires in February 2019.

## Forest Management Overseas

The Sumitomo Forestry Group is expanding three approaches to conducting plantation forest operations; industrial tree plantation, environmental reforestation, and social forestry. The purpose of industrial tree plantation is to produce wood and increase the supply of plantation timber (raw material). By zoning its managed land appropriately, the Group aims to achieve both the conservation of valuable ecosystems and the development of local communities through plantation forest operations.

In addition, the Group also conducts environmental reforestation, planting trees for environmental conservation. It aims to contribute to environmental conservation through the expansion of forested areas and the fulfillment of the ecosystem services function of forests, by actively planting trees on land where natural regeneration would otherwise be difficult. The Group has also been engaged in "social forestry" which shares the economic benefits of forest plantation with local communities while enlisting the cooperation of local residents.

### Sustainable Plantation Business by Leveraging Forestry Certification System

Of an approximately 30,000-hectare plantation owned and managed by OBT\* of Papua New Guinea, about two-thirds, or 20,000 hectares, has received FSC® forest certification\*<sup>1</sup>. Under the goal to plant on the 500-hectare land a year, OBT practices sustainable forest management that lays basis for communities and environment to function in harmony. The area planted in fiscal 2019 was 491 hectares. Approximately 36,000 hectares managed by Tasman Pine Forests Ltd. (TPF) of New Zealand has been FSC®-FM certified\*<sup>2</sup>. In fiscal 2019, they planted approximately 1,386 hectares of forest, carrying out sustainable forest management in harmony with the local community and environment.

\* OBT: CW certification FSC-C019117, FM certification FSC-C103694, TPF: FM certification FSC-C132002

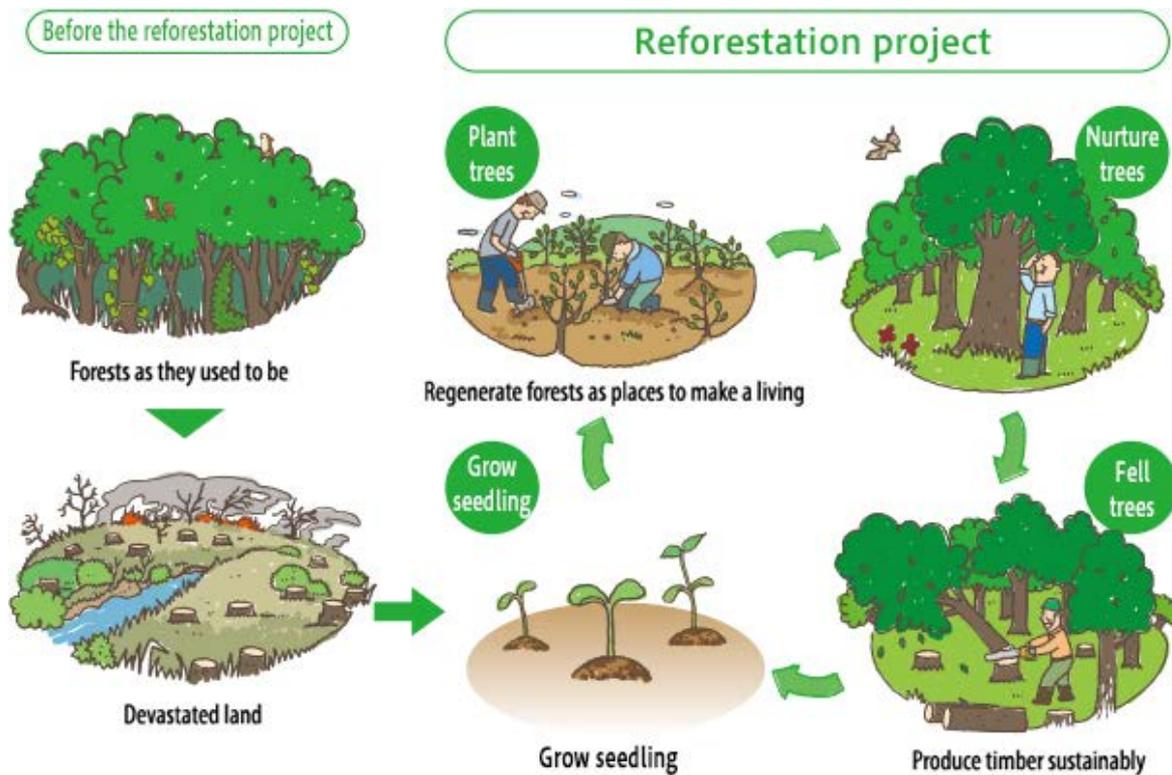
\* TPF plantation area includes plantation forest afflicted by fire.

## Plantation Forest Operations in West Kalimantan, Indonesia (Industrial Tree Plantation)

Since 2010, under the license from Indonesian Ministry of Environment and Forestry permitting utilization of timber from commercial forests\*, Sumitomo Forestry has been committed to a large-scale forest plantation business conducted in cooperation with the ALAS Kusuma Group, a company involved in forestry management and plywood manufacturing in Indonesia. The project covers areas in which forest degradation has advanced due to commercial harvesting from the 1960s to the mid-1990s in addition to repeated illegal logging and slash-and-burn farming practices. In these types of lands, Sumitomo Forestry Group actively uses devastated forests that are not economically viable as plantation forests while taking on the responsibility of preserving forests with high conservation value. In addition, we believe it is important to prevent further degradation of forests by providing an economic infrastructure to local communities through businesses.

The plantation land used in these operations exists in tropical peatland which plays an extremely vital role in the carbon water cycle on a global scale. Sumitomo Forestry launched these operations by conducting detailed topographical survey and a boring test to understand the peat distribution and depth at a level never achieved in the world before. We properly manage water according to the wealth of data gained through these surveys to control greenhouse gas emissions from peatlands and forest fires. This peatland management model is the first in the world to contribute greatly to measures that combat climate change. Even today, Sumitomo Forestry continues in efforts to improve peatland management models by using satellites, drones, and other leading-edge technologies.

\* Issued by the Indonesian government, this is a business license to engage in industrial tree plantation operations in Indonesia. The license is valid for 60 to 100 years.



2012	<ul style="list-style-type: none"> <li>• Signed a contract with International Finance Corporation (IFC)—member of the World Bank Group for the provision of advisory services. In accordance with the concept of High Conservation Values Forests (HCVF)* that draws great attention in recent years, Sumitomo Forestry conducted assessments on its operational properties with IFC and investigated whether the property use plan is implemented as stated and adequate consideration is made for biodiversity and livelihood of local residents. The reports of the investigation results were audited by a third-party organization, and valuable comments made by stakeholders on the report were adapted in the business plan.</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Held public hearings where stakeholders such as local residents, companies in the communities, academics, NGOs, and government officers were invited to share the results of the investigations.</li> <li>• Obtained the PHPL certification, formally called Sertifikat Pengelolaan Hutan Produksi Lestari issued by Ministry of Forestry (Departemen Kehutanan) on sustainable forest management.</li> </ul>
2015	<ul style="list-style-type: none"> <li>• Held public hearings with stakeholders prior to plantation forest harvest with the aim of deepening stakeholders' understanding about our businesses and consideration to environment and social issues that we promote. This venue also actively pursued cooperation from our stakeholders to prevent forest fires. Participants not only shared a lot of positive feedback but also gave us comments fruitful in the formulation of our business plans.</li> </ul>
2016	<ul style="list-style-type: none"> <li>• Advanced efforts with the Indonesian Ministry of Environment and Forestry to build a model for sustainable plantation forest operations and peat management methods in peatlands through our businesses and research activities.</li> <li>• The Commissioner of Peat Land Recovery visited the local grounds to observe the peat management technology. Gained high praise for groundwater level control technology and the newest initiatives founded in data as well as introduced both in an international venue for government officials as beneficial examples for Indonesia.</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Entered into a Memorandum of Understanding (MOU) with the Indonesian Ministry of Environment and Forestry for a pilot project that aims to examine unique water level management technologies to sustainably manage peatlands and establish peatland management models in Indonesia. The term of this project is set for five years. The project is being conducted with the cooperation of the Ministry of the Environment and Forestry as well as the Peatland Restoration Agency.</li> <li>• The peatland management technology from this project was introduced as an example of excellent, leading-edge peat management at the November 2017 United Nations Climate Change Conference (COP23) held in Bonn, Germany.</li> </ul>
2018	<ul style="list-style-type: none"> <li>• In 2018, the Group formulated a grievance mechanism with the help of the IFC. Together with the University of Indonesia, we also conducted a social survey of operational and surrounding areas on a three-year plan.</li> <li>• We reported on peatland management technology at the December 2018 United Nations Climate Change Conference (COP24) held in Poland.</li> </ul>
2019	<ul style="list-style-type: none"> <li>• We announced initiatives related to WSL peatland management and plantation operations at The Seventh Tokyo International Conference on African Development (TICAD7) held in Yokohama in August. We introduced for the first time in the world that tropical peatland forest not only acts as the lungs of the Earth but also a heart that circulates water around the globe.</li> <li>• We also announced a peatland management system that prevents fires at a side event of the United Nations Climate Action Summit held in New York in September.</li> <li>• At the United Nations Climate Change Conference (COP25) held in Madrid in December, we presented water management technologies and the preservation of rare species.</li> </ul>

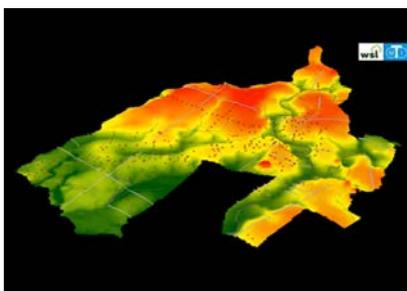
\* In considering the value of forests, it goes beyond their value as absorbers of greenhouse gases, outlining methods of extracting each one of the many aspects of value forests contain. These aspects include their value as habitats of rare, endangered animal species, as water resources, as providers of essential natural services such as soil erosion control, and as land that has an intimate relationship with the lifestyles and cultures of local communities.

## Conservation of Peat Swamp Forests

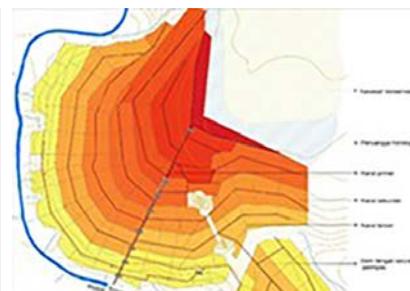
Conventionally, reforestation in peatlands\* pushed water out of the soil and dried the land by digging many drainage routes for planting. However, drying-out land results in the decomposition of organic matter in the peat soil and acts to heighten global warming due to the emission of greenhouse gases. Dried peat, once ignited, is very difficult to extinguish, creating the risk of large-scale forest fires. The soil needs to always be in a damp state to prevent fires, but this means maintaining a constant groundwater level throughout the year through proper water level management is extremely vital. Therefore, in drawing up a forestation plan, the Sumitomo Forestry conducts detailed measurements and surveys based on which the following areas are identified: (1) forests to be protected with riparian forest and high rarity value, (2) areas to set as buffer zones between protection zones and plantation zones, and finally (3) areas the final determination as plantation zones. In plantation zones, water routes that function as round log transport, water level control, and fire belts are constructed while allowing a constant water level in the peatlands to always be maintained without affecting the rivers by not directly connecting the water routes and the rivers. Maintaining a constant groundwater level not only prevents forest fires and minimizes the breakdown of peats but also limits the emission of greenhouse gases. These results have been announced at relevant government agencies, universities and other institutes in addition to the United Nations Framework Convention on Climate Change (COP25), and some aspects have even been adopted as new policy measures.

Regions where peatlands thrive, such as the Amazon, the Congo Basin, and Indonesia, have the most rainfall throughout the world. Tropical forests and peatlands act as a pipeline dispersing water into the air from a large amount of rainwater accumulated in the ground during the monsoon season through evaporation. The tremendous evaporation from these tropical forests and peatlands has the potential to act as a necessary water cycle function not only locally but at a continental and global scale. The collapse of the world's water cycle will result in abnormal weather and adversely impact agriculture, which will cause even greater food shortage issues. Sumitomo Forestry recognizes this fact in its peatland operations. Our presentation at The Seventh Tokyo International Conference on African Development (TICAD7) held in Yokohama in August 2019 advocated the importance of proper tropical forest and peatland management because these regions act as the heart of the Earth circulating water throughout the planet.

\* Characteristics of the peat soil found in the peat swamps is known to emit enormous amounts of greenhouse gases, typically carbon dioxide and methane gas, if the soil was inappropriately exploited. Owing to joint researches by Japanese and Indonesian academic institutes, this project takes consideration to minimize greenhouse gas emissions that accrue as the peaty soil dissolves during exploitations.

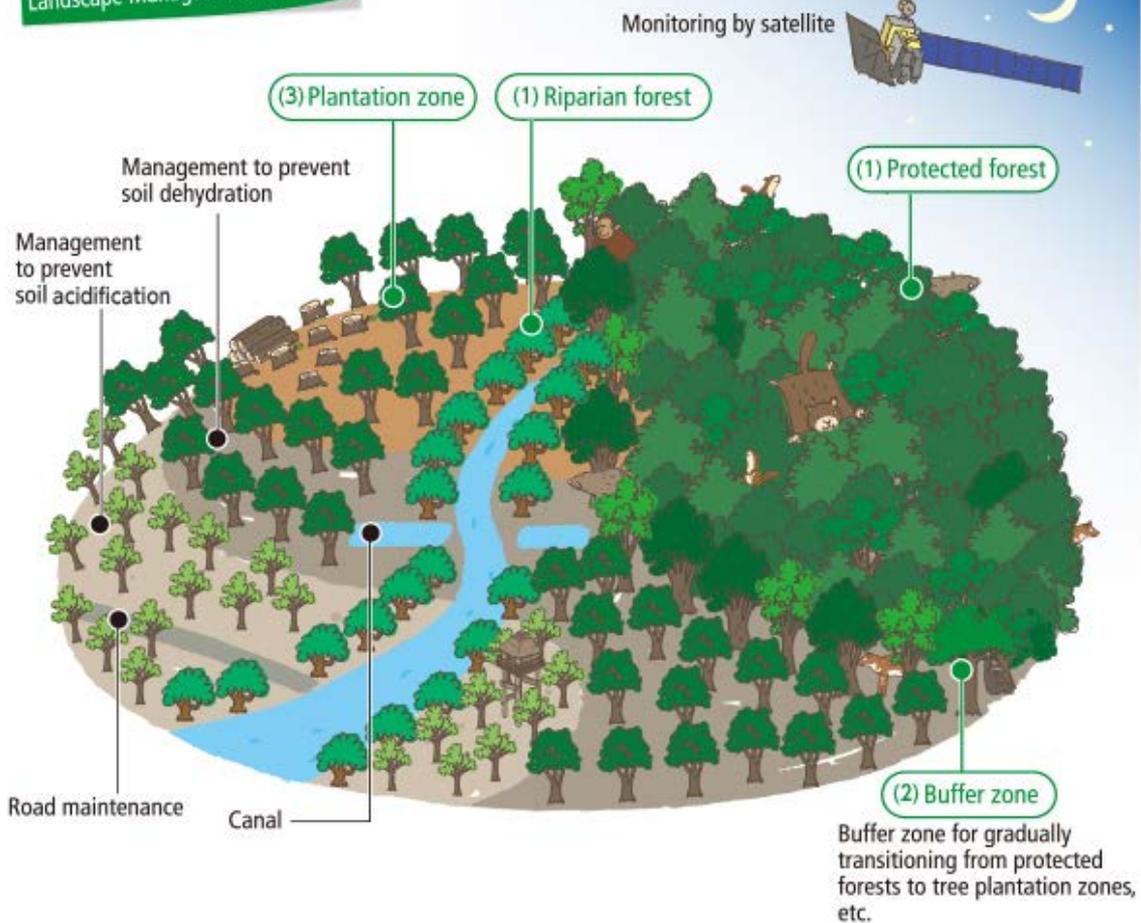


Landscape management of plantation forest operation designed based on detailed data



Monitoring the water level in peatlands

## Landscape Management Overview



## Tasman Pine Forests Ltd. (TPF) Forest Fire Response

Forest fires that hit farmland in the Nelson region of New Zealand on February 5, 2019 burned nearly 2,300 ha of forest. The damage from this fire included about 1,300 ha of TPF-owned plantation forest.

In response to this disaster, TPF worked with Fire and Emergency New Zealand (FENZ), local municipalities, and forestry associations and other relevant agencies to continuously conduct awareness-raising activities about fire in the local community and take other proactive fire-fighting measures. We also increased fire-fighting equipment provided to FENZ and strengthened patrols.

Specific measures included enhancements to the Fire Index bulletin board that shows the fire risk level, distribution of leaflets to evoke caution in the local community, the creation of a system to always have fire-fighting helicopters on standby when the risk of fire is high, stockpiling of fire extinguishing agent, new preparation and management of fire water ponds, fire-fighting equipment acquisition and training, increase in the number of people conducting patrols, and preparations of forest routes.

TPF continues to put in place measures to minimize damage caused by forest fires as much as possible.

## Occupational Health and Safety in the Forestry Business

### Domestic Initiatives in Forestry

In Japan, the Sumitomo Forestry Group manages approximately 48,000 hectares of company-owned forests. Contractors conduct planting, weeding, improvement cutting, thinning and clear cutting operations. For the purpose of preventing occupational injury to these contractors, the Group conducts safety patrols and holds Workplace Safety Conferences at each forestry office once every half year.

In fiscal 2019, there was 1 instance of occupational injury requiring payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act in Sumitomo Forestry-owned forests. As a result, with the contractors involved, response measures to prevent recurrence were discussed and agreed. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.



A safety patrol

### Number of Occupational Injuries Involving Contractors at Forestry Work Sites in Company-Owned Forests

FY2015	FY2016	FY2017	FY2018	FY2019
1	3	1	4	1

\* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

### Overseas Initiatives in Forestry

The Sumitomo Forestry Group manages a total of approximately 230,000 hectares of company-owned plantation forests overseas. As in company-owned forest, overseas plantation companies (Open Bay Timber Ltd., PT. Mayangkara Tanaman Industri, PT. Wana Subur Lestari and Tasman Pine Forests Ltd.) take thoroughgoing companywide safety measures and are thoroughly equipped to prevent occupational injury. Regular safety lectures are also provided.

Some examples from efforts at Tasman Pine Forests Ltd. include (1) thorough equipment inspections before work every day, (2) regular meetings with logging contractors to evoke caution about safety management and real-time reports in the event of an accident, (3) health and safety assessments of logging contractors and Tasman Pine Forests employees through third-party occupational health and safety experts, and (4) on-site visits by employees in charge to keep everyone alert.

### Number of Occupational Injuries Involving Contractors at Forestry Work Sites

Open Bay Timber Ltd.	PT. Mayangkara Tanaman Industri PT. Wana Subur Lestari	Tasman Pine Forests Ltd.
0	0	2

\* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act of Japan is disclosed.

## Lectures Given by External Experts

The Sumitomo Forestry Group in Japan has enhanced educational activities at its Workplace Safety Conferences, including occupational safety instructions using examples of common forestry accidents, as well as environmental education, lectures given by experts on such topics as emergency first aid, and on-site safety guidance. Furthermore, so as to prevent lack of concentration when performing dangerous work by becoming accustomed to the work, the Group conducts safety education repeatedly.

At the Workplace Safety Conferences held at various forestry offices in fiscal 2019, a total of 30 business partners (approx. 120 persons) participated in lectures by experts from the Forestry and Timber Manufacturing Safety & Health Association on accident prevention measures based on analysis of causes of recent forestry occupational injuries, and on-site emergency training.



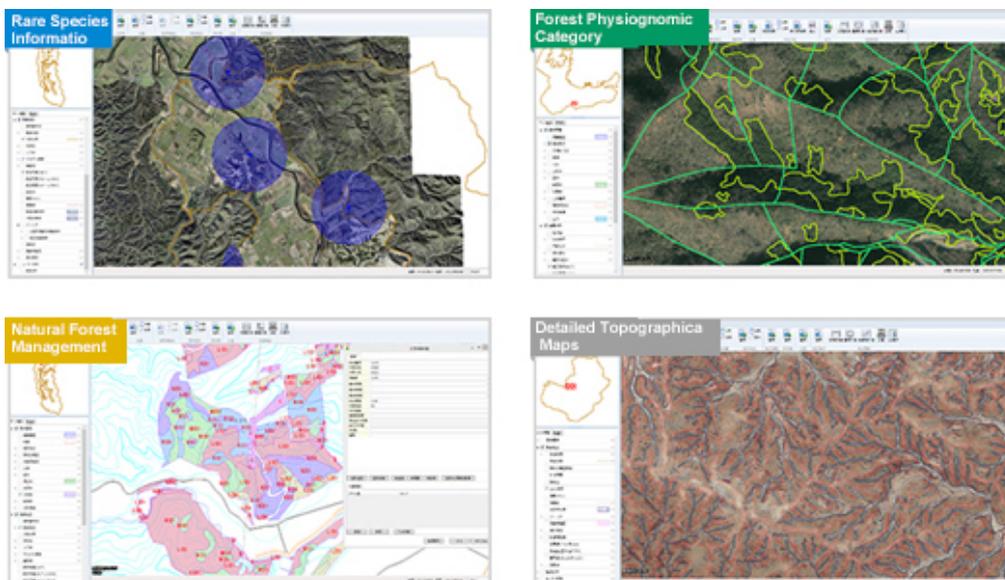
VR Experience (Osaka Office)

## Consulting Business

### Domestic Case Example

#### Supporting Municipalities in Introducing Forestry ICT Platforms

While quantitative forest resources are analyzed through aerial surveys and forest resource data systems are prepared in some advancing areas, many of the forests in Japan do not have sufficient forest resource information. Sumitomo Forestry built the Forestry ICT Platform together with AS Locus Corporation as a measure to address this situation. The Forestry ICT Platform is a holistic system with a wide range of functionality related to advance forest resource information as well as forests and forestry that has been provided to municipalities throughout Japan and organizations in the forestry business since fiscal 2013. The key distinctive feature of this platform is that it is provided in regionally customized form, with a variety of forest and forestry-related data and functions optimized for local characteristics. We have supported 13 municipalities with the platform as of the end of fiscal 2019.



#### Supporting the Creation of a Forest and Forestry Master Plan for Itoshima City, Fukuoka Prefecture

Sumitomo Forestry is providing consulting in planning of forest maintenance and forestry development conducted by local municipalities by taking advantage of its wealth of knowledge in forest management cultivated in company-owned forests over a long period of time. As part of these efforts, we supported the creation of a Forest and Forestry Master Plan in Itoshima City, Fukuoka Prefecture as an initiative to use local forest resource since January 2016.

This plan is the foundation for measures related to proper forest maintenance and effective use of city lumber in Itoshima, which is positioned as the basic plan under which businesses are to build supply chains for city use of timber that takes advantage of ICT promoted by Itoshima.

As methods to create this master plan, we are zoning areas that consider attributes such as the growth rate and accessibility of forests as well as the environmental conservation functions after grasping the amount of forest resources within the city limits through aerial laser measurement. Sumitomo Forestry formulated a harvesting plan and a plan for a transportation network that would be optimal to haul timber cultivated in the forest out by defining policies for conducting operations in the forest for each zone. Moreover, we also examined the systems to build to execute measures that follow this master plan.

Sumitomo Forestry is currently assisting in the setup of an execution framework for this plan and will continue to support so that this master plan will contribute to regional reforestation.



## Comprehensive Partnership Agreement to Turn Forestry to a Growth Industry with Nagato City, Yamaguchi Prefecture

Sumitomo Forestry entered into a comprehensive partnership agreement to turn forestry and timber industry to a growth industry with Nagato City, Yamaguchi Prefecture in September 2019 for the purpose of promoting development of the forest and timber industry in Nagato City in order to revitalize the local economy.

In April 2017, the Forestry Agency selected Nagato City was selected as a region to turn forestry and timber industry to a growth industry by the Forestry Agency and has worked toward that goal. The Nagato City launched a committee to promote turning forestry and timber industry to a growth industry with various subcommittees to conduct repeated assessments through local representatives and experts toward revitalization of forestry.

The partnership agreement between Sumitomo Forestry and Nagato City aims to increase local production of raw wood, secure and train forestry workers, and expand timber demand. By treating the forests throughout Nagato City as a single entity, we will also execute efficient forest maintenance and promote sustainable forest management to further turn forestry to a growth industry.

(Partnership Agreement Overview)

- Promote harvest and replanting
- Stably produce and use container seedlings
- Develop and standardize container seedling production technology and train business operators
- Establish and manage organizations central to forest management
- Identify the quantity of forest resources and the intention of forest owners
- Adopt and effectively utilize ICT in forestry and wood material industries
- Adopt and effectively utilize forestry machinery in forest operations
- Take advantage of business approaches that heighten motivation of forest owners and forestry businesses
- Secure human resources and support their retention in forestry and timber industries
- Build a cooperative supply chain with local city sawmills and other forestry businesses
- Drive demand for timber produced locally both inside and outside of the city

## Partnership Agreement for Forestry and Timber Industry with Nagano Prefecture

Sumitomo Forestry entered into a partnership agreement for forestry and timber industry with Nagano Prefecture in December 2019 for the purpose of revitalizing the local economy by nurturing sustainable forests.

Nagano is one of only a few prefectures in Japan that has 1.06 million hectares of forest (third largest forest area in the nation). This prefecture is pushing forward a wide range of measures to revitalize forestry in recent years founded in Japanese larch and other plantation forest resources. Nagano is advancing distinct initiatives from the "Nagano Model" smart precision forestry to adopt ICT into forestry as well as the Nagano F Power Project and Shinshu Premium Japanese Larch sales.

In Nagano Prefecture, Sumitomo Forestry has not only used a local construction promotion grant to create the Shiojiri City Forest Vision since fiscal 2016 but has also put together major projects for effective forest use. We assessed the quantity of forest resources in Chikuhoku between fiscal 2016 to fiscal 2018 and created the Basic Chikuhoku Forest and Forestry Plan according to a poll on the intentions of forest owners. The conclusion of this partnership agreement will promote a higher level of forest business management, forestry and wood material industries, deepen cooperation between each field of technical development and research, strengthen raw wood production capabilities in Nagano Prefecture, heighten demand for Nagano timber, and train forestry workers.

(Partnership Agreement Overview)

1. Define items related to proper forest business management
  - (1) Exchange information and cooperate in technology related to a forest business management system (new forest management system)
  - (2) Interact and cooperate with human resources
2. Define items related to the revitalization of forestry and wood material industries
  - (1) Work together to regulate the supply and demand of seedlings
  - (2) Work together toward the effective use of forestry machinery
  - (3) Work together to facilitate higher labor saving and efficiency of forest operations
  - (4) Work together to promote use of Nagano timber in fields other than housing
3. Define items related to the technological development and research of forest and wood materials
 

Work together across various technological development and research fields related to forests and timber from cutting to replanting and cultivation, such as labor-saving techniques and technology to preserve large and quality trees.

### Case examples of the basic Chikuhoku research (surveys on the health of Japanese Red Pine/Surveys on the intentions of forest owners)



## Overseas Case Example

Corporate needs for forest management are diverse. In recent years, a considerable number of companies have been conducting forest conservation and planting activities in developing countries to mitigate the impact on forests in overseas countries and regions where they engage in various business activities, and to otherwise fulfill their corporate social responsibilities.

Drawing on its knowledge of forest management in Japan and overseas, Sumitomo Forestry implements its consulting business for the restoration of degraded forests in tropical regions, the rehabilitation of biodiversity, and for the protection and cultivation of forests that takes into account local communities.

### **Mitsui Sumitomo Insurance Co., Ltd.'s Paliyan Wildlife Sanctuary Reforestation Project (Environmental Reforestation / Social Forestry)**

Mitsui Sumitomo Insurance Co., Ltd. has been involved since 2005 in efforts to restore the devastated forests in the Paliyan Wildlife Sanctuary (Gunung Kidul Regency in the Special Region of Yogyakarta) in Indonesia. Sumitomo Forestry has provided associated consulting services.

During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. As second phase of activities since April 2011, with a goal of creating a framework for local people to voluntarily protect their abundant forest areas, Sumitomo Forestry has been providing support for an agricultural guidance program aimed at improving the livelihoods of local residents, the establishment of an inclusive organization to examine ways of managing protected forests, and an environmental education program in cooperation with local schools. As third phase of activities since April 2016, we have been supporting additional planting in areas with few trees in protected forests as well as social forestry through local communities around protected forests. We are also furthering the seedling cultivation at local special needs schools.

As part of this project, the Company has also opened the doors to its plantation forests, seminar house and other related facilities in a positive effort to make information on its experiences and know-how on forest restoration available to the public. These have been well attended by local elementary and middle school students, by Indonesian and foreign university students and experts in such fields as forestry, the environment and education, as well as by many government officials.



Seedling farm set up at a special needs school to cultivate seedlings together with the special needs school students.

## Technical Support (Citizen Participation Type Reforestation) Consulting Services Related to Indonesian Forestry Conservation Plans Through Environment Programs for Free Capital Assistance (Environmental Reforestation / Social Forestry)

The Japan International Cooperation System is working in citizen participation type reforestation in Manupeu Tanah Daru National Park and Laiwangi Wanggamet National Park in Indonesia (East Nusa Tenggara), Bromo Tengger Semeru National Park (East Java) and Gunung Ciremai National Park (West Java) over five years starting in 2015. Sumitomo Forestry has been involved as a consultant in these activities. Reforestation was conducted in 2015 and fiscal 2016. In fiscal 2017, Sumitomo Forestry implemented fire prevention measures through maintenance such as cutting grass, patrols, and environmental education for citizens. We also engaged in efforts to raise awareness of local residents about preserving the environment and forests while also building a conservation system with the participation of the local community as a way to further the conservation of plantation forests in the future. Sumitomo Forestry handed over the project results to the Indonesian government during fiscal 2019, and the local efforts were completed in March 2020. We have summarized the knowledge obtained through this project in a book distributed to all relevant agencies in Indonesia in order to help future forest conservation efforts.

► [Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas](#)



Presenting a Textbook Providing This Project Knowledge



Environmental Education for Local Elementary School Students (Manupeu Tanah Daru National Park)

## Reforestation Activities Contributing to the Society

### Reforestation Activities Contributing to the Society

#### Distribution of Free Seedlings and Buy Back Guarantee of Logs

Indonesian Group companies KTI and RPI distribute free tree seedlings to local communities guaranteeing that the companies will buy round logs as raw materials at the current market value once the seedlings grow into harvestable woods. In November 2015, KTI's aforementioned operations were recognized by the Indonesia Ministry of Environment and Forestry and awarded the Minister's Prize for contributing to local communities by generating stable income while protecting communal societies as well as environments.



Local KTI Staff Celebrate the Minister's Prize

#### Number of Seedling Stocks Given to Indonesia

Company	FY2019 result
KTI	470,000 trees
RPI	15,000 trees

#### Promoting Certification of Forests Together With Local Communities

KTI organized KSU ALAS MANDIRI KTI (KAM KTI)\*, which is a community plantation cooperative association. In 2008, KTI obtained the first FSC®-FM certificate for the 152-hectare plantation and has expanded its certification to 1,005 hectares in 2015. Koperasi Bromo Mandiri-KTI (KBM KTI)\*, which is a second reforestation cooperative with the same certification, acquired a certificate for 206 hectares in January 2017. In 2020, the area expanded to 1,003 hectares and it has been supplying raw wood to KTI. The area of certified forest has reached a total of 2,008 hectares. These certified forests will strengthen the manufacture and sale of products with high environmental value based on a growing supply of certified timber materials.



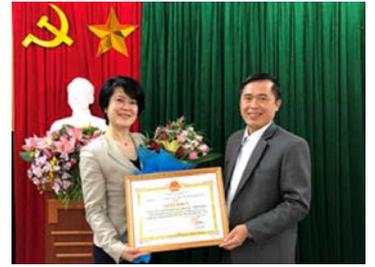
View of Plantation Site

\* KAM KTI: FSC-C023796, KBM KTI: FSC-C133562

## Contributing to Reforestation in Collaboration with Governments

Since 2013, Sumitomo Forestry has teamed up with the Japan International Cooperation Agency (JICA) to engage in forest management activities with Dien Bien Province in Vietnam, including forest conservation and planting of deforested areas. Our comprehensive support has also included livelihood assistance to help reduce excessive dependency on forests. Among Vietnam's poorest areas, Dien Bien has suffered severe forest depletion due to practices by local residents such as expansion of farmland and burning of fields. Given its importance as the location of a hydroelectric generator dam and sources of water crucial for all of Vietnam, however, we assist with a portion of the support that JICA provides to the province, such as the formation of organizations to protect forests, conservation activities, forest planting, fruit tree and vegetable cultivation support, as well as helping to provide feed for fish and livestock. As of fiscal 2019, we had reforested a total of approximately 28.8 hectares in six locations.

In Dien Bien Province, where open livestock grazing has been the local custom, the resulting damage to planted tree seedlings has become an issue as it prevents them from taking root and growing. We are therefore promoting a forestation model that introduces the use of protective barriers. The seedling survival rate has increased compared to previous forestation models, thus confirming the effectiveness of the forestation model using protective barriers. The results have been acknowledged by the provincial Rural Agricultural Development Bureau, and received an award in October 2018.



Award ceremony

## Environmental Energy Business

### Business Overview

In the renewable energy field, the Sumitomo Forestry Group is focusing development particularly on the wood biomass power generation business, which uses fuel such as wood chips made from waste building materials or unused timber from forests.



#### Main Business Figures (FY2019 Result)

Power generation capacity (based on fixed cases)



### Value Chain of Environmental Energy Business



#### Procurement

The Sumitomo Forestry Group aims to further use of scrap wood produced during construction and renovation of housing and unused forest resources as fuel for wood biomass power generation plants to generate energy and promote the business while also enhancing forest value.

#### Relevant Social Issues

We promote the use of construction debris and unused forest resources, generating fresh demand for timber at the fuel procurement stage of the energy business, revitalizing the timber industry, which is a crucial issue for local businesses.

#### Relevant Sustainability Initiatives

- ▶ Procurement Initiatives



## Production

The Sumitomo Forestry Group strives to recycle wood waste into wood resources through our business operations supplying chips as fuels including for biomass power generation plants. We make chips from waste wood such as offcuts produced in the logging process for timber as well as wood waste produced on construction sites, in addition to unused forest resource from plantations.

### Relevant Social Issues

The Sumitomo Forestry Group strives to develop and standardize renewable green energy while expanding the applications for wood and increasing its asset value.

### Relevant Sustainability Initiatives

- ▶ [Procurement Initiatives](#)



## Power Generation/ Wholesales

The Sumitomo Forestry Group aims to build a 300 MW power generation capacity system in the future. The wood biomass power generation business at the core of these efforts is expanding our energy business by leveraging the characteristics and conditions of each area in five regions.

### Relevant Social Issues

Insufficient supply of clean, sustainable energy services is now seen as a social challenge. The trend toward expansion of renewable energy is not only occurring in Japan but worldwide. However, many countries are still in the middle of trials for renewable energy.

Our Group strives to expand and standardize the renewable energy business.

### Relevant Sustainability Initiatives

- ▶ [Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business](#)

## Procurement Initiatives

### Promoting the Use of Unused Forest Resource

Unused forest resource is left-over wood biomass generated from logging or thinning of standing trees in forests. Wood biomass power generation plants are operating in each area and the demand for wood biomass is growing following the adoption of the FIT law (Feed-in Tariff for Renewable Energy). By using unused forest resource, we can expect an effective increase in the value of forests while also promoting renewable energy. In fiscal 2019, the Group used 284,000 tons of unused forest resource. We will continue to work on building up systems for the efficient, stable collection of unused forest resource.

Amount of unused forest resource from domestic forest (FY2019)

**284kt**



Unused forest resource

### Adoption of High-Performance Silviculture Machines

#### Effectively Extracting Unused Forest Resource

Mombetsu Forestry Office introduced Scandinavian harvesters and forwarders able to turn in small circles in 2015 to begin efforts to deliver log harvest/thinnings (unused forest resource) as biomass power generation plant fuels.

Moreover, by selecting forestry equipment with high-level driving performance in narrow forest areas, operators are able to execute all harvesting and transport operations while on the machine. We consider this is an initiative that improves safety and will play a role even in eliminating occupational injuries.



Scandinavian harvester\*1



Scandinavian forwarder\*2

\*1 Self-propelled high-performance forestry machine that brings together each operation to cut, de-limb, and vertically cross-cut\*3 timber, which had traditionally been done with a chainsaw

\*2 Self-propelled high-performance forestry machine that collects and feeds vertically cross-cut timber on a cargo bed

\*3 To cut crude timber to a standard length

## Fuel Manufacturing (Chips, Pellets)

### New Wood Pellet Company Established to Use Unused Forest Resource for Electric Power Generation Fuel

Forests are approaching the cutting cycle throughout Japan while the challenge is the cycle of these forests from harvest through use and reforestation. Encouraging further use of forests from use of unused forest resource to other wood resources helps realize a sustainable society.

The Sumitomo Forestry Group leverages the wood procurement network throughout the entire Group. This led to a joint venture with the Electric Power Development Company to establish a manufacturing and sales company for wood pellets<sup>\*1</sup> in July 2018. The new company aims for use of unused forest resource from forests in Japan<sup>\*2</sup> as fuel for power generation in addition to examining the largest wood pellet supply system in Japan for the purpose of commercialization by 2021. Proper management of forests and a stable supply of domestic timber secure sources for sustainable wood resources.

Forests have a variety of public welfare benefits from the production of timber to the cultivation of groundwater, the prevention of sediment run-off and absorption of carbon dioxide. Through these efforts, Sumitomo Forestry and Electric Power Development Company promote domestic reforestation and regional revitalization as well as sustain and conserve the social welfare functions of forests by using unused forest resource as renewable energy.

\*1 Wood ground, dried and compressed into a pellet form

\*2 Unused wood biomass generated from logging or thinning of standing trees in forests

► [Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity](#)

### Production with Consideration for Environmental Conservation

#### Japan Bio Energy Co., Ltd. Recognized as Superior Industrial Waste Disposal Operator

Japan Bio Energy Co., Ltd., which manufactures and sells wood biomass chips, was recognized as a superior industrial waste disposal operator in May 2016 by Kawasaki City.

The system to recognize superior industrial waste disposal operators evaluates and certifies superior industrial waste disposal operators through the prefecture or city. In order to receive this recognition, the business must satisfy a full set of criteria including legal compliance, business transparency, efforts in environmental friendliness, and a healthy financial strength. The validity of certification in industrial waste disposal is extended from five to seven years by receiving recognition through this system.

#### Rovander Foundation Filler Made with Incineration Ash, Has Been Certified As a Hokkaido Government-Certified Recycled Product

At Mombetsu Biomass Electric Power Co., Ltd., incinerator ash emitted by the biomass boiler is used to manufacture foundation fill material (product name "Rovander") for forest roads. This environmentally-friendly product is aimed at building a cyclical operation in which the amount of waste is controlled, reducing environmental impact by helping maintain forests using a by-product of power generated with timber resources.

In addition, Rovander has been recognized as meeting environmental safety standards, and is a Hokkaido Government-certified Recycled Product.



The Hokkaido  
Government-certified  
Recycled Product  
mark

# Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business

## Basic Policy

Sumitomo Forestry joined the international RE100 initiative that aims for 100% renewable energy in March 2020. We aim to utilize 100% renewable energy for the electricity used in our Group business activities and for the fuel used in our power generation operations by 2040.

The Sumitomo Forestry Group is advancing renewable power generation by establishing solar power generation systems at model homes as a prerequisite for power use at companies in addition to its wood biomass power generation and solar power generation businesses.

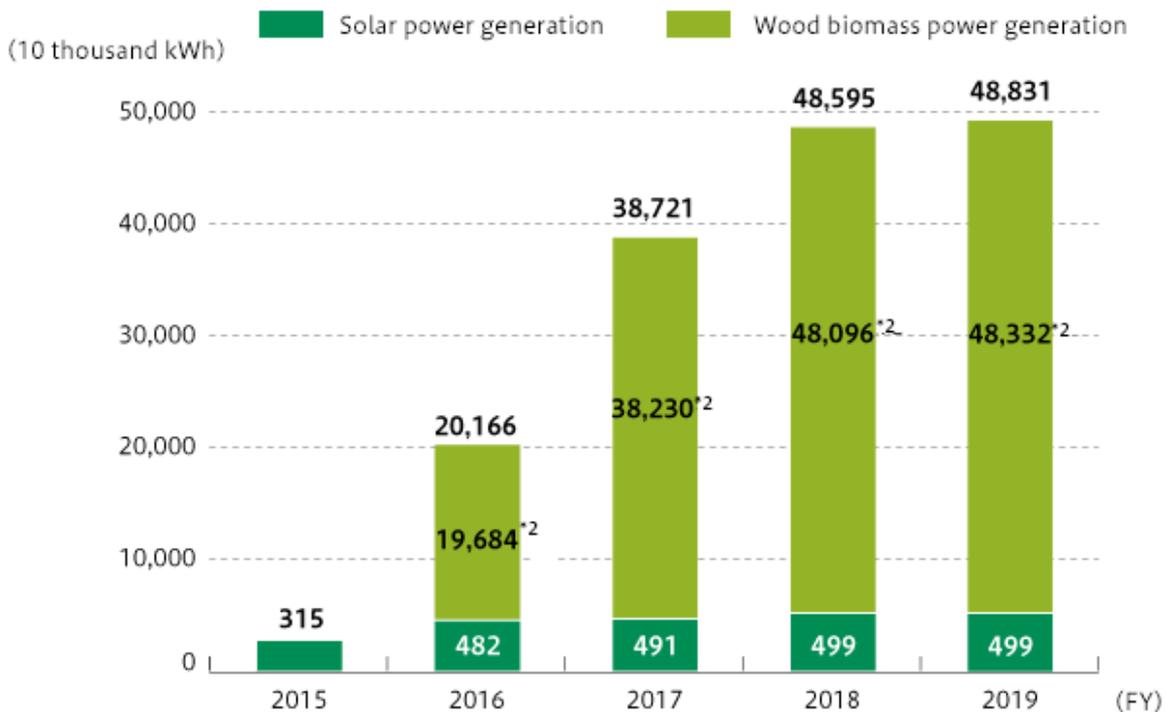
In fiscal 2019, the combined output of power generation that resulted from all of these efforts was 488,310,000kWh.

\* CO<sub>2</sub> emission reductions compared to the electricity purchased from power companies. These emissions are calculated using the CO<sub>2</sub> emission coefficients of mainly Hokkaido Electric Power and Tohoku Electric Power.

The amount of CO<sub>2</sub> emissions reduced by power generated businesses.

**99,483 t-CO<sub>2</sub>e**

### Trends in the Amount of Renewable Energy Generation \*1



\*1 Results are only for solar power generation in fiscal 2015

\*2 The amount of electricity generated from wood biomass power generation covers only consolidated subsidiaries and includes the use of coal as an auxiliary fuel to ensure smooth operation and maintenance

► HIGHLIGHT 5: Aiming for 100% Renewable Energy by 2040

► Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities

## Wood Biomass Power Generation Business

The Sumitomo Forestry Group operates wood biomass power generation facilities that are fueled by recycled chips primarily using leftover from construction as raw materials, wood not suitable as a building material, and thinning leftover in forests and other unused forest resource.

The CO<sub>2</sub> emitted by burning wood does not contribute to CO<sub>2</sub> in the atmosphere as part of the life cycle of the timber because the CO<sub>2</sub> in the atmosphere is absorbed through photosynthesis as the trees grow (concept of carbon neutrality). Therefore, the Group has been engaged in wood biomass power generation as a type of business that contributes greatly to the advancement of forestry, such as the effective use of wood, reductions in CO<sub>2</sub> emissions and the maintenance of local forest environments.

In February 2011, the Sumitomo Forestry Group entered this sector with the operation of the urban-oriented Kawasaki Biomass Power Generation Plant (generation capacity: 33 MW), which primarily uses scrap construction wood as fuel. Thereafter, full operations began at the Mombetsu Biomass Power Plant in December 2016 with a generation capacity of 50 MW, the Tomakomai Biomass Power Generation Plant in April 2017 with a generation capacity of 6.2 MW and the Hachinohe Biomass Power Generation Plant in April 2018 with a generation capacity of 12.4 MW. All of these plants generate power primarily from unused forest resource from Japan. Once the Kanda Biomass Power Generation Plant begins full operation in 2021, the Group will have a total power generation capacity of roughly 177 MW, which will supply electricity to approximately 374,000 households.

Drawing on past experience in the wood biomass power generation business, the Group will continue to expand renewable energy business operations suited to local conditions and other requirements, aiming to build a power generation system with a capacity of 300MW primarily generated from wood biomass.



Mombetsu Biomass Power Plant



Hachinohe Biomass Power Generation Plant

### The Group's Wood Biomass Power Generation Business

Business	Location	Power generation capacity	Start of operations	Main features
<b>Kawasaki Biomass Power Generation Business</b> (Joint investment with Sumitomo Joint Electric Power Co., Ltd. and Fuluhashi EPO Corporation)	Kanagawa Prefecture Kawasaki City	33MW	February 2011	<ul style="list-style-type: none"> <li>• Largest biomass power generation facility in Japan that primarily burns scrap wood as fuel</li> <li>• Utilizes recycled chips produced from construction debris and waste pallets from Tokyo and surrounding suburbs, as well as pruned branches</li> <li>• Equipped with environmental mechanisms, such as flue gas desulfurization equipment, an exhaust gas denitrizer and a bag filter, the urban-sourced biomass power generation plant clears Kawasaki City's strict environmental standards</li> </ul>

Business	Location	Power generation capacity	Start of operations	Main features
<b>Mombetsu Biomass Power Generation Business</b> (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)	Hokkaido Mombetsu City	50MW	December 2016	<ul style="list-style-type: none"> <li>Unused timber and forest material is primarily procured from within a 75km radius of the power plant and turned into chips at an adjacent plant before being used as fuel.</li> <li>Palm kernel shell, plus some coal is also partially used as an auxiliary fuel</li> </ul>
<b>Tomakomai Biomass Power Generation Business</b> (Joint investment with Mitsui & Co., Ltd., Iwakura Corporation and Hokkaido Gas Co., Ltd.)	Hokkaido Tomakomai City	6.2MW	April 2017	<ul style="list-style-type: none"> <li>All of the fuels are from unused forest resource in Hokkaido.</li> </ul>
<b>Hachinohe Biomass Power Generation Business</b> (Joint investment with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company)	Aomori Prefecture Hachinohe City	12.4MW	April 2018	<ul style="list-style-type: none"> <li>Unused forest resource from forestlands in the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines will be used as the main source of fuel</li> <li>Some palm kernel shell will be used</li> </ul>
<b>Kanda Biomass Power Generation Business</b> A joint capital venture between Renova Inc., Veolia Japan K.K., Kyuden Mirai Energy Co. Inc., and Mihara Group K.K.	Fukuoka Prefecture Miyako District	74.9MW	June 2021	<ul style="list-style-type: none"> <li>Fuel uses thinnings and unused forest resource from northern Kyushu in addition to American pellets and Indonesian palm kernel shell</li> </ul>

## Solar Power Generation Business

Sumitomo Forestry owns a solar power generation facility that generates 3,429 kW in Kashima City, Ibaraki Prefecture.

The Company gives consideration to mitigating the environmental impact of the power generation facility and expanding applications for the use of timber by installing some wooden mounting frames that are mainly made of domestically produced Japanese cedar.



Solar panels and environmentally friendly wooden frames

## Business Responding to the Super-Aging Society

### Contributing the Super-Aging Society Through Our Business

The rate at which Japan's population is aging continues to accelerate even after having become a super-aged society in 2010. In October 2018, the aging rate reached 28.1%\*, and is estimated to exceed 30% by 2025. This rapidly advancing trend toward a super-aged society is one of the most critical societal issues Japan faces.

In order to address this issue, we are making use of the experience and knowledge in creating comfortable living spaces that we have cultivated over many years in the housing business. We apply this know-how as we strive to enhance both quality and quantity in implementing various services centering on enabling the elderly to continue living with vitality for every possible day in safely living environments.

\* Source: Annual Report on the Aging Society, 2019 ed.

### Expanding Services for Customer Need

Sumitomo Forestry provides long-term care for the elderly through Sumirin Fill Care Co., Ltd. (Shinjuku-ku, Tokyo) and Sumirin Care Life Co. (Chuo-ku, Kobe).

Sumirin Fill Care provides comprehensive services to each resident through staff arrangement that exceeds the number required under nursing care insurance standards. In May 2018, Gran Forest Nerima-Takamatsu opened as the 16th private-pay elderly care facility, with nursing care and day services. The facility provides 766 living spaces through Sumirin Fill Care. During the three years since fiscal 2016, it has added 322 living rooms to the total by opening five private-pay elderly care facilities with nursing care within the 23 wards of metropolitan Tokyo and one facility in Kobe. The company is operating a total of three day-care facilities for the elderly.

Sumirin Care Life Co. has operated three large-scale private-pay elderly care facilities in Kobe that combine independent living and nursing care services up until now. Sumirin Care Life has at least double the number of staff on duty as required under nursing care insurance standards. With staff on site 24 hours a day, all facilities also include partnerships with participating general hospitals as part of the high level of overall service provided. The quality of service has earned high praise from external institutions. Elegano Nishinomiya, an elder residential facility with 309 living rooms and peripheral services, opened in Nishinomiya City, Hyogo Prefecture in May 2020. Elegano Nishinomiya brings the number of living spaces available in combination with the existing four facilities to a total of 998 rooms. The company also operates a total of seven Service Stations offering in-home nursing such as visiting nurse services, and day-care services.

The Mid-Term Sustainability Targets increase the total number of living spaces through the construction of new facilities with the goal of expanding service in the future.

The total number of  
living spaces  
FY2021 Target

**2,014rooms**

The total number of  
living spaces  
FY2019 Results

**1,455rooms**



Gran Forest Nerima-Takamatsu

## Efforts to Help Extend Healthy Lifespans from the Customer's Perspective —Providing Visibility Using ICT, and Health Maintenance Programs with Specialist Support—

With the segment of the population requiring nursing care expected to increase drastically from 2025, when all members of the Baby Boom generation will have reached old age, attention is focusing on a wide range of efforts to help the elderly maintain activities for daily living (ADL) and extend their healthy lifestyles.

Sumirin Fill Care is adopting the ICT-equipped Life Rhythm Navi<sup>\*1</sup> Plus Doctor resident monitoring system in private-pay elderly care facilities that have opened since fiscal 2016. The system analyzes data from numerous sensors such as bed sensors, motion-detection sensors, and temperature/humidity sensors. It provides a detailed real-time grasp of the interior environments of living spaces, as well as residents' sleep states and activities, converting all of this information into data.

Bringing “visibility” to resident monitoring data in this way can be useful in preventing falls and in keeping up on the condition of each resident. Advice from specialized medical institutions based on the data makes it possible to effectively maintain and improve the medical condition of each patient. Also, implementing the system in conjunction with nurse-call functions enables unified management of information from residents, enhanced information sharing and collaboration among staff, which is expected to help reduce staff workloads.

A system using Sumirin Fill Care's Life Rhythm Navi Plus Doctor won the highest honor in the Living of the Year 2017 prize contest (hosted by the Council of Senior Housing Industry Executives) for advanced systems using ICT. In fiscal 2018, Sumirin Fill Care made still more progress with this system, developing and making available the Forest Life daily health support service program.

Forest Life focuses attention on four elements that determine healthy lifespans: high-quality sleep, comfortable living environments (air quality), healthy diet (swallowing function<sup>\*2</sup>) and appropriate exercise (walking function). This is a service aimed at extending the healthy lifespans of residents by using ICT technology to bring visibility to their status in terms of these four elements, in combination with guidance by doctors and rehabilitation specialists based on data that has been rendered “visible”.

In fiscal 2018, the system was adopted in a verification trial at Gran Forest Gakugei Daigaku, a private-pay elderly care facility operated by Sumirin Fill Care. In fiscal 2019, this program expanded to Sumirin Fill Care private-pay elderly care facilities with nursing care services that have opened since fiscal 2016, aiming to adopt and provide Forest Life in all of its facilities.

\*1 Life Rhythm Navi is a registered trademark of EcoNaviSta Ltd.

\*2 The function by which food in the mouth is transported to the stomach.



Life Rhythm Navi

## Elderly Living Spaces Combining the Sumitomo Forestry Group Living Environments and Nursing-care Expertise: Elegano Nishinomiya Opens as the Largest Elder Residential Facility with Peripheral Services in Japan

Elegano Nishinomiya is a mixed-use facility combining our own nursing-care insurance business. The facility also offers a lifestyle program that brings the peace of mind necessary for nursing-care to a wide range of residents from those living independently to those needing assisted living or nursing care. A variety of innovations are intended to help all residents' live more energetic lives.

These facilities employ the living environment expertise cultivated at the Sumitomo Forestry Group. The vaulted dining room where daily meals are served has a private Japanese-style dining space where residents may share meals with their family surrounded by the warmth of wood. Elegano Nishinomiya also incorporated housing exteriors and a promenade (playground) emanating the feel of the changing seasons through a design created with the help of Sumitomo Forestry Landscaping. On the care floor terrace for residents requiring long-term care, there is a garden with flowers to enjoy while sitting in a wheelchair. These ingenuities bring the joy of green spaces to everyone. The nursing-term care living spaces are equipped with bedside tables that encourage more pleasant sleep through the power of wood and indirect lighting (researched and developed by the Tsukuba Research Institute).

More enhanced medical support is available to all residents from neural examinations through an MRI for the early detection of dementia and tumor marker tests that help with the early diagnosis of cancer. To maintain the health of residents, the exercise room provides water beds that offer massages through the power of water and various other prevention training machines right for seniors in addition to lessons from sports instructors.

Liberal arts programs offer everything from games like go and mahjong to pottery, watercolor painting, calligraphy and flower arrangement classes. Skilled artisans teach the programs that residents can choose from various times throughout the day according to their skill level and health whether beginner or a person who requires long-term care. College and graduate students majoring in music from Kobe College also perform regular concerts.

All units are all equipped with Wi-Fi environments as a new service to distribute information through a channel dedicated to Elegano Nishinomiya. Beds for residents requiring nursing-care are also fitted with sleep sensors from Paramount Bed to collect sleep data, which helps support the daily health of residents.

Sumirin Care Life enhances living environments so that each resident can live life in their own way. We are also advancing even more high quality services by unifying nursing-term and nursing staff, external medical institutions, expert teachers, nutritionists, care managers and many other professionals.



Exterior view of Elegano Nishinomiya



Vaulted Dining Room



Outdoor Terrace to Easily Enjoy the Garden Even in a Wheelchair

# Social Report

Human Rights

---

Health and Safety

---

Employment and Human Resources Development

---

Social Contribution

---

Quality Management

---

Social Data

---

## Human Rights Initiatives

### Basic Policy

The Sumitomo Forestry Group formulated the Sumitomo Forestry Group Human Rights Policy in July 2019, participates internationally such as in the UN Global Compact and the World Business Council for Sustainable Development (WBCSD), complies with international human rights bills (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Core Labour Standards, the Ten Principles of the UN Global Compact and the United Nations Guiding Principles on Business and Human Rights. Based on these international standards, the Sumitomo Forestry Group has put forth a commitment to human rights respect and a healthy workplace in its Sumitomo Forestry Group Code of Conduct. In addition, the Code calls for the respect of the human rights of all individuals, including women, children, indigenous people, minorities and other socially vulnerable people and stipulates that there will be no discrimination whatsoever on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. The Code also does not permit forced labor or child labor in any form.

Furthermore, the Sumitomo Forestry Group is permeating these policies and conducts proper assessments to ensure this same level of respect by business partners as well. We are also conducting human rights due diligence and respond to human rights risks in an effort to fully grasp and mitigate any risk to human rights.

- ▶ [Corporate Philosophy](#)
- ▶ [Our Values](#)
- ▶ [Sumitomo Forestry Group Code of Conduct](#)
- ▶ [Sumitomo Forestry Group Human Rights Policy](#)
- ▶ [Participation and Sponsorship of Initiatives](#)

### Implementation of Due Diligence and Managing Important Risks

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

### Internal Sustainability Survey of the Sumitomo Forestry Group

Since fiscal 2012, an Internal Sustainability Survey is conducted every year at each of the Group companies to review their sustainability initiatives including the human rights. The Sustainability Committee reports the survey results to the Board of Directors and improves the human rights situation. In fiscal 2019, based on the surveys for the major 59 Japanese and overseas Group companies (28 Japanese companies, 31 overseas companies), 42 subsidiaries implement human rights trainings, 42 have functions to handle grievance and 39 implement mitigation plans. For each supplier, we strive to prevent human right infringements through conducting surveys and face-to-face interviews.

Based on this survey, in fiscal 2019, we did not find any human rights violations as defined in the Sumitomo Code of Conduct.

### Respect for Human Rights Through Sustainability Procurement

Sumitomo Forestry Group is conducting fair and responsible procurement under the Sumitomo Group Procurement Policy which obligates suppliers to protect human rights and basic rights of labor as well as preventing corruption. For procurement of high-risk imported materials, specifically, the Group conducts sustainability surveys at more than 200 suppliers in two years. The surveys aim to ensure whether rights of workers and local communities in the areas where raw materials of the supplies are procured from, have not been violated; if the risk identified, then whether adequate consideration for these rights during logging is inspected. The Group also engages in on-site inspection and interviews with any suppliers which measures to mitigate risks was deemed necessary based on the risk categories.

- ▶ [Procurement Initiatives \(Distribution Business\)](#)

## Identifying and Managing Human Rights Risks

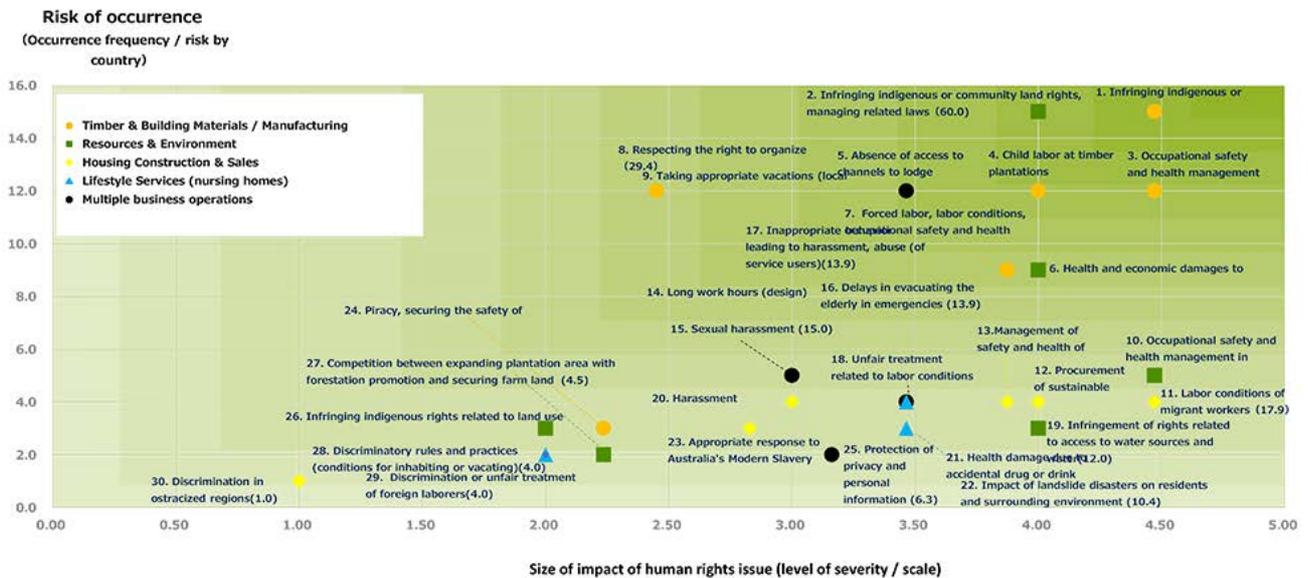
In conjunction with the formulation of its Human Rights Policy, Sumitomo Forestry Group has created a risk map to clearly identify important human rights risks affecting stakeholders in the value chain of each of its business divisions in 2019.

We identified important risks as follows: The Environment and Resources Division - "Infringing indigenous or community land rights and managing related laws" as well as "Occupational safety and health management in mountain forests (dangerous work, etc.)." The Timber & Building Materials Division - "Infringing indigenous land rights," "Occupational safety and health management at factories (fires, dust explosions, etc.)," and "Child labor at timber plantations (including dangerous operations)." The Housing and Construction Division and the Overseas Housing and Real Estate Division - "Labor conditions of migrant workers (forced labor, etc.)."

In addition to the risk measures already put in place, we have identified more risks in fiscal 2019, of which we have verified the condition of respect for human rights of foreign technical trainees which is the particular importance and major social interest in Japan. Third-party agencies interviewed Sumitomo Forestry Group business divisions, verified materials, observed on-site operations, and interviewed technical trainees from overseas learning skills in Japan. As a result, we confirmed there were no major human rights violations.

In addition to risk measures identified by each business division, the Company is working on countermeasures and implementation plans for each stakeholder to further prevent, avoid, lessen or rectify these identified important risks in the future.

### Sumitomo Forestry Group Human Rights Impact Analysis Map



## Respect for Human Rights at Overseas Plantations

For timber plantations in Indonesia's West Kalimantan, the Company signed an advisory agreement with International Finance Corporation (IFC), the World Bank's group institute in 2012. Sumitomo Forestry conducted inspections of its operational properties with the IFC to examine whether plans for use of commercial land were being implemented properly considering the rights of indigenous people and protection of cultural heritage as well as livelihood of local residents, which are indicators in the High Conservation Values Forests (HCVF) that has drawn great attention in recent years.

Sumitomo Forestry Group held hearings and invited stakeholders (local residents, neighbor corporations, academics, NGOs, and government workers) to conduct forest operations with considerations toward human rights. Hearing was held in 2013 to share the content and result of a survey and hearing held in 2015 to deepen stakeholders understanding about content of the business and environmental considerations prior to harvesting the plantation forest.

In 2018, the Group built a grievance mechanism with the help of the IFC in PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI). This mechanism provides two routes for grievances. The first allows local residents to share their opinion in writing with WSL or MTI while the second provides WSL and MTI the opportunity to conduct informal visits with local residents to gather feedback. Both of these grievance routes provide a response to local residents within seven business days with the approval of the WSL and MTI management team. In addition, the Group has begun social surveys as part of the three-year plan with the University of Indonesia around its business zones and neighboring area.

► [Grievance Desk](#)

## Human Rights Training

The Sumitomo Forestry Group provides lectures about human rights in its new employee training in Japan. Sumitomo Forestry also incorporates classes about human rights in its training for new general managers. We also require all Group employees with access to the intranet to take the "Work and Human Rights" module in e-learning every year with the intention to promote respect for human rights and a workplace where no discrimination is permitted (completed with a test score of at least 80 points). In fiscal 2019, 11,956 employees of whom 5,452 and 6,504 belong to the parent company and Group companies, respectively, took the class. The effort in raising human right awareness via e-learning will be continued into the future.

## Prevention of Harassment

Sumitomo Forestry makes its policy on sexual harassment, workplace bullying and maternity harassment clear, having included in its Employment Regulations, under one category of rules to be observed by employees (discipline on the job), a provision prohibiting such harassment as well as disciplinary standards. The Sumitomo Forestry Group Code of Conduct also prohibits all forms of harassment and this is communicated via the internal website and handouts. In addition, awareness within the Company is fostered by providing information with case examples and implementing regular awareness promotion notices, through human rights and ethics training and other activities. Furthermore, the Group distributes an email to every employee from the General Manager of the Personnel Department every six months to raise awareness about stopping all harassment.

Furthermore, a framework to properly handle inquiries and complaints was put in place in fiscal 2000 with the establishment of the Harassment Consultation Hotline within the Personnel Department and Compliance Hotline both inside and outside of the Company. The privacy of all those involved is protected and every effort are made to ensure that neither the complainant nor those cooperating are treated detrimentally.

► [Sumitomo Forestry Group Code of Conduct](#)  
► [Preventative Measures for Mental Health Care](#)

## Occupational Health and Safety Management

### Basic Policy

Sumitomo Forestry has established Rules for OHS Management with an aim of fostering a workplace environment in which employees can perform their jobs in a safe and healthy manner. The rules prescribe that a general OHS manager is to be stationed at each place of business regardless of how big it is, and every year, the Company checks on the status of the officer and OHS committee meetings.

With the aim of preventing accidents at construction sites and maintaining the health of workers, each division, such as the Environment and Resources Division, Timber and Building Materials Division, and the Housing and Construction Division, has also established separate OHS management policies and manuals in view of the distinctive characteristics of their respective businesses.

The Quality Control and Worker Safety Management Department established on April 1, 2020 as an office directly under the president strives to consistently improve product and service quality and eradicate occupational accidents. This department also rolls out and strengthens quality as well as occupational health and safety management systems by providing guidance and advice to the entire Group.

### Occupational Health and Safety Management System

The Quality Control and Worker Safety Management Department oversees matters related to occupational health and safety throughout the entire Sumitomo Forestry Group. This department deploys and consolidates occupational health and safety management systems while providing the necessary guidance and assistance to each Group company.

Personnel department manages non-consolidated OHS of the Sumitomo Forestry, and heads of the personnel department provide OHS instructions and support branches in establishing OHS systems. In addition, OHS committees chaired by the general manager of each business division (General Manager of Personnel Department at the head office) and composed of members such as health and safety managers, industrial physicians, and labor union members were established in each business division, and matters discussed each month are posted on the intranet for the purpose of information sharing and enlightenment.

The Sumitomo Forestry Group also conducts occupational health and safety training unique to each business and work site because a broad range of businesses related to wood are expanding globally.

### Targets and Performance Concerning Occupational Injuries

In the Mid-Term Sustainability Targets as part of the Sumitomo Forestry Group 2021 Mid-Term Management Plan, Sumitomo Forestry Group sets critical targets by fiscal 2021 as "zero occupational injury and lost work time." The Sumitomo Forestry Group aims to achieve its critical targets and defines priority sustainability measures in each division. The performance toward achieving these targets is reviewed each fiscal year.

## Occupational Injuries (Non-Consolidated)\*1

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of occupational injuries (incidents)*2	0	3	0	2	1
Lost-time injury frequency rate*3	0.19	0.30	0.10	0.20	0.20
Work-related illness frequency rate	0	0	0	0	0

\*1 No occupational injuries resulting in death occurred during the reporting years shown.

\*2 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

\*3 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

- ▶ [Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality](#)
- ▶  [About symbol for Independent assurance](#)

In addition to developing occupational health and safety promotion activities in accordance with the laws and regulations in Japan and overseas where the Group is active, each Sumitomo Forestry Group company also promotes acquisition of certifications such as OHSAS\* Certification. The occupational health and safety certification rate of manufacturing businesses throughout the Sumitomo Forestry Group is 37.5% (based on sales).

\* Occupational Health and Safety Assessment Series (OHSAS): An international standard developed for the purpose of reducing occupational health and safety risks and clarifying where responsibilities lie.

## Acquisition Status of Occupational Health and Safety Certifications at Each Group Company

Company	Country	Type of certification	Date acquired	Date renewed
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO45001:2018	January 2020	-
PT. Rimba Partikel Indonesia (RPI)	Indonesia	OHSAS18001	March 2013	March 2019
PT. Kutai Timber Indonesia (KTI)	Indonesia	ISO45001:2018	January 2020	-
Nelson Pine Industries Ltd. (NPIL)	New Zealand	ISO45001:2018	October 2019	-
Henley Arch*	Australia	ISO45001:2018	April 2019	-

\* Affiliated two companies of the Henley Group have also acquired the same certification.

- ▶ [Occupational Health and Safety on Construction Sites](#)
- ▶ [Occupational Health and Safety \(Manufacturing Business\)](#)
- ▶ [Occupational Health and Safety in the Forestry Business](#)

## Work-Life Balance

### Basic Policy

Sumitomo Forestry recognizes employees' diverse work styles and strives to create a workplace where they can be motivated in their jobs, and still enjoy fulfilling private lives. Reflecting these aims, the Company has worked on such initiatives as providing childcare and family care programs, promoting greater participation by women, and reducing overtime.

In fiscal 2013, the Workstyle Diversification Department was established within the Personnel Department, bringing together support desk functions relating to work styles and careers, including childcare and family care, career support, mental health and post-retirement re-employment. In developing a counseling system which is easier for employees to access, the Company supports diverse work styles.

A flextime system and a work interval system were adopted with the purpose of reducing long hours and improving productivity in fiscal 2017. The transition is not only in working hours but also from a labor system to a true count system in addition to adopting measures such as a per hour productivity assessment.

These programs aim to improve employee motivation as well as productivity by preventing harm to health from accumulated fatigue due to working long hours in addition to heightening awareness about cost versus time to realize a work-life balance.

### Addressing Long Working Hours

Sumitomo Forestry sees long working hours left unaddressed as a factor causing occupational injuries and damage to the image of plants and it recognizes the lack of a workforce in the future as a grave management risk.

Since fiscal 2019, the Sumitomo Forestry Group set critical fiscal 2021 targets "reducing long work hours through work style reforms" in the Mid-Term Sustainability Targets to promote this initiative. Each division and consolidated Group company in Japan confirms the performance toward achieving these targets every fiscal year.

In particular, close communication with customers is indispensable in the sales and construction of custom-built detached housing, and long working hours occur as a result of this need in the Housing and Construction Division.

Therefore, average overtime hours and individual overtime hours are reported to the head of each department to increase awareness about mitigating long working hours.

Additionally, a Workstyle Improvement Committee has been set up at branches to implement initiatives to address long working hours.

As to the working system and operational flow reform that are difficult to tackle at a branch level, the Long Working Hours Mitigation Committee set within the Housing and Construction Division continuously leads the long working hours mitigation campaign by making proposals for the systems improvement.

#### ► Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness Their Skills and Individuality



## Revisions to the Personnel System

In fiscal 2017, Sumitomo Forestry revised the personnel system to transition overtime work to an actual count system paying employees based on deemed number of working hours. Moreover, we are promoting a reduction in long working hours and higher productivity by adopting a flextime system, work interval system and a productivity assessment by hour.

The transition to an actual count system and the adoption of a productivity assessment primarily aims to grow the cost awareness by hour, reduce long hours as well as heighten the quality and productivity of work.

We are also striving to equalize operational working hours overall by stipulating the total working hours per month in a flextime system.

In addition, the interval system makes sure employees have 11 hours of leisure time between the end of the work day until the start of the next work day and exempts employees from working at the start of a workday or core time if it overlaps this leisure time. These systems aim to prevent overwork and further the preservation of employee health.

## Mental Health Care

### Practical Mental Health Care

Based on the Guidelines for Maintaining and Improving Workers' Mental Health formulated by the Ministry of Health, Labour and Welfare in August 2000, Sumitomo Forestry implements four types of care for mental health: self-care; care provided by line managers; care provided by occupational health staff within the workplace; and care using resources from outside the business.

In April 2013, the Company established the Workstyle Diversification Department within the Personnel Department. It is responsible for providing support related to childcare and family care, career support and support for mental health. In order to further enhance mental health care, the Company put effort into providing mentally ill individuals with follow-up support and help in returning to work. The Company assigned an employee, who is a qualified clinical psychologist, to the Workstyle Diversification Department, and it worked in close cooperation with an external provider of the employee assistance program (EAP)\*.

In fiscal 2019, Sumitomo Forestry revised the external Employee Assistance Program (EAP) agency alliance and established a new management consultation desk to further a system to better support line care. This help desk is not only available to employees but also their families and can support in English and Chinese, which offers better care for a wider range of employees.

We adjust stratified working hours and the work load to suit the circumstances of each individual by adopting an occupational rehabilitation system to help employees return to work to create and execute rehabilitation plans so that each person can both physically and mentally get used to the work environment.

Sumitomo Forestry distributes a Mental Absentee Guidebook when employees take leave with corporate rules and other information related to how to spend that time off as well as the suspension of their work to elevate worry as much as possible during their break. We also distribute a Guidebook for Managers to supervisors as well to provide information that includes ways to handle each situation.

\* A workplace mental health care service for employees



Mental Health Education for Management

## Preventative Measures for Mental Health Care

As part of its prevention of mental health disorders, the Company has offered stress checks, which were made mandatory after amendments to the Industrial Safety and Health Law in December 2015, on a website to employees covered by health insurance (excluding those employees on long-term leave, such as maternity leave or convalescence leave) since fiscal 2013.

To further promote active health management in fiscal 2019, we revised the stress check from the original 57 items (occupational stress quick check sheet) to a new stress check made up of 89 items. As follow-up measures after the stress check for departments that found to have low general health and a high stress rate, internal counselors (clinical psychologist) and external EAP agencies provide one-on-one counseling as well as line care and self-care training.

Since fiscal 2009, Sumitomo Forestry also provides guidance to all of its employees twice a year through the general manager of the personnel department while fostering communication with staff on a daily basis to prevent harassment with the purpose of building a lively, comfortable and friendly workplace. In conjunction, a harassment consultation desk has also been put in place in personnel departments to support consults from employees. In addition, Work and Human Rights e-learning is required for all Group employees as training that includes education about harassment (passing the comprehension test require a score of at least 80 points).

An employee who is a certified public health nurse has been hired into the Workstyle Diversification Department to not only offer mental health care but also provide assistance such as various health consultations, enlightenment about health for new employees, and follow-up after health check-ups.

We also conduct health check-ups before appointing or returning an employee to a post for overseas appointees as well as interview individuals, gain information and provide advice about the state of their health as well as address other needs they may have.

### ► Human Rights Initiatives

### Practical Mental Health Care Results

	FY2015	FY2016	FY2017	FY2018	FY2019
Stress Check Response Rate (%)	91.6	88.2	92.1	91.6	93.3

## Encouraging Employees to Take Paid Leave

Sumitomo Forestry encourages employees to take at least 14 days of planned paid leave each year, inclusive of refresh leave and the summer holiday period. The list of results for the paid leave usage by employees at each site is published on the intranet to encourage employees to take their paid leave.

As for fiscal 2017, Sumitomo Forestry has consolidated the attendance management systems in a way that not only employees but also their supervisors can see their leave plans, and thereby, enabled employees to plan their paid leaves better. In addition, the Housing and Construction Division established planned annual leave for all departments as of fiscal 2017 (general rule of four days).

The percentage of paid leave taken in fiscal 2019 was 60.2%.

The Company has again listed “take at least 13.5 days of paid leave” in its Sustainability Budget, and will continue to further promote this initiative during fiscal 2020.

Paid Leave Usage Ratio  
(FY2019)  
(Non-Consolidated)

**60.2%**

### ► Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness Their Skills and Individuality

## Results of Paid Leave Usage Ratio

	FY2015	FY2016	FY2017	FY2018	FY2019
Paid Leave Usage Ratio (%)	32.8	35.9	47.4	53.2	60.2

\*Calculated by dividing the number of days of paid leave taken each fiscal year by the number of days of paid leave issued.



## Refresh Leave and Family Friendly Day Leave

So that employees can engage energetically in their jobs with healthy body and mind, Sumitomo Forestry is developing workplace environments that allow employees to take leave as they wish. As part of those efforts, employees are encouraged to take consecutive days of “refresh leave” at a time that suits them in addition to the summer and New Year holiday periods. Each workplace is required to draw up refresh leave schedules for individual employees. The number of days available for the refresh leave program changed from “three days” to “five days” in fiscal 2019 to put in place an environment where employees can take leave more easily.

At branches of the Housing and Construction Division, which are regularly closed on Tuesdays and Wednesdays, employees often meet with customers on the weekends, which sometimes make it hard to take time off to participate in family events and other private occasions. This has been addressed with the introduction of Family Friendly Day leave, which allows employees to take either one Saturday or one Sunday off each month to spend with family or on a chosen pursuit. Branch employees are encouraged to cooperate on adjustment of job responsibilities and meeting schedules, thereby helping to create a workplace environment that makes it easy to take leave on the weekends.

## Refresh Leave and Family Friendly Day Programs Performance (Non-consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Percentage of Refresh Leave Program takers (%)	46.0	42.3	38.9	32.1	43.7
Percentage of Family Friendly Day Leave takers (%)	26.0	27.0	28.3	28.7	36.8

## Supporting the Workstyles of Employees Currently Raising Children

Sumitomo Forestry has put in place a number of support programs that allow employees to work while also raising children.

For example, supervisors conduct interviews with employees who plan to take childcare leave together with a person in charge of the Workstyle Diversification Department upon request. These interviews explain the programs related to childcare leave and provide advice about the work style after the employee returns to work in addition to introducing information such as examples of other employees who have found balance between raising children and work.

Moreover, employees who want to work while raising children can apply for programs such as the flextime system as well as reduced working hours so that they can have a flexible workstyle.

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

Sumitomo Forestry formulates and implements action plans for supporting employees who are raising families, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children (Next Generation Law).

Sumitomo Forestry has formulated and advanced its 6th Action Plan for fiscal 2015 to 2019 with the following targets.

1. Host seminars themed on work style reforms in order to foster a work environment which actively involves female employees who are rearing infants
2. Hold "Family Open Day" to create a pleasant work environment for all employees to execute their talent
3. Create systems for male employees who are raising children to consult with superiors about available programs to encourage male employees to participate in raising their children. The usage status of programs related to child raising are also published on our intranet.

An Iku-boss Seminar was held by inviting an outside instructor in September 2017 with the theme of renewing the way of thinking to continually improve results while realizing a work style in-line with each person's circumstances by limiting long hours according to an action plan. Approximately 120 people participated with most being general managers who work at the head office in fiscal 2016. Approximately 180 general managers from around Japan from the Housing and Construction Division as well as others participated in fiscal 2017.

In April 2019, we held lectures on work-style reforms to enhance the hourly value of each employee with the participation of roughly 200 general managers of departments and branches from throughout Japan.

Sumitomo Forestry also formulated and began work on its 7th Action Plan for fiscal 2020 to 2021 with the following three targets.

1. Encourage telework system and a work environment to enable work-style options regardless of place.
2. Put in place consultation systems to support employee career development.
3. Build environments in which every employee working in a company involved in housing and lifestyles can actively participate in the valuable experiences of raising children and household chores regardless of gender.

### Family Open Day

Since July 2014, Sumitomo Forestry holds the "Family Open Day," an event for the families of employees to visit their offices. The ultimate aim of this event is to create pleasant work environment and lively atmosphere for all employees by expressing the Company's appreciation for the support provided by employees' families, assisting the families in understanding about the work at Sumitomo Forestry better, and fostering opportunities for employees to gain mutual understanding with others.

In fiscal 2019, the event was held in one branch, totaling 20 participants from 5 families. The children took part in the morning briefing, exchanged business cards, interviewed employees about their work, and made wooden crafts. Celebrating its sixth anniversary in fiscal 2019, Family Open Day was held as summer event by spearheading innovation.



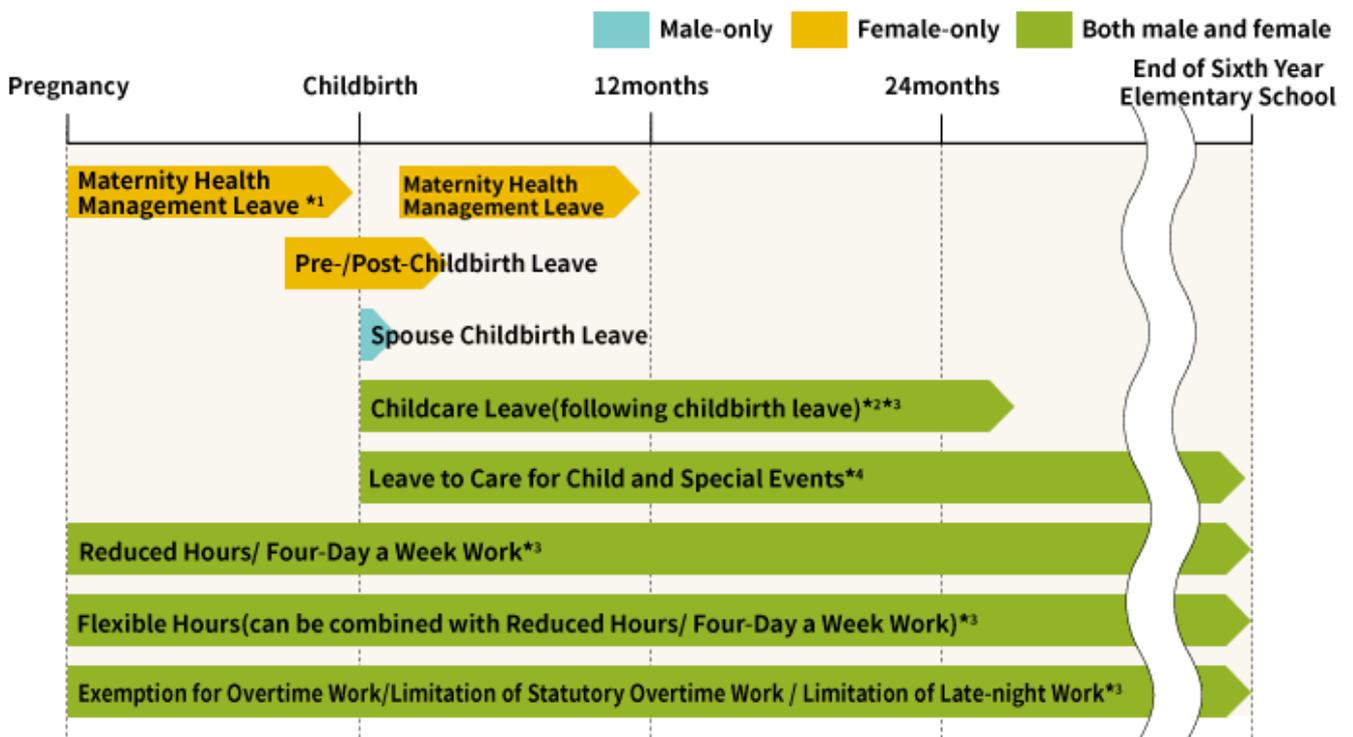
Family Open Day at the School of Professional Building Techniques

### Promoting Paternal Support for Male Employees

In the process of receiving the lump-sum childcare allowance offered to male employees with newly born children, the employees are required to submit "the questionnaire for a parental support request," which is followed by an interview with a direct supervisor about the answers to the questionnaire as well as details of the request. The supervisor then adds resulting comments on the questionnaire including instructions for the subordinate and consideration that should be made by the Company, at the end of the process. This system is believed to encourage more male employees to take part in the parenting duties and raise mutual understanding between the parenting males and their colleagues.

### Main Childcare Support Programs (FY2019)

Program	Description
Childcare leave	Childcare leave may be taken by employees until March 31 immediately following the child's second birthday
Shorter working hours	Until the child completes the sixth grade of elementary school, employees may use the flextime system, work shorter hours, work a four-day week and be exempt from overtime work, limit statutory overtime work, and limit late-night work.
Leave to care for child and attend special events	Employees may take the equivalent of ten days a year for their first child or 15 days a year for two or more children in 30-minute increments with full-pay to care for a sick or injured child until their children have completed the sixth grade of elementary school. Of these ten days, up to five days may be used for attending special events with their child (ten days for two or more children). Employees who have two or more children may use up to 10 days to take care of their children even if they have used five or more days for special events (however, leave that exceeds 15 days is unpaid).



\*1 During pregnancy, childbirth leave, childcare leave, within one year after the childbirth

\*2 Until March 31 immediately following the child's second birthday. This can be extended for up to 14 days for childcare reasons.

\*3 Employees who have worked continuously for one year or more

\*4 Employees who have worked for six months or more

## Supporting Workstyles for Employees Caring for Family Members

Sumitomo Forestry provides support to employees who are working while also nursing family members. Family care leave was revised so that eligible employees may take up to 365 days of leave per applicable family member, and employees may also take advantage of the flextime system, work shorter hours or work a four-day week. Sumitomo Forestry has also established family illness and injury leave, enabling employees to take up to 10 days of leave each year in 30 minute increments.

### Main Family Care Support Programs (FY2019)

Program	Description	Usage in FY2019
Family care leave	This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees	<ul style="list-style-type: none"> <li>Number of family support program users: Total of 4 (Flextime System: 3; Four-Day Work Week: 1)</li> <li>No. of employees who took family care leave: 1</li> </ul>
Shorter working hours	Employees may use the flextime system, work shorter hours, work four-day a week, be exempt from overtime work, limit statutory overtime work, and limit late-night overtime work.	
Family illness and injury	Regular employees may take the equivalent of ten days a year in 30-minute increments (employees may take an additional five days for two or more family members who require care). Employees may take five of the ten days of leave to take care of a sick or injured family member	

### Family Care Support Program Performance (Non-consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Family care leave (Persons)	1	2	2	1	1
Number of family support program users (Persons) (Flextime System, Shorter Working Hours, Four-Day Work Week, etc.)	3	3	7	3	4

## Telework Program

Sumitomo Forestry introduced the telework option in fiscal 2009 for such reasons as the time saved from commuting can be spent on work or family activities, and employees can concentrate when working in a quiet home environment.

Since fiscal 2017, this program was expanded to all employees (approval system) except new graduates who joined the company less than three-years ago or career hires who have only been with the company for less than six months with emphasis on employees who are taking care of children or a family member as well as employees who have a long commute.

As response to the COVID-19, Sumitomo Forestry adopted Group-wide flextime policies, introduced a shift system to reduce the number of people in offices, and provided systems for employees to work either in the office or from home. When an emergency declaration was issued, we transition to a fundamental telework systems to have all employees in the affected regions work from home.

In the future, in order to promote flexible work styles further, the Company will continue to work to expand consistent use of the program, such as by explaining the program details and recommending its use to employees on an individual basis when they appear for work style consultations.

## Participation in “Telework Days”

Following fiscal 2018, Sumitomo Forestry participated in the “Telework Days” campaign promoted by the Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, the Cabinet Secretariat, the Cabinet Office, and the Tokyo Metropolitan Government in addition to relevant associations and corporations as a special cooperative organization to promote work style innovation in fiscal 2019. 310 employees worked remotely at home or mobile for at least two days of the week from July 22 to September 6, and the participation of 162 employees throughout Japan on July 24, the focus date of the campaign. Through this campaign by providing opportunity for many employees to experience the benefits of telecommuting and working remotely first hand, Sumitomo Forestry promotes understanding and create a foundation for a telework system.

## Transfer Request Application Systems (Spouse Relocation / Family Care)

In fiscal 2008, Sumitomo Forestry established a program facilitating the transfer of employees to a certain destination for reasons limited to marriage or a spouse transfer accompanied by a change of residence. The program enables employees to continue working for the Company even after marriage or their spouse being transferred.

In fiscal 2014, with the new addition of “childcare” to the reasons for application, transfers are now considered in cases where an employee wants to live with their spouse for the purpose of balancing work and parenting. Also, a new system was established whereby employees can submit a transfer request for reasons of “family care.” Transfers are now also considered in cases where the location of employment restricts the employee from balancing work with family care.

As at the end of March 2020, a total 43 employees have made use of these programs to transfer to a different location.

## Fair Employment and Benefits

### Basic Policy

According to internationally accepted human rights norms, we shall of course respect equal opportunity and diversity as well as respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people in the employment and treatment of employees as stated in the Sumitomo Forestry Group Code of Conduct. In its recruitment activities too, the Company emphasizes the ambition and volition of the applicant, and does not differentiate selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender.

As for the disciplinary punishment and dismissal of employees, if there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations. We have also put in place a system to prevent unfair dismissals.

Recently, talent acquisition has been recognized as one of the major management issues for management in Japan triggered mainly by low birth rate and thereby aging population. Sumitomo Forestry communicates its employment and benefit policies with potential employees during recruitment and expands supportive programs to foster diverse work styles and performance of female employees in effort of acquiring valuable, next-generation talent.

▶ [Sumitomo Forestry Group Code of Conduct](#)

### Promotion System

The Workstyle Diversification Department, which was established as an independent organization in the Personnel Department in April 2013, with the cooperation of each department, supports the utilization of a wide range of employees from female staff to re-employed retirees and employees with disabilities as well as promotes diversity.

## Promoting the Active Involvement of Female Employees

The Sumitomo Forestry Group is committed to a 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 has sought to improve its systems relating to childcare, education and training, and at the same time, has taken a proactive stance on promoting the use of these systems.

During fiscal 2013, the Group surveyed the attitude and needs of employees with respect to: work and careers; promoting the active involvement of female employees; and childbirth and parenting. A survey was conducted to gauge the awareness of all female employees at Sumitomo Forestry to assist the Group in promoting the active involvement of female employees and in supporting the workstyles of employees currently raising children. In December 2013, 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 formally summarizes the significance of promoting the active involvement of female employees into three policies. The Group is actively engaged in activities under the policy described in the Declaration.

In December 2014, numerical targets for the appointment of women to managerial posts have been set in order to foster further empowerment of female employees at Sumitomo Forestry. We have publicly announced our goal of raising the ratio of female managers to at least 5% by 2020, and have worked to achieve this goal. In fiscal 2016, in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace of the Japanese Government, the Company's first phase action plan (April 1, 2016 -March 31, 2019) was implemented. In fiscal 2019, the second phase action plan (April 1, 2019 to March 31, 2022) was formulated, advocates and is advancing efforts toward the goal of raising the ratio of female managers to at least 5.5% as a new numerical target to achieve by fiscal 2021 (4.2% as of March 31, 2020).

Sumitomo Forestry has been conducting a mentoring system for the purpose of encouraging growth for the active participation of female employees as management since fiscal 2016. The mentoring system is a program where assigned mentors periodically interview mentees to support the growth of the mentee. In fiscal 2019, six female manger and manager candidate mentees where mentored by managers in positions of general manager level with the aim to further success and self-reformation.

- ▶ [Sumitomo Forestry Group Declaration on Empowering Women](#)
- ▶ [Supporting the Workstyles of Employees Currently Raising Children](#)
- ▶ [Sumitomo Forestry Co., Ltd. Second Phase Action Plan \(in Japanese\)](#) 
- ▶ [Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness Their Skills and Individuality](#)

Percentage of Female employees  
in management positions  
FY2021 targets  
(Non-consolidated) At least

**5.5%**

Percentage of Female employees  
in management positions  
as of March 31, 2020  
(Non-consolidated)

**4.2%**

## Employment and Promotion of Women (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Percentage of Female employees including contract employees*1 (%)	19.4	20.0	20.4	21.0	21.6
Percentage of Female employees in management positions*1 (%)	2.6	2.8	3.2	3.7	4.2
Percentage of Female new graduates*2 (%)	26.8	22.8	18.0	24.8	26.9

\*1 The rate of female employees and the rate of female employees in management roles is based on the number of employees as of March 31 each year.

\*2 The rate of new female graduates is calculated based on the number of employees as of April 1 each year.

## Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2015	FY2016	FY2017	FY2018	FY2019
Percentage of Female employees including contract employees*1 (%)	30.4	30.7	31.6	32.0	32.7
Percentage of Female employees in management positions*1 (%)	4.0	4.2	4.6	6.0	6.1
Percentage of Female new graduates*2 (%)	48.0	40.3	40.2	43.5	45.7

\*1 The rate of female employees and the ratio of female employees in management roles is based on the number of employees as of March 31 each year.

\*2 The rate of new female graduates is calculated based on the number of employees as of April 1 each year.

## Development and Sales from a Woman's Perspective

Having started in March 2013, Women's Perspective Project which gathered diverse female employees from the headquarters, branch offices across Japan and Group companies in intention to bring homes designed from their residents' perspectives. Previously, the project provided the "Comama" spatial design proposal and also nine houses built and sold in just half a year at East Hills Seya in the Ikoma district in Nara Prefecture.

In addition, the brush-up customer service training from a woman's perspective is intermittently held for female home advisors working at model homes. This training provides insight into household concerns and inconveniences as well as discusses the dream home from a woman's perspective. The curriculum also teaches specific ways to build trust as a key stage of the sales process by especially empathizing with wives and other female customers. This training program is held once every two to three years according to the enrollment of employees yet to take the course. Up until now, 462 female employees took this training program.

## Main Initiatives Aimed at Increasing the Motivation of Female Employees

Sumitomo Forestry provides various training for female employees.

In fiscal 2019, training for women salespersons was conducted for the purpose of finding their source of motivation to encourage female staff to continue to work in sales. Two female staff members—one fourth-year employee and a twelfth-year supervisor working on the sales team—presented the secret to finding the significance of working as sales team member without focusing on gender. Because many female sales staff resign due to life events, building a working environment that allows diverse work-style innovation is vital. At the same time, raising individual awareness is also important. Therefore, we are working to ensure self management that not only improves sales skills but also heightens motivation.

The Sumitomo Forestry Group on-site training for female engineers provided an informational exchange with other companies in the same industry as well as construction site tours for female on-site managers with the goal of teaching successful examples of construction engineers who are women outside Sumitomo Forestry as well as improving skills and motivation.

### Main Initiatives Aimed at Increasing the Motivation of Female Employees

Eligible Persons	Description	Date	Number of Participants
Sales Staff	Female Sales Staff Training	November 2019	52
	Networking Event for Female Housing Sales Staff: Joint Program by Nine Housing Builders	November 2019	6
Production Staff	Sumitomo Forestry Group On-site Training for Female Engineers	October 2019	55
Managers and Manager Candidates	Mentoring Program	July 2019 to May 2020	6

## Promoting the Employment of Persons with Disabilities

Sumitomo Forestry promotes the employment of people with disabilities, giving the highest priority to matching the individuality of each person with a disability with the workplace and business activities. The ratio of disabled employees as of end March, 2020 was 2.40%. Furthermore, to improve the retention rates for current employees, the Company provides regular face-to-face meetings as well as phone interviews and career advice as required.

Furthermore, we have been promoting employees to take the Universal Manners Test<sup>\*1</sup> since fiscal 2018. Sumitomo Forestry has been executing a plan for all employees to acquire the level three certification by 2022, aiming to encourage and entrench further employment of people with disabilities in addition to improving service for customers and partners who have disabilities.

<sup>\*1</sup> Test to build the mind and actions necessary to provide better services to a diverse range of people from the elderly and people with disabilities to parents with strollers and foreign nationals.

<sup>\*2</sup> The calculation is the sum of Sumitomo Forestry, subsidiary Sumirin Wood Peace Co., Ltd. as well as the affiliated Group company Sumirin Business Services Co., Ltd.



President Akira Ichikawa (at the Time)  
Presenting Certifications After the First  
Universal Manners Test at Sumitomo  
Forestry

Ratio of Disabled Employees  
As of March 31, 2020  
(Non-consolidated<sup>\*2</sup>)  
**2.40%**

## Employment of Persons with Disabilities (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Ratio of Disabled Employees (%)	2.12	2.12	2.26※1	2.32※2	2.40※2

\*1 The calculation includes the subsidiary Sumirin Wood Peace for fiscal 2017.

\*2 The calculation includes the subsidiary Sumirin Wood Peace as well as the affiliated Group company Sumirin Business Services for fiscal 2018 and fiscal 2019.

## Promoting Proactive Employment of Persons with Disabilities -Sumirin Wood Peace Founded

For the purpose of providing employment opportunities for persons with disabilities, the Company in July 2015 founded a subsidiary in Niihama-shi, Ehime Prefecture in Japan with business lines such as shiitake mushroom farming, wooden products manufacturing, processing, and printing. In March 2017, a new office building was completed and in April the Sumirin Wood Peace obtained the certification of a special subsidiary company in accordance with the Act for Promotion of Employment of Persons with Disabilities. The Company has been promoting recruitment of people with disabilities as business has grown since its start with five people at the time of its founding. As of June 2020, Sumirin Wood Peace employs 11 people with disabilities. In the future, the Company will further this recruitment and ensure business continuity.



Exterior of new Sumirin Wood Peace Office Building

## Adopting Systems to Re-employ Retirees and Provide Selective Retirement

### Re-employment of Retirees

Sumitomo Forestry adopted a system for the re-employment of retirees in fiscal 2006 whereby it re-employs personnel, who retired at 60, until the end of the fiscal year that they reach the age of 65, on the condition that they have had at least 10 years of continuous service, they have specific qualifications and experience, and they wish to be re-employed.

About 80% of our employees who turn 60 request re-employment, and 100% of those employees who requested re-employment are re-employed in the first fiscal year.

In addition, the Senior Human Resource Asset Bank Center established in April 2018 extends re-employment contracts even after the end of the fiscal year when employees turn 65 who are necessary to the company and would like to keep working. 43 employees have currently registered for the program while 35 have been re-employed and are working as of April 1, 2020.

### Adopting a Selective Retirement System

Sumitomo Forestry adopted a Selective Retirement System in April 2020 to extend retirement until the end of the fiscal year the employee reaches the age of 65 (March 31 of the personnel fiscal year). We have also introduced a system to move up retirement to the day before the employee's 60th birthday when requested.

An employee can continue to work through the valid term of their contract (re-employment) when selecting retirement before the age of 65 and requesting a flexible work style, such as reducing the number of work days.

▶ [Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness Their Skills and Individuality](#)

## Return to Work Application System

Sumitomo Forestry has operated the Return to Work Application System since fiscal 2008. The aims of the system are to meet the re-employment needs of workers to secure talented personnel who resign due to unavoidable circumstances such as childcare and eldercare. Employees register their wish to return to work at the time they resign, and applicants must have had worked for at least three consecutive years before the resignation. As at the end of March 2020, the Company received 256 applications.

When the Company receives an application, it goes through a selection process based on the Company's needs and the skills of the applicant. Applicants who are successfully re-employed within three years of the resignation are able to regain the same levels of position as before.

## Direct Employment of Non-permanent Employees

In recent years, regulations for dispatched employees have been strengthened to correct disparities arising out of different forms of employment. In response, Sumitomo Forestry reviewed its personnel systems to appoint competent employees, and in April 2011, changed the status of its dispatched employees to directly employed fixed-term employees, referred to as "partner employees." Sumitomo Forestry also operates a system for promoting partner employees to permanent status. It promoted 12 workers to permanent employee status in fiscal 2020.

### Number of Partner Employees Promoted to a Permanent Employee

FY2016	FY2017	FY2018	FY2019	FY2020
14	19	12	14	12

\* As of April 1 of each fiscal year

Furthermore, we have also implemented a system for partner employees with disabilities (challenged employees) to transition to permanent employment.

### Number of Challenged Employees Promoted to a Permanent Employee

FY2016	FY2017	FY2018	FY2019	FY2020
0	1	0	2	1

\* As of April 1 of each fiscal year

## Human Resources Development

### Basic Policy

Guided by the policy for human resources development of “autonomy” and “support,” Sumitomo Forestry aims to realize its Corporate Philosophy by developing employees with a strong sense of pride and motivation, and by creating a culture that is open and inclusive.

### Promotion System

#### **Sumitomo Forestry Business Institute, Personnel Department**

The Sumitomo Forestry Business Institute within the Personnel Department of Sumitomo Forestry plans and conducts training to teach business skills in which employees can participate widely even outside of their Group company or business division. In addition, meetings for people in charge of Sumitomo Forestry Group Training are held to exchange information about human resource development.

#### **Human Resources Development Department, Housing and Construction Division**

The Human Resources Development Department conducts practical education around the axes of the customer perspective and professionalism for employees who belong to the Housing and Construction Division (sales, design, interiors, production, general affairs, and head office staff).

This department also supports training at each company by working closely with each Group company managed by the Housing and Construction Division.

#### **Group company and each department**

Training to develop professionalism in each field is conducted at each Group company and in each department.

### Human Resources Development System

Under a theme of “Supporting Motivated People,” since the Sumitomo Forestry Business Institute launched in fiscal 2011, the Institute has shifted emphasis, from “training for each level,” which had previously been advocated across-the-board, to more “self-development” and “selective” training, and the content of e-learning has been expanded.

In addition to the training for each level that includes new employee training, we are conducting selective and elective group training jointly throughout the Group. Sumitomo Forestry Business Institute e-learning provides a flexible learning environment to Group employees in Japan.

Sumitomo Forestry Business Institute Training System, Personnel Department (FY2019)

Level/grade	Management track			Staff track			Proposed recruits
	Officers	General manager class	Department manager class	Section manager class	Supervisor class	Assistant Supervisor class	
Training for specific levels (across-the-board attendance)	Officers training	Training for new general managers	E2 grade aptitude training		Preparation program for general management OJT trainer training Training for 5th year graduates (Group)	Training for 3rd year general management Shikoku forestry training for 3rd year graduates Follow-up training for 1st year general management Follow-up training for 1st year general management	Follow-up training for proposed graduate recruits
Selective training (nominated/open invitation)					Training for those who have changed job categories Training for postgraduate employees joining the company Shikoku forestry training for postgraduates and those who have changed job categories		
Self-development training (voluntary)					Next generation leader development training External graduate studies programs Training prior to overseas posting		
Sumitomo Forestry Business Institute/ e-learning					Sumitomo Forestry Business Institute courses (conducted in-house: group training delivered by Sumitomo Forestry instructors or by invited instructors) External public courses (conducted outside the company: external training, open/correspondence courses at university) Support for tuition fees (providing assistance for the cost of attending a preferred external course found independently) Support for obtaining qualifications (providing assistance for the cost of taking examinations registering and reviewing qualifications, and for attending courses to obtain qualifications) Language learning support (providing support for learning languages, such as language schools and language testing)		
					Shared learning (work, human rights, corporate policies, legal compliance, environment, information security, etc.) Business skills (logical thinking, marketing, etc.) Management skills (team management, coaching, etc.) Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.) Specific learning for each business division (Timber & Building Materials Division, Housing Division, etc.)		

\* Training courses in the color indicates that are available for employees from Group companies in Japan

## Number of Employees Attending Main Training Programs (FY2019)

Training program	Number of people attending (Non-consolidated) (Persons)	Number of people attending (Group companies) (Persons)	Total
Training by specific levels (15 courses)	1,512	221	1,733
Selective training (22 courses)	150	27	177
Self-development training (79 courses)	182	0	182
e-learning (6 mandatory courses)	4,890	6,418	11,308

## Hours of Training and Expenditure on Training (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Hours of training received per employee	9.3	9.4	13.1*	13.6	18.0
Expenditure on training per employee (yen)	91,000	100,000	100,000	97,000	102,000

\* Calculation method was changed from fiscal 2017.

### ► Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness Their Skills and Individuality

## Support for Obtaining Qualifications and Attending External Education

Sumitomo Forestry promotes independent efforts for capacity building and career development. For instance, the Company's Regulations for Assistance in Obtaining Qualifications and Attending External Education include provisions for assistance when an employee seeks to obtain qualifications or use an external educational institution.

With regard to obtaining qualifications needed for managing operations and qualifications recommended for capacity building, the regulations prescribe assistance limits for each qualification.

In particular, a lump-sum payment is provided to employees who pass the examination for first-class registered architects to acquire a first-class registered architect's license. 21 employees satisfied the criteria in fiscal 2019.

## Initiatives in the Human Resources Development Department, Housing and Construction Division

The Human Resources Development Department engaged in training and a variety of other initiatives in accordance with the training and education policies. Among the trainees, junior employees aim to become independent (fully qualified) by the end of their third year in education that concentrates on making trainees think. OJT strengthens the coordination with trainers and incorporates methods for flipped learning as a means to strengthen OJT. The training aims to provide faster mastery of the content as a place to find more practical follow up.

### Flow of Flipped Learning



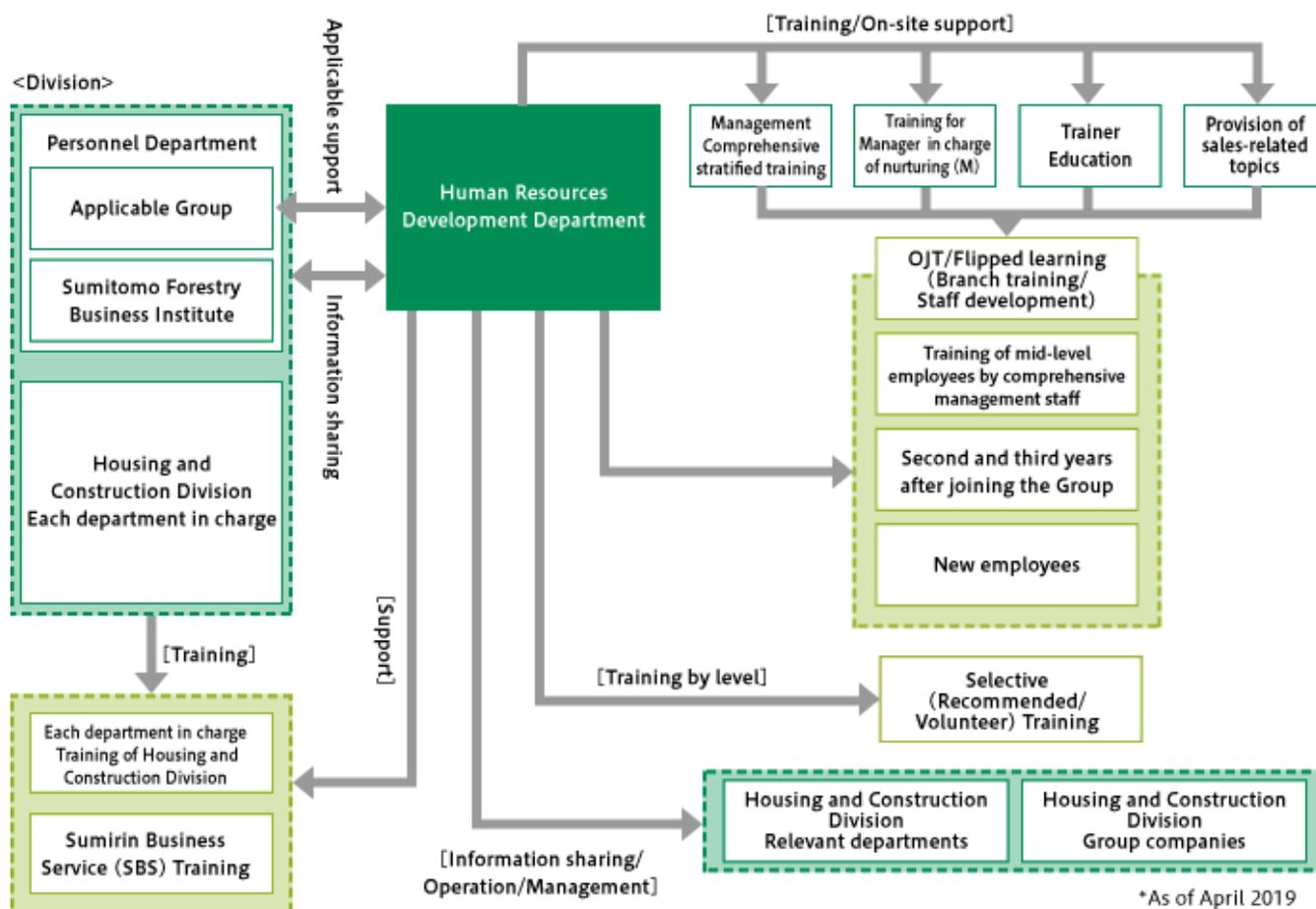
To ensure the OJT for junior and mid-level employees reaches its full potential, we are nurturing management skills, product knowledge, and human assets development capabilities of current and future managers to support and guide on efficient work styles.

Training has also begun using VR video as a new initiative. In addition to on-site training, trainees quickly learn the knowledge necessary for construction by experiencing various virtual environments without exterior influences, and deepen their understanding of operational processes through hands-on experiences as though they are training on an actual site.



Visual and Auditory Sensory Training via Video Projected to a Head-mounted Display Worn by Trainees (Image)

### Training Framework of the Housing and Construction Division



## Handing Down the Techniques Used in Building Wooden Houses

Sumitomo Forestry recognizes that in order to preserve the way of building houses that makes best use of the traditional Japanese wooden post-and-beam construction method, it is important to pass on these skills and techniques to the next generation of workers.

The Sumitomo Forestry School of Professional Building Techniques is an in-house educational institution certified by the governor of Chiba Prefecture, and was founded by the Company in 1988 as a corporate boarding school for vocational training. Implementation of a one-year training curriculum, the school provides training for new employees at Sumitomo Forestry Home Engineering Co., Ltd. who aspire for a job in carpentry. In terms of construction-related subjects, students study classroom-based subjects such as an introduction to building, structure, drawing, methods of construction, materials and supervision, as well as practical subjects, such as tool operation and maintenance, the traditional technique of marking timber with sumi ink and a carpenter's square, processing, safety work, model-based practical training, demonstration-based practical training and computing with the goal of acquiring a 2nd class carpenter license upon completion. On completion of their training, graduates are assigned to places all around Japan, and after a few years, they return to the school to undertake seven to ten days of training in Japanese rooms and in a preparatory course for acquiring the 1st class carpenter license as a certified specialist.

In fiscal 2019, the school welcomed 57 new enrollments, including carpenters employed at partner firms outside the Company and saw 55 graduating. In fiscal 2020, the school had another 61 new enrollments.



Practical training in construction of a house

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

	FY2016 (29th graduating students)	FY2017 (30th graduating students)	FY2018 (31st graduating students)	FY2019 (32nd graduating students)	FY2020 (33rd graduating students)
Number of new students	63	67	69	57	61
Number of graduates	61	66	68	55	-
Students who acquired the 2nd class carpenter license	57	49	62	55	-

## Communication with Employees

### Basic Policy

Sumitomo Forestry strives to create an environment that facilitates free and vigorous expression as well as an exchange of opinions by employees so that they can perform their responsibilities with vigor, integrity and consideration for others. The Company wants each and every employee to grow within a corporate culture of respect for individual employees, and fair evaluation of accomplishments and efforts.

### Communication in Employee Evaluation and Job Execution

Sumitomo Forestry has a policy of providing all employees feedback on their evaluation results, with the main objective of nurturing and developing human resources through employee evaluations. Meetings between individual employees and supervisors must be held once every six months, providing an opportunity to set targets and receive an explanation of evaluation results.

In fiscal 2019, the multi-faceted evaluation system (360 Degree Evaluation) was conducted for management employees in charge of organizational management. This program helps raise awareness and increase management skills to the person under evaluation and provides reference for superiors to guide and evaluate each individual to their direct supervisor by providing feedback of evaluation results.

The evaluation results are utilized for measures in future personnel systems.

Sumitomo Forestry also recognizes the continuous service of employees who have worked for 10 and 20 years to thank them for their contributions to the company over so many years. In addition, the Personnel Department conducts direct self-report hearings of all employees once a year to ascertain opinions on jobs and workplaces, transfer requests and family circumstances, among other matters.

### Casual Discussion

Casual Discussions have been held on a regular basis since 2007 as a platform for discussion between the President and employees, with an aim of facilitating new ideas for the Sumitomo Forestry Group.

The Sumitomo Forestry Group held two dialogues by recruiting participants from Group companies in fiscal 2019. The initial dialogue was held for the first time in Hiroshima Prefecture. This event brought together employees working in the same region to share their ideas about how to energize their local area (territory). The second dialogue discussed stepping up to challenges, participated by employees that utilized the programs offered by the company and are now actively taking part in new fields. Both dialogues provided an exchange of ideas and sharing their actual experience. This act is an opportunity for face-to-face dialogue between management and employees, and we plan to continue organizing this discussion in fiscal 2020.



Casual Discussion

## Employee Satisfaction Survey

Sumitomo Forestry conducted the ninth employee satisfaction survey between August and September 2019.

The survey asked 86 different questions in ten categories: work, work load, workplace, supervisor, evaluation/treatment/skill development, career, management and vision, customer first, compliance, and satisfaction.

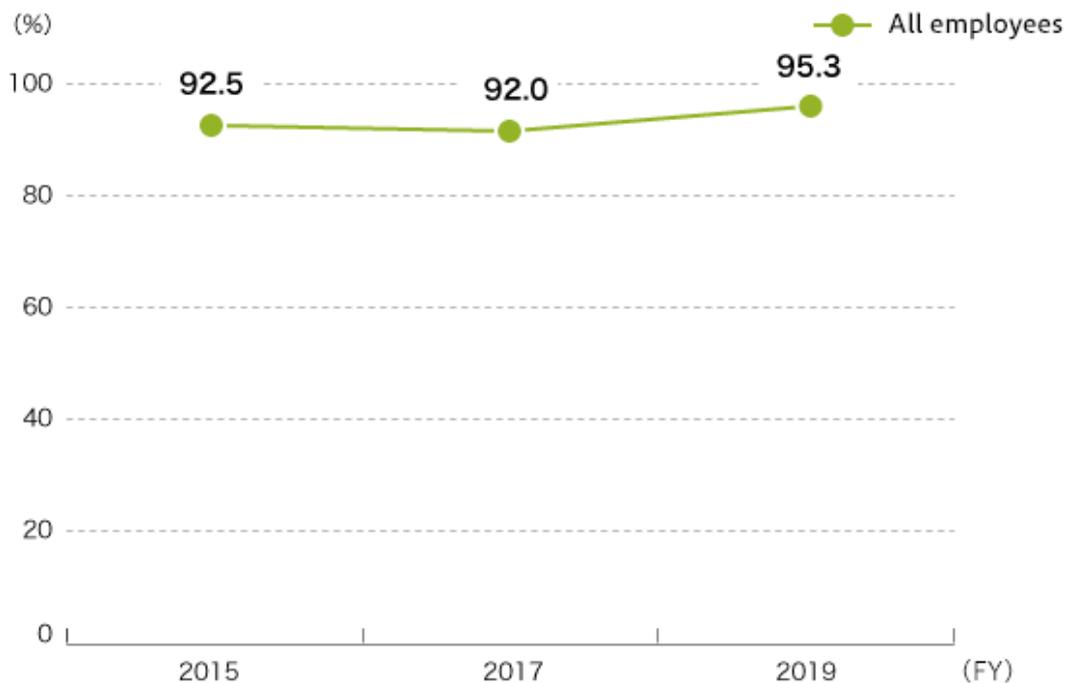
The questionnaire targeted 5,108 full-time and partner employees with a response rate of 95.3%.

As a result of the survey, 78.8% of employees answered either "absolutely" or "yes, if I have to choose" when asked whether they were satisfied working for Sumitomo Forestry. Every year, employee satisfaction improves in matters related to paid leave taken, promotion of women's active participation in the workplace and diversity, which clearly shows the effect of work-style reform initiatives. To improve the level of satisfaction even more, we discovered the importance of employees feeling more motivated than ever before about their jobs in addition to the need for more active workplace communication.

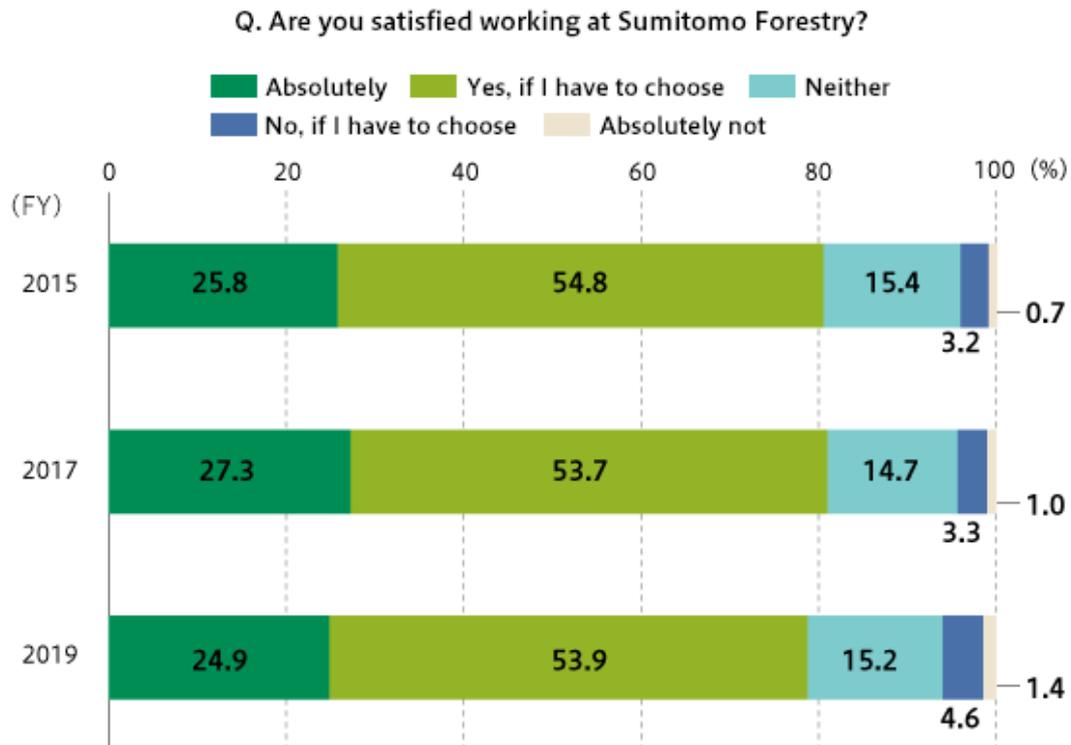
Furthermore, this survey was also jointly conducted at 24 consolidated Group companies in Japan and Sumitomo Forestry in fiscal 2019. The questionnaire targeted 11,906 full-time and fixed-term employees (including some part-time employees) with a response rate of 91.0%.

This employee satisfaction survey had been conducted every other year up until now, but Sumitomo Forestry plans to introduce it as an annual survey throughout all consolidated Group companies in Japan to understand yearly changes.

### Employee Satisfaction Survey Response Rate (Sumitomo Forestry)



### Employee Satisfaction Survey Trends (Sumitomo Forestry)



### Relationship with Labor Unions

All of the eligible employees at Sumitomo Forestry (3,734 people) have joined the labor union as of April 1, 2020. Within the labor agreement completed between the Company and the Sumitomo Forestry Labor Union, the Company recognizes the Labor Union's right to freely engage in activities and to collective bargaining, and promises to guarantee the stable livelihoods of labor-union members, and to maintain and improve labor conditions by establishing meetings with management comprised of both labor and management members.

In fiscal 2019, joint labor-management discussions were held on 21 occasions, and following on from fiscal 2018, consideration was given to measures for reducing long working hours and innovating work styles.

Membership rate in labor unions (Non-consolidated)

**100%**

## Promotion of Social Contribution Activities

### Basic Policy

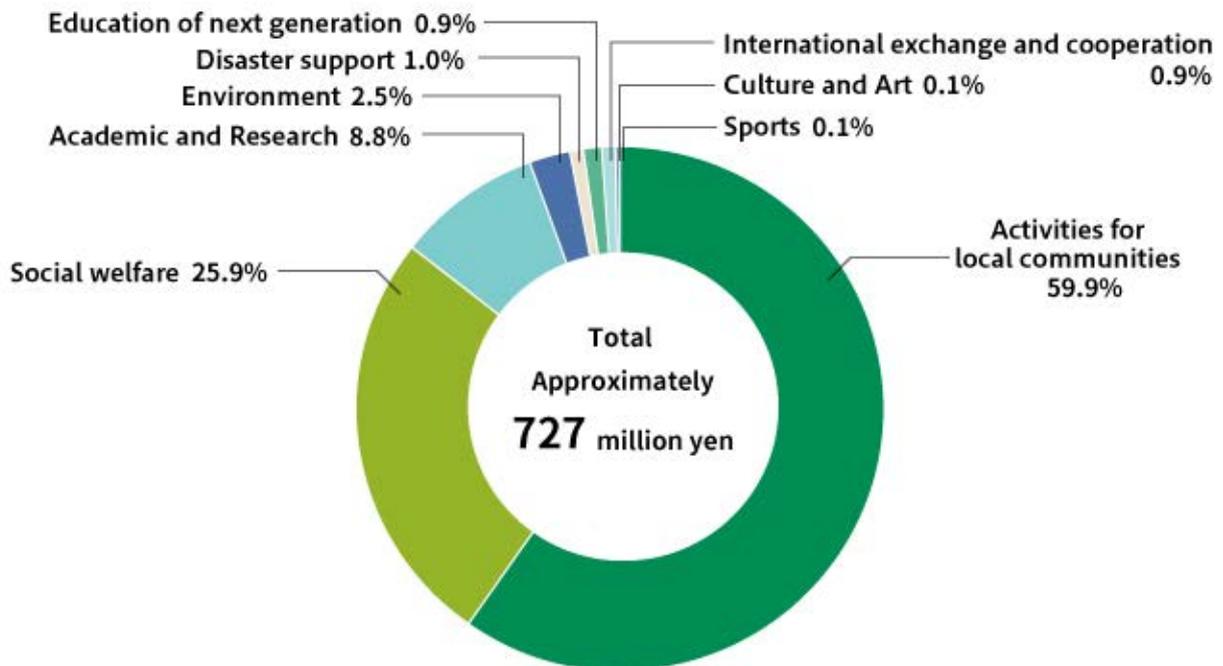
The Sumitomo Forestry Group advocates “the development and sale of reliable and safe products and services that consider the environment and society” as one of five important issues. Even in business processes, the Group makes considerations that include community development and local social welfare. Other social contribution activities are expanding globally around fields that include the environment and education of the next generation around an axis of forests and wood, which are closely related to the Group's businesses.

In addition to the emphasis on education in elementary and junior high schools, such as forest field trips and support for building monastic schools in developing countries, Sumitomo Forestry actively promotes reforestation of forests afflicted by disasters and cultivation of heritage and precious trees as well as other activities. Sumitomo Forestry also supports volunteer activities undertaken by individual employees in local communities to create a workplace environment that encourages people to contribute to their local communities.

- ▶ [Examples of Social Contribution Activities in Japan](#)
- ▶ [Examples of Overseas Community Development and Regional Contribution Activities](#)

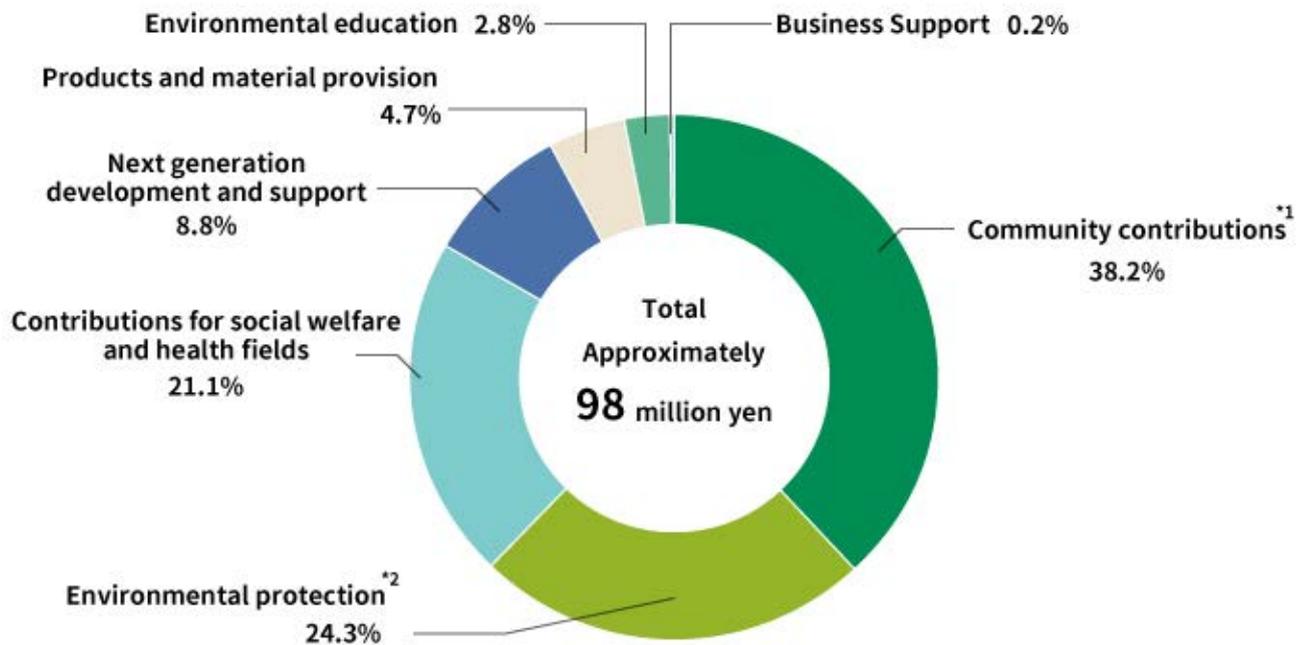
### Social Contribution Donations

Breakdown of Social Contribution Donations by Category (FY2019)



## Expenditure on Social Contribution Activities

### Breakdown of Expenditure on Social Contribution Activities (FY2019)



\*1 Mt. Fuji Manabi no Mori operation costs, etc.

\*2 Costs of community cleaning activities and the Forester House operation, etc.

## Volunteer Leave Program

To support its employees' volunteering activities, in May 2011 the Company established a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities. One employee took volunteer leave in fiscal 2019.

Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake, for a specific time period, it paid the travel expenses and volunteer insurance premiums of employees who wanted to help.

In addition to the five days that can be taken in the current volunteer leave program, employees can now take an additional ten days of leave (unpaid) if participating as a Tokyo 2020 Games (Olympics/Paralympics) volunteer recruited by the Tokyo Organising Committee of the Olympic and Paralympic Games. 20 employees are expected to take advantage of this additional leave. In the future, we will flexibly adapt to the changing situation around these games in ongoing support of employee volunteer activities.

## Contributions to Public Policy

The Sumitomo Forestry Group coordinates and cooperates with national and local governments, the business community and others, making recommendations toward the improvement and resolution of worsening environmental and social issues.

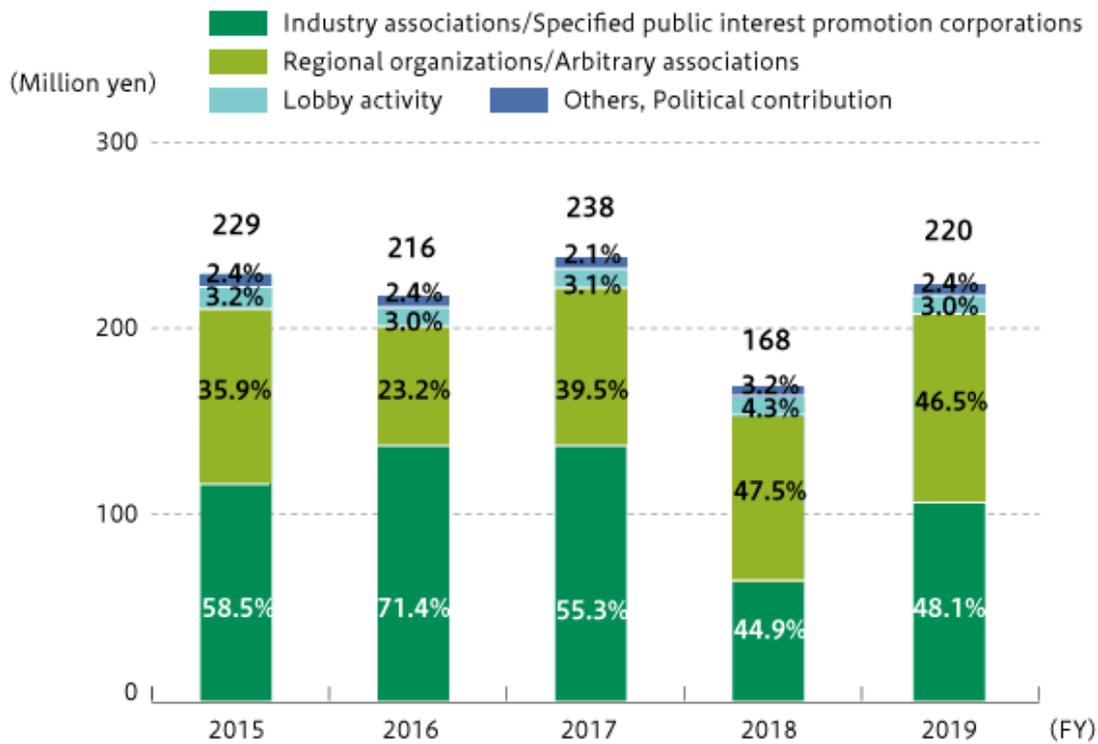
### Public Service (As of April 1, 2020)

Organization	Position	Position in the Company	Name
Japan International Association for the Industry of Building and Housing	Representative Supervisory Officer & Chairperson	Chief Corporate Advisor	Ryu Yano
Organization for Landscape and Urban Green Infrastructure	Representative Supervisory Officer & Chairperson	Chief Corporate Advisor	Ryu Yano
National Conference for Promoting Forestry Revival and Regional Revitalization	Vice-chairperson	Chief Corporate Advisor	Ryu Yano
Japan Global Exchange Forum for Housing, Building and Urban Development	Supervisory Officer & Vice Chairperson	Chief Corporate Advisor	Ryu Yano
The Tokyo Chamber of Commerce and Industry	Special adviser	Chief Corporate Advisor	Ryu Yano
Yamaguchi Industrial Strategy Committee	Industrial Strategy Advisor	Chief Corporate Advisor	Ryu Yano
Kansai Philharmonic Orchestra	Trustee	Chief Corporate Advisor	Ryu Yano
32nd Local Government System Research Councils, Cabinet Office	Chairperson	Representative Director Chairperson	Akira Ichikawa
Council for the Promotion of Decentralization Reform, Cabinet Office	Assembly Member	Representative Director Chairperson	Akira Ichikawa
National Exchange Examination Board, National Personnel Authority	Board Member	Representative Director Chairperson	Akira Ichikawa
Japan Association of Corporate Executives	Vice Chairperson	Representative Director Chairperson	Akira Ichikawa
Wooden Home Builders Association of Japan	Chairperson (Representative Supervisory Officer)	Representative Director Chairperson	Akira Ichikawa
Japan Federation of Housing Organizations	Vice Chairperson (Representative Supervisory Officer)	Representative Director Chairperson	Akira Ichikawa
The Machinami Foundation	Director	Representative Director Chairperson	Akira Ichikawa
Japan-China Association for Building and Housing Industry	Supervisory Officer & Vice Chairperson	Representative Director Chairperson	Akira Ichikawa
The Building & Housing Center of Japan	Outside director	Representative Director Chairperson	Akira Ichikawa

Organization	Position	Position in the Company	Name
The Provision of Quality Housing Stock Association	Vice-chairperson	Representative Director Chairperson	Akira Ichikawa
Keidanren (Japan Business Federation)	Standing Secretary	Representative Director Chairperson	Akira Ichikawa
Keidanren Committee on Nature Conservation	Vice-chairperson	Representative Director Chairperson	Akira Ichikawa
The Tokyo Chamber of Commerce and Industry	Standing Advisor	Representative Director Chairperson	Akira Ichikawa
The Tokyo Chamber of Commerce and Industry - Japan Committee for the Japan-New Zealand Business Council	Committee chairperson	Representative Director Chairperson	Akira Ichikawa
Japan Indonesia Association, Inc.	Director	Representative Director Chairperson	Akira Ichikawa
Gifu Academy of Forest Science and Culture	Special guest professor	Representative Director Chairperson	Akira Ichikawa
Japan Association of Corporate Executives Sustainable Development Goals (SDGs) Workshop	Vice-chairperson	Representative Director President and Executive Officer	Tatsuru Satoh
Institute for Innovative Healthcare	Director	Representative Director President and Executive Officer	Tatsuru Satoh
Japan 2x4 Home Builders Association	Director	Managing Executive Officer	Ikuro Takahashi
The Building & Housing Center of Japan	Executive Delegate	Managing Executive Officer	Ikuro Takahashi
Japan Federation of Housing Organizations - Environment Committee	Committee chairperson	Advisor	Hideki Nose
Japan Federation of Housing Organizations - International Foreign Relations Committee	Committee chairperson	Advisor	Hideki Nose
Institute for Building Environment and Energy Conservation	Director	Advisor	Hideki Nose
Japan International Association for the Industry of Building and Housing	Operational Committee Chairperson	Advisor	Hideki Nose
Wooden Home Builders Association of Japan	Operational Committee Chairperson	Advisor	Ken Wada
Japan Greenery Research and Development Center	Trustee	Chief Engineer, Environment and Resources Division	Akito Kataoka
National Land Afforestation Promotion Organization	Director	Chief Engineer, Environment and Resources Division	Akito Kataoka

Organization	Position	Position in the Company	Name
The Forest Culture Association	Director	Chief Engineer, Environment and Resources Division	Akito Kataoka
Japan-Papua New Guinea Association	Director	General Manager, Overseas Resources Department	Masanobu Nishikawa

### Costs Such as to Various Associations



## Examples of Social Contribution Activities in Japan

### Mt. Fuji Manabi no Mori Project

We are continuing the Mt. Fuji Manabi no Mori Project which began in 1998 to commemorate the 50th anniversary of the Company's establishment, setting out to restore the vitality of the rich national forest cloaking the foothills of Mt. Fuji that was extensively damaged by a typhoon. Today, this project visualizes the progress of tree growth in survey areas of planted regions and oversee natural forest recovery of Mt. Fuji Manabi no Mori.

In fiscal 2019, the Mt. Fuji Manabi no Mori was used for volunteer activities, environmental education programs as well as opened to NPOs and other organizations. A total of 1,554 people visited Mt. Fuji Manabi no Mori from inside and outside of the Company with a total of 29,818 people visiting the project between fiscal 1998 and 2019.

▶ [20-year History of Mt. Fuji Manabi no Mori Booklet \(in Japanese\)](#) 

### Volunteer Activities in Forestry Development

Since the start of the project in 1998, up until now, a cumulative total of 28,000 volunteers have helped to plant approximately 30,000 region-specific saplings and conduct other forestry efforts.

To date, reforestation efforts of national forest damaged by typhoons were completed as the first phase by removing the hexatubes. In fiscal 2019, a tree survey began as a monitoring survey necessary to comprehensive forest management activities. As the first year of this tree survey, 189 volunteers took part in creating a database from records of 495 trees planted on approximately 1,800 m2 over four days under the guidance and cooperation of arborists and other tree experts.

The Manabi no Mori project will shift to a more suitable forest for learning by visualizing the growth of the trees that have been cultivated by the volunteers.



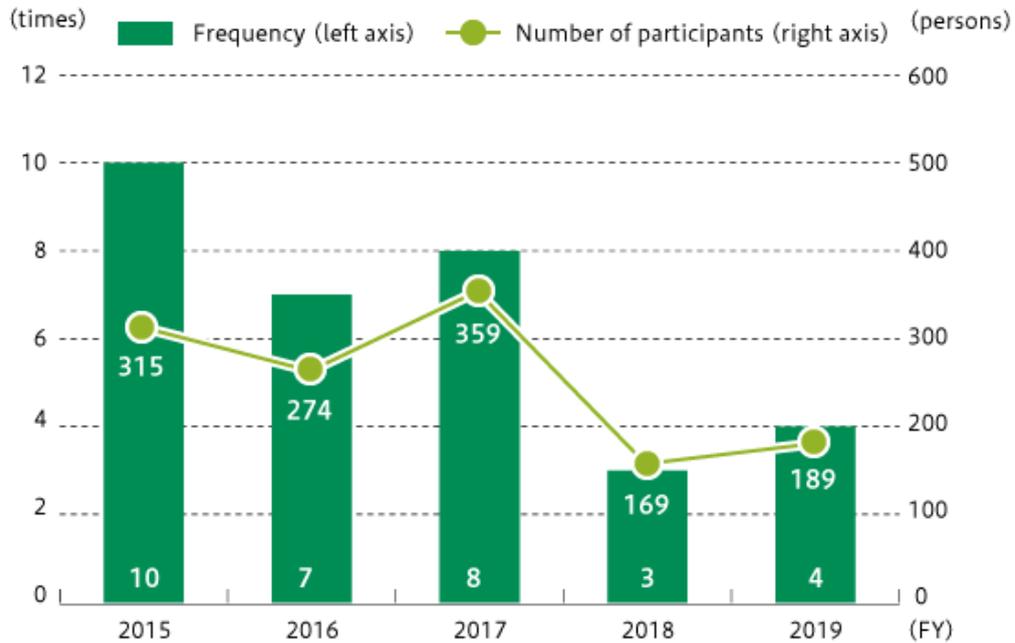
Employees Participating as Volunteers



Students of the Sumitomo Forestry School of Professional Building Techniques Participating as Volunteers



### Forest Recovery Volunteer Activities Trend



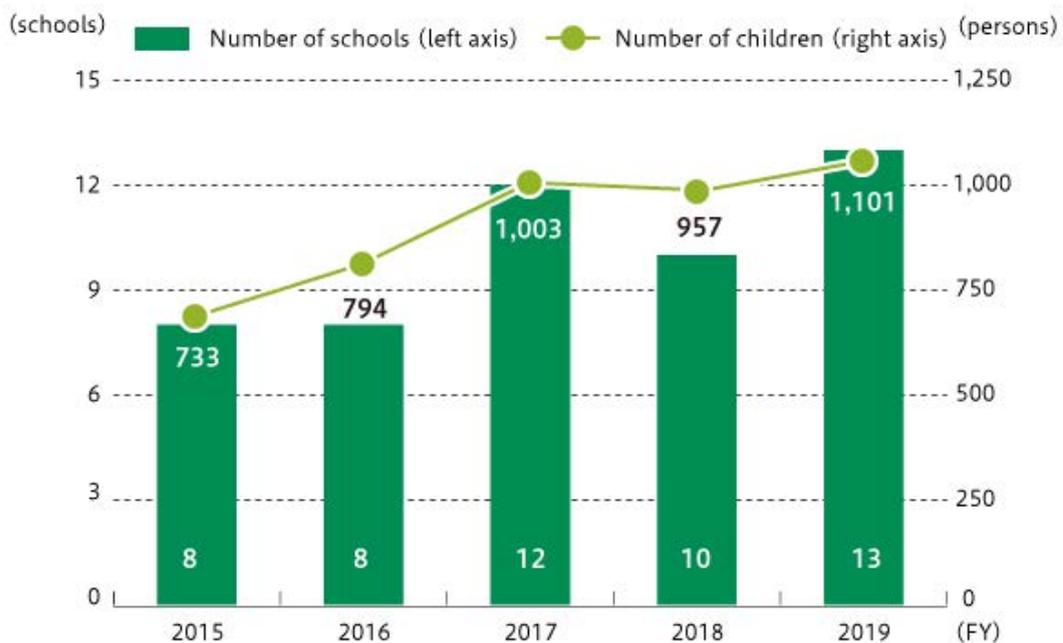
### Environmental Education Program

Sumitomo Forestry has been implementing an Environmental Education Program for local elementary and junior high school students since fiscal 2006 in collaboration with the NPO Whole Earth Institute. Activities include nature observation and games incorporating the five senses. The aim of these opportunities to rediscover the natural world is for the students to learn about the importance of nature and encourage them to consider new ways in which people can coexist with nature in the future. In fiscal 2019, a total of 1,101 students and children from 13 schools were invited to the program. A cumulative total of more than 10,000 students and children have been invited as of fiscal 2019.



Environmental Education Program

### Environmental Education Program Trend



## Vegetation Monitoring and Wildlife Habitat Survey

We have been conducting vegetation surveys since fiscal 2000 to monitor the recovery of the natural forest under the guidance of Vegetation Management Science Laboratory, Tokyo University of Agriculture and Technology. From the same year, we have been conducting wildlife habitat surveys with the cooperation of the Minami Fuji Branch of the Wild Bird Society of Japan.

The vegetation monitoring has been able to confirm the gradual growth of beech, Japanese zelkova, and other trees that were planted as well as dogwood and amur cork trees that grew naturally after the damage caused by the typhoon. Over the last 20 years, the survey revealed that the planted trees had not only gotten larger but entire species in the forest also recovered.

The environment where the ground was bare after the removal of fallen trees gradually transformed from grasslands to forests. With this, on the wildlife habitat survey, the population of pheasants and shrikes is declining, and in their place, the population of such birds of the forest as narcissus flycatchers and varied tit is increasing with opportunities to view them becoming more frequent, indicating that the forest is steadily recovering.

In fiscal 2019, we started a three-year entomological survey with the cooperation of Tokoha University professors. This monitoring survey will identify and list over 80% of the insect species living in Manabi no Mori with a large behavioral range.

Cultivating a forest is a never-ending job and Mt. Fuji Manabi no Mori, too, is a 100-year project. To ensure that the project is still running 100 years from now, forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.

### Vegetation Shift in the Wind-affected Area



(2001)



(2008)



(2016)

▶ [Mt. Fuji Manabi no Mori \(in Japanese\)](#)

## Cooperation with Local Communities

The Sumitomo Forestry Group conducts biodiversity conservation in surrounding areas where it engages business in and conducting and activities tied to local communities with local residents.

### Forest Maintenance Activities at Gunma Manabi no Mori

In July 2012, Sumitomo Forestry and Gunma Prefecture signed a prefectural forest maintenance partnership agreement, and are working with the prefectural authorities to promote the maintenance of forest at the foot of Mt. Akagi.

Located within the jurisdiction of Maebashi City, Akagi Forest is owned by Gunma Prefecture, which promotes maintenance and conservation of its forests in cooperation with companies and organizations. Sumitomo Forestry held Gunma Manabi no Mori during fiscal 2019. With the cooperation of local forest associations, 73 employees of Sumitomo Forestry and partner building contractors as well as their families participated in the activities which included planting of Japanese cypress seedlings and thinning in May. 94 owners and their families took part in the same program in July.



Gunma Manabi no Mori

## Advocating the Kanagawa Zero Plastic Waste Declaration

In February 2019, the Sumitomo Forestry sales offices in Kanagawa (Yokohama Branch, Yokohama North Branch, Kanagawa West Branch, Shonan Branch, and Tokyo South Branch of Housing and Construction Division) pledged their support for the Kanagawa No Plastic Waste Declaration. In the future, we will continue the beach cleaning activities that began in fiscal 2018 as well as providing environmental education for local communities about plastic waste.

► [Kanagawa Zero Plastic Waste Declaration](#)

## Development of Technology to Pass Down Heritage and Precious Trees to the Next Generation

Sumitomo Forestry uses the most cutting-edge biotechnology in addition to conventional grafting and cutting based on the request of owners to pass down heritage and precious trees to the next generation. We are also putting our strength into breeding seedlings that provide the properties in the flowers and leaves of heritage and precious trees as a way to pass down both heritage and precious trees to the next generation. In addition, we are building a DNA database for trees to further advance a sophisticated program to identify individual varieties.

### Successor Trees to the Miracle Pine Return Home: -Rikuzentakata City, Takatamatsubara Tsunami Memorial Park Tree-planting to Commemorate the Opening of the Park-

The successor trees of the Miracle Pine cloned through grafting returned to their homeland in Rikuzentakata City for the first time on September 22, 2019. The “Miracle Pine” was the sole surviving pine tree from the tsunami caused by the Great East Japan Earthquake. Sumitomo Forestry attempted to cultivate successor trees to the Miracle Pine and, in 2011, was successful in using grafts and seedlings to propagate new trees. Three of these successor trees were planted for the opening ceremony of the Takatamatsubara Tsunami Memorial Park. It is hoped that these successor trees propagated from the Miracle Pine will become a symbol of protection against disaster and remind those to come of the Great East Japan Earthquake. These successor trees, together with Rikuzentakata City that recovered strongly from the disaster, will live on to a new tomorrow.



Miracle Pine seedling planted by Princess Hisako Takamado

### Sumitomo Forestry's Endeavour to Cultivate Successor Trees of the Miracle Pine

April 2011	Japan Landscape Contractors Association Iwate Division Manager Yoneuchi launches the Miracle Pine Rescue Project. Cuttings, graftings, tissue cultures and seedlings are all examined as possible methods of propagation.
December 2011	Three grafted saplings and 18 seedlings germinate
September 2012	Approximately 1,000 pine cones are harvested when the Miracle Pine is felled. Breaking down all of these pine cones, 75 seeds are collected
March 2013	Seeds collected in September of the previous year are planted.
June 2013	The 18 seedlings that germinated in 2011 all wither and die nine seedlings are successfully cultivated from the 75 seeds collected in 2012.
Present	Three grafted trees and nine seedlings are growing well.

## Launch of the TOKYO Sakura Project -Preserving and Popularizing the Tokyo Sakura by Tokyo Metropolitan Government and Sumitomo Forestry-

The Tokyo Metropolitan Government and Sumitomo Forestry launched the TOKYO Sakura Project to preserve and popularize the cherry blossoms that has close ties with Tokyo. Sumitomo Forestry is passing on the genetic strains of Tokyo Sakura through species identification via the genetic information as well as the cloning techniques via tissue cultures unique to Sumitomo Forestry in accordance with the Partnership Agreement on the Natural Park Business concluded by Sumitomo Forestry and the Tokyo Metropolitan Government in April 2018.



TOKYO Sakura Project Logo

## Start of the Oku Matsushima Natural Recovery Volunteer Planting Activity

Sumitomo Forestry entered into a partnership agreement on restoration property development coordination and cooperation with Higashi Matsushima City, Miyagi Prefecture in July 2012 after the Great East Japan Earthquake to make every effort toward restoration. Higashi Matsushima City aims to revitalize tourism by bringing back the wetlands in the Susaki district near the Nobiru coast devastated by the tsunami. As part of this effort, Sumitomo Forestry began trial tree planting activities in fiscal 2017. A soil investigation discovered a high concentration of acidity, which needed considerations about the tree species and techniques for planting. We then formulated a tree-planting plan taking into account third-party insight from the Tohoku Research Center of the Forestry and Forest Products Research Institute.

We could check and make sure the seedlings had been growing with support by local community, so that the Higashi Matsushima Nature Recover Volunteer Planting Activity started near Oku Matsushima "Kizuna" Solar Park along the Nobiru coast of Higashi Matsushima City In fiscal 2019.

On October 23, a total of 136 people from the local community, students from Miyanomori Elementary School in Higashi Matsushima and Sumitomo Group employees took part in planting 630 botanical plants, such as Japanese black pine and evergreen shrubs indigenous to Japan. This is a medium- to long-term plan executed together with the local community.



Students from Miyanomori Elementary School in Higashi Matsushima and employee volunteers from the Sumitomo Forestry Group

## Training and Education for the Next Generation

### Sponsoring Marunouchi Kids Jamboree 2019 and the Children's Tour Day in Kasumigaseki to Share the Importance of Trees and Nature with Children

Sumitomo Forestry participated in the Children's Tour Day in Kasumigaseki alongside various government agencies and ministries, such as the Ministry of Education, Culture, Sports, Science and Technology and sponsored as well as exhibited a booth at the Marunouchi Kids Jamboree held at the Tokyo International Forum in August 2019. These are hands-on events aiming to deliver opportunities for children to learn about the society around them. The Marunouchi Kids Jamboree has been held continually throughout each summer season since 2007 under a concept to deliver wonder, discovery and surprise to nurture aspiration for the future in the next generation. Sumitomo Forestry has sponsored this event for the last four consecutive years since 2016. This is the first time the Company has opened a booth in the Housing Bureau, Ministry of Land, Infrastructure, Transport and Tourism exhibition venue at the Children's Tour Day in Kasumigaseki Both of these events provided quizzes for everyone to participate in to share the unique characteristics of wood through direct, hands-on experience. Anyone who answered the quiz was given Kikorin merchandise as a present. Both parents and children alike were able to experience the fun and thrill of learning at the Kids Jamboree.

We also broadly shared information about both events in the new Yomiuri KODOMO Shimbun and distributed these newspapers to children visiting model homes and Mt. Fuji Manabi no Mori.



Kids Jamboree Event



Yomiuri KODOMO Shimbun

## Conducting Corporate Research Seminars for Ministry of Education, Culture, Sports, Science and Technology-Designated Ehime Prefectural Matsuyama Higashi High School

Students of Matsuyama Higashi High School visit Niihama, Ehime, where the Sumitomo Forestry Group was founded, to take part in a seminar every year, as part of reforms of education curriculum as well as research and development projects (human resource development of future leaders through the development, practice, and systemization of high-quality curriculum) that help nurture leaders in high schools launched by the Ministry of Education, Culture, Sports, Science and technology since 2014.

FY2014 to FY2018	Super Global High School Program
Since FY2019	Program to Promote Education Innovation at High Schools in Cooperation with Local Communities

The seminar held in July 2019 was made up of two sections; a lecture to introduce the businesses of the Sumitomo Forestry Group as well as a discussion about the experiences of employees working abroad among other things in Niihama Office as well as field work at the Forester House in Kyubesshi. These students learned about the corporate spirit passed down through the close to 325-year history of Sumitomo Forestry as well as the contributions to current business expansion overseas.

In fiscal 2014 and fiscal 2015, students visited the Djakarta office to experience the Sumitomo Forestry business expansion in Indonesia.

Sumitomo Forestry sponsors and cooperates with the Ministry of Education, Culture, Sports, Science and Technology in reforms of education curriculum as well as research and development programs that help nurture leaders in high school through this series of activities.



Forester House

### Other

## Donation of 8,000 Dust Masks to the Ministry of Health, Labour and Welfare to Support Medical Sites

Sumitomo Forestry responded to the lack of medical masks that can prevent the spread of infection through droplets, including viruses, on medical sites with the spread of the COVID-19 infection by donating 8,000 dust masks with the same performance as medical masks stockpiled for an emergency to the Ministry of Health, Labour and Welfare after a request from the Keidanren.

In the future, we will continue to use all of our strength as a corporate group to cease the spread of this infection and recover both social and economic activities.

## Examples of Overseas Community Development and Regional Contribution Activities

### Contributing to Communities Where Sumitomo Forestry Operates

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

### Activities Which Contribute to Local Communities in Indonesia

#### Support for Children Through the KTI Educational Foundation

PT. Kutai Timber Indonesia (KTI) founded the KTI Educational Foundation in 2000 to commemorate its 30th anniversary with the purpose of improving the livelihood of people in Indonesia through education as well as engaging in social activities. This foundation primarily provides educational support to impoverished children as well as school supplies to public schools in Probolinggo in the East Java province where a Sumitomo Forestry Group plant is located. In fiscal 2019, the foundation provided school supplies to orphans, English learning assistance to students living near the plant and other such support as well as IDR 45,480,800 (approx. 350,000 yen) in financial support.



Providing uniforms to children at the orphanage

#### Community Development Through Project EARTH Initiatives

Sumitomo Forestry has also been involved in Project Earth since 2009 to offset CO<sub>2</sub> (approximately 60,000 tons) emitted from the harvesting of wood used for primary building materials of Sumitomo Forestry Home houses, and emitted from transport, fabrication, and construction by planting in Indonesia. This project combines "environmental reforestation" for the purpose of recovering the ecosystem of degraded forests in national parks and community-oriented "industrial tree plantations" that unify sustainable comprehensive forest management and community contributions.

#### Environmental Reforestation to Combat the Harsh Natural Environment and Forest Fires

In Bromo Tengger Semeru National Park located in East Java, Indonesia, Sumitomo Forestry planted about 1.1 million trees, including supplementary planting, over roughly 700 hectares of plantation forest between fiscal 2009 to fiscal 2016. Mount Bromo erupted in 2010 at this national park damaging the plantation forest due to volcanic ash and gas. At the end of a severe dry season in November 2014, a large fire broke out and burned almost all of the roughly 400 hectares of forest planted up to 2013. We replanted the forest, constructed a fire belt that was six meters in width and 20 km in total length, prepared water and equipment for fire-fighting, and introduced around the clock dry season patrols. However, in October 2019, a large number of forest fires broke out in the national park and once again damaged approximately 470 hectares of plantation forest.

Sumitomo Forestry continued to manage the plantation forest even after 2017 upon completion of the reforestation until transferring the environmental reforestation responsibilities to the national park in March 2020 after completing the agreed upon project with them. In the future, the national park plans to restore the ecosystem by maintaining and managing the plantation forest.

## Community-oriented Industrial Tree Plantation Side-by-Side the Local People Who Wish to Plant Trees

Starting in the Lumajang Regency located at the foot of Mount Semeru in East Java, Indonesia, Sumitomo Forestry worked with the local people to cultivate about 3,800 hectares of community oriented industrial tree plantation between fiscal 2010 and 2017. The harvest and sell of the grown trees that were planted will stimulate the local economy. Pt. Kutai Timber Indonesia (KTI), a Sumitomo Forestry Group company, took charge of the local activities promising to purchase future logs to give the local people confidence in their planting efforts. Sumitomo Forestry not only engaged in planting activity, but also provided local lifestyle infrastructure, building routes necessary for reforestation, and made donations such as academic supplies to kindergartens and elementary schools in addition to setting up public restrooms in villages.

After completing the planting efforts in fiscal 2017, the cultivation and reforestation efforts transferred to KTI and participating citizens. Thereafter, the local people involved have been planting trees they themselves cultivated and harvested in addition to seedlings provided for free from KTI. KTI provided the local people with 920,000 seedlings in fiscal 2018 and 680,000 seedlings in fiscal 2019.

66,891 houses were delivered during this project period with a roughly 400,000-ton CO<sub>2</sub> fixation target. As of ten years since these planting efforts, the cumulative total estimated CO<sub>2</sub> fixation was 430,000 tons\*. This is expected to reach our carbon dioxide fixation target of 6 tons per household.

Sumitomo Forestry strives to support the local people who want to plant more trees together with KTI in Indonesia.

\*Excludes CO<sub>2</sub> fixation for environmental reforestation deemed to have a high risk of fires and other disasters.

### Community-oriented Industrial Tree Plantation Area and Estimated CO<sub>2</sub> Fixation

FY	Number of Relevant Households	Target CO <sub>2</sub> Fixation	Plantation Area (ha)	Estimated CO <sub>2</sub> Fixation
2009	3,014	18,084	0	0
2010	8,435	50,610	740	68,734
2011	9,253	55,518	588	63,115
2012	9,407	56,442	702	58,419
2013	9,781	58,686	505	62,854
2014	9,350	56,100	482	61,645
2015	8,759	52,554	408	62,161
2016	8,892	53,352	406	55,273
Total	66,891	401,346	3,831	432,202

\* The estimated CO<sub>2</sub> fixation value is calculated by a prescribed method from the estimated timber volume of plantation forest ten years after planting.

- ▶ [Reforestation Activities Contributing to the Society](#)
- ▶ [News Release: KTI Reforestation Cooperative Newly Acquires the FSC Forest Certification \(in Japanese\)](#)



Water Maintenance and Management to Prevent Fires



Fire Prevention Response Team



Harvesting and Transport of Timber

## Community Contributions Through Social Forestry

As a manufacturer and seller of plywood and processed wood products, PT. Kutai Timber Indonesia (KTI) contributes to the local economy and community greening through “social forestry” by distributing seedlings to local residents for free to plant on the lands they own and promising to purchase timber when the trees are mature at its market value.

### ► Promoting Sustainable Timber Procurement



Donated Seedlings



Distribution of Free Seedlings and Buy Back Guarantee of Logs

## Respect for Local Tradition and Culture at Overseas Plantations

The plantation forest operations in Indonesia communicate with the local residents and associations to gain a deep understanding of the local traditions and culture and conduct safety festivals together with the local people when starting operations in accordance with those traditions. Sumitomo Forestry also engages in efforts to respect the traditions and cultures of local communities, such as capital support for traditional events held by local residents.



Village meeting

## Technical Development for Sustainable Peatland Use

Sumitomo Forestry strives to develop forestry technologies together with the region through large-scale plantation operations in West Kalimantan, Indonesia.

### ► Plantation Forest Operations in West Kalimantan, Indonesia (Industrial Tree Plantation)

## Building Infrastructure and Providing Basic Educational and Medical Support in Neighboring Business Regions

PT. Mayangkara Tanaman Industri (MTI), a large-scale plantation forest business operator in Indonesia, views sustainable development of local communities as a vital managerial challenge, and thereby, undertaking community services that meet the needs of local residents in the areas through education, medicine and hygiene, infrastructure development, agriculture, and livelihood enhancement.

Up until now, a water purifying plant was setup in villages in business regions to supply safe water for daily life to residents. In addition, Sumitomo Forestry works to provide basic educational support by building local elementary schools and deploying teachers where facilities and instructors are lacking in addition to medical support which includes free examinations for neighboring residents.

In fiscal 2018, adoption of flood disaster prevention in neighboring communities began with the water level management technology developed through the Sumitomo Forestry business. Infrastructure that is easy to maintenance and able to effectively adjust water levels is offered to neighboring communities.



Support for stationary at elementary schools in operating areas



Educational Environment at the Elementary School



Ladakh Water Level Management Infrastructure

## Building Social Infrastructure in Papua New Guinea

Open Bay Timber Ltd. (OBT) in Papua New Guinea has been operating a plantation forest since 1984 and it contributes greatly to the economic development of the region. In April 2007, OBT became a Group company of Sumitomo Forestry to further healthy expansion and effective use of reforestation timber resources.

OBT also operates its own clinics and super markets for their employees and local residents to use because the preparation of social infrastructure is insufficient in Papua New Guinea. In neighboring villages, OBT nurses periodically visit neighboring villages to perform infant health checkups and provide advice to the sick as well as conduct educational activities. Furthermore, a dedicated clinic vehicle was arranged to transport patients to larger hospitals.

OBT employs full-time health workers day and night at the Open Bay Clinic to provide general medical care, support childbirth and pharmaceutical needs, accept patients into the hospital, and transfer patients with serious medical concerns to major hospitals by land and sea.

The patients receiving care are not only employees and their families but also many people who travel from far away for treatment.

This clinic is the most advanced medical clinic within a 60 km radius and greatly contributes to the local community in a country where medical facilities are lacking, such as providing space for visiting Doctors Without Borders and the WHO program to eradicate elephantiasis.



Full View of Open Bay Clinic



Four-wheel drive vehicle to transport patients available at the clinic

A large-scale charity medical event was also held in fiscal 2018 at the Open Bay Clinic built and operated by OBT to offer local citizens a place to be examined properly for those that cannot visit major town to receive such examinations with the cooperation of the health department of the province. The medical staff of over 40 professionals brought together from around the world examined for diagnosis for approximately 500 people over the three days of this event.



Diagnosing and Treating Adults and Children Alike

## Social Contribution Through the Housing Business in the United States and Australia

The Sumitomo Forestry Group engages in social contribution activities through the housing business in the United States and Australia.

In the United States, MainVue Homes set up MainVue Day in 2015 as a day each year for employees to participate in volunteer activities at least once. This program both works as an ongoing philanthropic activity and also an opportunity to reflect on a corporate philosophy that focuses on giving back to society.

MainVue Homes employees took advantage of MainVue Day in 2019 to participate in a volunteer effort held by the Low Income Housing Institute (LIHI)—a non-profit offering housing assistance to low-income and homeless people in Washington—to build a group of small homes. There are approximately 40,000 homeless people living in Washington, of which 7,000 are estimated to live with children. LIHI builds small homes equipped with electricity and heat for families living under these harsh conditions. With the hope of providing at least a little more comfort in the lives of these impoverished people, MainVue Home employees pitched in wherever they could from painting both the inside and outside of homes and building front porches to cleaning the housing exteriors.



MainVue Homes Employees Taking Part in the Construction Work

Crescent Communities, another company in the United States, worked with the project held by Habitat for Humanity—an international non-profit organization providing housing assistance in over 70 countries worldwide— to build and provide homes at an accessible price to help families who cannot afford a home. The Company worked with 14 other multifamily developers active in Charlotte, North Carolina to fund and build a home in the northern area of the city in 2019. Employees from Crescent Communities took part in the construction and completed the home in July. The house was delivered without fail to a family who jumped in to help with the construction with passion for their own home.

Rather than simple economic assistance for families struggling to buy a home, this project is an effort for families who still want a scheduled mortgage to get involved for a designated amount of time in the construction. The project includes courses on asset formation and home maintenance and management as an initiative that goes beyond providing a home to support the independence of home buyers.

In 2019, Sumitomo Forestry Group companies DRB, Edge Homes, and Mark III Properties also donated to Habitat for Humanity and took part in housing support activities.



Employees from Crescent Communities taking part in the construction work

Henley Properties builds and sells detached homes in Australia. The Company held the Good Friday Charity Auction in April 2019 whereby the money raised from the sales of a spec home, built with cooperation of a housing lot developer, materials supplier and other business partners, is donated. Many business partners took part in these activities from the provision of land to design, estimation, material manufacturing, procurement, and labor management in order to build this two-story home in Clyde North located in south east Melbourne. Henley Properties donated the entire 761,000 Australian dollars (approx. 54 million yen) earned from the charity auction this year to a children's hospital. Since these efforts began in 1993, more than 15.4 million Australian dollars (1,093.4 million yen) in total donations have been provided through the auction to be used for the medical costs of children suffering from intractable diseases.



Charity auction

## Regional Contribution Activities in New Zealand

Tasman Pine Forests Ltd. (TPF) in New Zealand engages in local contribution activities to bring health, safety and biodiversity to the local community.

### Supporting the Activities to Protect the Kea Indigenous to New Zealand

Sumitomo Forestry donated to the Kea Conservation Trust, an organization that protects the kea (large parrot species) indigenous to New Zealand. Kea is the only parrot in the world to live in mountainous areas, and it is considered one of the smartest species of bird on the planet. This species of parrot is protected as an endangered species and adored by the people of New Zealand. These birds are seen from time to time in the TPF forests. We report any sightings to the relevant agencies and ensure their protection. This donation will be used to train kea protection officers.



Kea (Large Parrot Species)

► [New Zealand Nature Conversation Agency Homepage](#)

### Contributions to Local Disaster Prevention and Rescue Efforts

TPF donated a fire engine and fire-fighting equipment to Fire and Emergency New Zealand (FENZ), the fire-fighting organization of New Zealand. The Rural Fire Network, an organization under FENZ, handles the management operations of fire-fighting equipment and engages in local forest fire prevention and fire-fighting activities. Cooperating with FENZ, local municipalities, and forestry companies nearby, TPF is contributing to uniform fire prevention and fire-fighting efforts in the region from raising awareness in the local community to strengthening patrols.

Every year since fiscal 2017, TPF has been donating activity capital as a sponsor to the Nelson Marlborough Rescue Helicopter Trust. This trust is deploying rescue helicopters roughly 500 times a year for natural disasters that occur in the region and for leisure accidents. The TPF logo is posted on the Marlborough Rescue helicopter.



Fire engine donated by TPF



Pilot and paramedics with the Nelson Marlborough Rescue Helicopter Trust Helicopter

## Support for the Next Generation in the United States Through Joint Efforts with Local Residents

The Canyon Creek, which manufactures and sells wooden cabinets in the United States, continually makes contributions to the region from providing offcuts of timber produced in manufacturing products to local charity organizations which donate toys to make donations of wooden toys and puzzles to child protection facilities and children's hospitals.



Trains and Other Donated Wooden Toys



Local Charity Organization Members Making Toys

## Construction of Monastic Schools in Myanmar

Sumitomo Forestry is involved in the Myanmar Monastic School Support Team and the secretariat, bodies established to support the construction of monastic school-style community schools in Myanmar. Activities which began in 2014 have completed six monastic-style schools as of January 2020 thanks to the donations of companies and individuals who see the benefit. Many of these schools were old and leaked during the monsoon season before they were rebuilt but have now transformed into two-story schoolhouses built from steel and concrete. At the completion of a school, the donor companies held an opening ceremony with participants from advocating companies and an opportunity to engage with the local children.

Moving forward, the Myanmar Monastic School Support Team will continue to provide support with a goal of building one school per year.

► [Myanmar Monastic School Support Team Video \(in Japanese\)](#)



School before rebuilding



Monastic School After Rebuilding and Attendees at the Ceremony

### Construction of Monastic Schools by Myanmar Monastic School Support Team, in Number

Monastic School	Completion	Construction Region	Number of Students	Sponsors
Wutt Kyway Taw Pyay Monastery School	October 2014	Mingaladon Township, Yangon City	Approx. 260	18 companies, 4 individuals
Pyin Nyar Theingi Nun School	November 2015	Mingaladon Township, Yangon City	Approx. 130	18 companies, 4 individuals

Monastic School	Completion	Construction Region	Number of Students	Sponsors
Myittar Young Chi Nun School	November 2016	South Dagon Township, Yangon City	Approx. 140	19 companies, 5 individuals
Shuepi Paremiin Monastery Elementary and Middle School	March 2018	Aung Myay Tharzan Township, Mandalay	Approx. 520	20 companies, 6 individuals
Aung Mingalar Monastery Elementary and Middle School	January 2019	Pyigyidagun Township, Mandalay	305	19 companies, 6 individuals
Aung Myae Yadanar Monastery Elementary and Middle School	January 2020	Pyigyidagun Township, Mandalay	338	15 companies

## Support and Cooperation in Nepal Manaslu Forest Restoration Project with Planting Technologies

The certified non-profit Peak Aid led by alpinist Ken Noguchi launched the Nepal Manaslu Forest Restoration Project to revitalize the degraded forests in Sama, Nepal located at an altitude of 3,600 meters where he had been an active alpinist. Sumitomo Forestry has been providing support to the trial reforestation activities since 2015. In the first year, we investigated the soil of the land planned for garden vegetation, created a field of rice seedlings, selected plant and tree species and collected seeds as well as made other preparations to cultivate seedlings. In the second year, we conducted surveys of the soil and compost that can be collected on-site and furthered seedling preparations. In the third year, we planted the seedlings and drafted a plan for surveys to assess the percentage that take root.

Although there were delays in the process due to the impact of natural disasters and other factors, plant the cultivated seedlings in 2018, the fourth year of the trial activities, and confirmed those seedlings were able to take root without any problems in 2019. Despite the fact that a tremendous undertaking was anticipated in both time and effort for reforestation at high altitudes where the environment is harsh and vegetation growth is slow, the project was successful thanks to the cooperation of local project members centered around experienced people who have been involved with planting efforts for over 30 years on the Himalayan route.

In the future, Peak Aid plans to continue this effort with the aim of planting 100,000 trees in the Himalayas. Sumitomo Forestry will offer technical advice from Japan while continuing to closely watch these planting activities.



Approx. Two-Year Old Seedlings Ready for Planting

## Quality Management

### Basic Policy

Sumitomo Forestry and its Group companies in Japan and overseas have acquired the ISO 9001 quality management system certification and constantly enhance the quality of products and services provided to customers.

The Quality Control and Worker Safety Management Department established in April 2020 as an office directly under the president strives to consistently improve product and service quality and eradicate occupational accidents. This department also rolls out and strengthens quality as well as occupational health and safety management systems by providing guidance and advice to the entire Group.

- ▶ [Product Safety and Quality Control](#)
- ▶ [Basic Concept of Product Safety and Quality Control in MOCCA \(Timber Solutions\) Business](#)

### Quality Management System

The Quality Control and Worker Safety Management Department oversees matters related to improving the quality of products and services throughout the entire Sumitomo Forestry Group. This department prepares and deploys quality management systems while providing the necessary guidance and assistance to each Group company.

The quality certification acquisition rate of manufacturing businesses throughout the Sumitomo Forestry Group is 77.7% (based on sales).

### Acquisition Status of Quality Management System Certifications (ISO 9001) at Each Group Company

Group companies	Country	Type of certification	Date acquired	Date renewed
Construction Market Development Department, Housing and Construction Division, Sumitomo Forestry Co., Ltd.	Japan	ISO9001:2015	September 2015	August 2018
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001:2015	March 1999	November 2019
Environmental Greenification Division, Sumitomo Forestry Landscaping Co., Ltd.	Japan	ISO9001:2015	September 2002	September 2018
The Agro-Products Division, Sumitomo Forestry Landscaping Co., Ltd.	Japan	ISO9001:2015	December 2019	–
Sumitomo Forestry Home Engineering Co., Ltd.	Japan	ISO9001:2015	March 2006	March 2020
Sumitomo Forestry Home Tech Co., Ltd.	Japan	ISO9001:2015	March 2017	–
Nelson Pine Industries Ltd. (NPIL)	New Zealand	ISO9001:2015	July 1993	October 2019
PT. Kutai Timber Indonesia (KTI)	Indonesia	ISO9001:2015	September 1997	September 2019
PT. Rimba Partikel Indonesia (RPI)	Indonesia	ISO9001:2015	June 2003	March 2019

Group companies	Country	Type of certification	Date acquired	Date renewed
PT. AST Indonesia (ASTI)	Indonesia	ISO9001:2015	October 2002	October 2017
Vina Eco Board Co., Ltd. (VECO)	Vietnam	ISO9001:2015	March 2014	March 2020
Canyon Creek (CCC)	United States	ISO9001:2015	August 2003	March 2019

### Acquisition Status of Product Certifications at Each Group Company

Group companies	Country	Type of certification	Date of certification renewal
Nelson Pine Industries Ltd. (NPIL)	New Zealand	JIS certification (MDF)	March 2003
		JAS (LVL)	May 2008
		JIS certification: 2014 (MDF)	October 2015
		CARB certification (MDF)* EPA certification (MDF)	October 2008 August 2017
PT. Kutai Timber Indonesia (KTI)	Indonesia	JAS (Plywood, LVL, laminated engineered wood)	July 2002
		Q-Mark (Door blanks)	August 2016
		CARB certification (PB) EPA certification (PB)	May 2017 December 2018
		CARB certification (Plywood) EPA certification (Plywood)	December 2018 December 2018
		CE Marking (Plywood)	February 2018
PT. Rimba Partikel Indonesia (RPI)	Indonesia	JIS certification: 2014 (PB)	January 2019
		CARB certification (PB) EPA certification (PB)	February 2018 November 2018
PT. Sinar Rimba Pasifik	Indonesia	JAS (Flooring/laminated engineered wood)	March 2012
Vina Eco Board Co., Ltd. (VECO)	Vietnam	CARB certification (PB) EPA certification (PB)	July 2017 August 2017
		JIS certification: 2014 (PB)	December 2018

\* The standards in regulations related to the air pollution stipulated by the California Air Resources Board are stricter than federal regulations

## Social Data

### Basic Employee Data

#### Number of Employees

(Unit: Persons)	FY2015	FY2016	FY2017	FY2018	FY2019
Non-Consolidated	4,417	4,485	4,693	4,824	4,914
Consolidated	17,001	17,802	18,195	19,159	19,332

#### Breakdown of Number of Employee (Non-Consolidated)

(Unit: Persons)	FY2015	FY2016	FY2017	FY2018	FY2019
Management level	1,995	2,030	2,117	2,164	2,193
Non-management level	2,292	2,303	2,398	2,458	2,480
Fixed-term employees	98	92	97	119	152
Hosted from other companies	32	60	81	83	89
Total	4,417	4,485	4,693	4,824	4,914

#### Breakdown of Number of Employee (Subsidiary Companies in Japan)

(Unit: Persons)	FY2015	FY2016	FY2017	FY2018	FY2019
Management level	1,509	1,803	1,546	1,460	1,725
Non-management level	3,383	3,361	4,043	4,440	4,400
Fixed-term employees	688	799	825	818	788
Hosted from other companies	330	263	231	218	196
Total	5,910	6,226	6,645	6,936	7,109

#### Breakdown of Number of Employee by Age (Non-Consolidated)

(Unit: Persons)	FY2015	FY2016	FY2017	FY2018	FY2019
under 30	693	690	769	860	887
30-50	2,959	2,817	2,799	2,875	2,599
Older than 50	765	978	1,125	1,089	1,428

## Number of Newly Hired Graduates\* (Non-Consolidated)

(Unit: Persons)		FY2015	FY2016	FY2017	FY2018	FY2019
Housing sales	Male	73	80	100	90	59
	Female	17	21	13	17	15
Housing engineering	Male	22	27	37	40	28
	Female	13	7	9	12	9
General management	Male	17	22	22	28	35
	Female	5	6	6	11	7
Clerical	Male	0	0	0	0	0
	Female	6	4	7	12	14
Total	Male	112	129	159	158	122
	Female	41	38	35	52	45
	Total	153	167	194	210	167

\* Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

## Employment

### Average Annual Pay (Non-Consolidated)

FY2015	FY2016	FY2017	FY2018	FY2019
8,483,875 yen	8,518,404 yen	8,635,865 yen	8,593,312 yen	8,587,314 yen

### Average Length of Service\* (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	15 years and 3 months	15 years and 8 months	15 years and 9 months	15 years and 11 months	16 years and 3 months
Female	11 years and 1 month	11 years and 1 month	11 years and 2 months	11 years and 4 months	11 years and 6 months

\* Calculated at the end of the fiscal year (as of March 31 every year)

### Separation Rate\*<sup>1</sup> (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Voluntary separation rate (%)	2.4	2.6	2.1	2.3	2.3
Separation rate* <sup>2</sup> (%)	3.9	3.1	3.0	2.7	2.5

\*<sup>1</sup> Calculated by dividing the number of people who left during the year by the number of employees at the beginning of the year, including employees seconded to partner companies but excluding executive officers, hosted from other companies and exchange employees.

\*<sup>2</sup> The calculation includes voluntary separations and excludes hiatuses and the end of terms.

 [About symbol for Independent assurance](#)

## Diversity

### Employment and Promotion of Women (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Percentage of Female employees including contract employees* <sup>1</sup> (%)	19.4	20.0	20.4	21.0	21.6
Percentage of Female employees in management positions* <sup>1</sup> (%)	2.6	2.8	3.2	3.7	4.2
Percentage of Female new graduates* <sup>2</sup> (%)	26.8	22.8	18.0	24.8	26.9

\*1 The ratio of female employees and the ratio of female employees in management roles is based on the number of employees as of March 31 each year.

\*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

▶ [About symbol for Independent assurance](#)

### Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2015	FY2016	FY2017	FY2018	FY2019
Percentage of Female employees including contract employees* <sup>1</sup> (%)	30.4	30.7	31.6	32.0	32.7
Percentage of Female employees in management positions* <sup>1</sup> (%)	4.0	4.2	4.6	6.0	6.1
Percentage of Female new graduates* <sup>2</sup> (%)	48.0	40.3	40.2	43.5	45.7

\*1 The ratio of female employees and the ratio of female employees in management roles is based on the number of employees as of March 31 each year.

\*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

### Employment and Promotion of Women (Subsidiary Companies Overseas)

	FY2015	FY2016	FY2017	FY2018	FY2019
Percentage of Female employees including contract employees* (%)	29.4	30.6	30.6	32.0	30.2
Percentage of Female employees in management positions* (%)	14.1	16.1	14.5	16.0	17.1

\* The ratio of female employees and the ratio of female employees in management roles is based on the number of employees as of December 31 each year.

## Employment of Persons with Disabilities (Non-Consolidated)

	FY2015	FY2016	FY2017* <sup>1</sup>	FY2018* <sup>2</sup>	FY2019
Ratio of Disabled Employees (%)	2.12	2.12	2.26	2.32	2.40

\*1 The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. for fiscal 2017.

\*2 The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. as well as the affiliated Group company Sumirin Business Services Co., Ltd. for fiscal 2018.

## Employment of Persons with Disabilities\* (Subsidiary Companies in Japan)

	FY2015	FY2016	FY2017	FY2018	FY2019
Ratio of Disabled Employees (%)	1.45	1.45	1.75	1.76	1.77

\* As of June each fiscal year

## Rate of Local Employment in Group Companies Outside Japan\*

	FY2015	FY2016	FY2017	FY2018	FY2019
Rate of Local Employment in Group Companies Outside Japan (%)	99.2	99.6	99.8	99.1	99.1

\* Calculated by dividing the number of employees hired locally by consolidated subsidiaries and working for the company at the end of the year by the total number of employees at the end of the year

## Training and Education

### Hours of Training and Expenditure on Training (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Hours of training received per employee	9.3	9.4	13.1*	13.6	18.0
Expenditure on training per employee (yen)	91,000	100,000	100,000	97,000	102,000

\* Calculation method was changed from fiscal 2017

## Work-Life Balance

### Work-Life Balance Program Usage (Non-Consolidated)

		FY2015	FY2016	FY2017	FY2018	FY2019
Number of childcare leave users (Persons)	Male	13	13	19	38	43
	Female	40	43	41	43	42
Percentage of childcare leave users* <sup>1</sup> (%)	Male	7.8	8.5	11.6	24.1	31.3
	Female	105.0	95.7	120.6	97.7	100.0
Percentage of returnees after childcare leave* <sup>2</sup> (%)		96.4	96.2	93.6	96.2	98.7
Number of reduced hours program users* <sup>3</sup> (persons)		32	40	53	61	58
Number of telework program users* <sup>4</sup> (persons)		19	19	25	49	63

\*<sup>1</sup> The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

\*<sup>2</sup> The number of returnees for the fiscal year divided by returnees for the fiscal year plus employees who resigned for childcare leave but have not returned to work

\*<sup>3</sup> Available for reasons such as childcare and family care; combined figures of employees on programs of the reduced working hours and the four-day work per week

\*<sup>4</sup> Available for any reasons other than childcare or family care

### Work-Life Balance Program Usage (Subsidiary Companies in Japan)

		FY2015	FY2016	FY2017	FY2018	FY2019
Number of childcare leave users (Persons)	Male	1	3	3	6	8
	Female	68	110	92	73	83
Percentage of childcare leave users* (%)	Male	0.6	5.0	3.0	4.3	6.2
	Female	115.3	102.8	85.2	104.3	115.3

\* The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

### Paid Leave Usage Ratio (Non-Consolidated)

	FY2015	FY2016	FY2017	FY2018	FY2019
Average paid leaves taken (day)	6.3	6.9	9.0	10.1	11.5
Paid Leave Usage Ratio* (%) 	32.8	35.9	47.4	53.2	60.2

\* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

 [About symbol for Independent assurance](#)

## Paid Leave Usage Ratio (Subsidiary Companies in Japan)

	FY2015	FY2016	FY2017	FY2018	FY2019
Average paid leaves taken (day)	7.1	7.3	7.6	8.7	10.6
Paid Leave Usage Ratio* (%)	39.7	40.0	43.9	50.5	63.0

\* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

## Occupational Health and Safety

### Occupational Injuries (Non-Consolidated)\*1

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of occupational injuries (incidents)*2	0	3	0	2	1
Lost-time injury frequency rate*3	0.19	0.30	0.10	0.20	0.20
Work-related illness frequency rate	0	0	0	0	0

\*1 "0" work-related accidents resulting in death occurred during the reporting years shown.

\*2 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

\*3 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

▶ [About symbol for Independent assurance](#)

## Relationship with Labor Unions

### Labor Union Membership (Non-Consolidated)\*

	FY2015	FY2016	FY2017	FY2018	FY2019
Labor union membership rate (%)	100	100	100	100	100

\* As of April 1, 2020, the number of eligible employees is 3,734. The scope of eligibility for labor union membership is stipulated in the labor agreement.

# Environmental Report

Environmental Management

---

Environmental Impact of Business Activities

---

Responding to Climate Change

---

Responding to Waste and Pollution

---

Biodiversity Conservation

---

Efficient Use of Water Resources

---

Environment Related Data

---

## Environmental Management of the Sumitomo Forestry Group

### Environmental Management of the Sumitomo Forestry Group

The Sumitomo Forestry Group advocates contributions to the realization of a sustainable society in its Corporate Philosophy. The Group established its Environmental Philosophy in 1994 and Group-wide Environmental Policies in 2000.

Moreover, in 2015, the Group has initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. The Environmental Policies applies to the product life cycle and all business processes from product and service development, design and manufacturing to material procurement, distribution, waste management, supplier and partner selection, new project launches, mergers, and acquisitions in all businesses of the Sumitomo Forestry Group to promote businesses that contribute to the realization of a sustainable society.

A green procurement survey is conducted for the selection and evaluation of suppliers based on the Sumitomo Forestry Group Environmental Policies to assess risks from both environmental and social perspectives in each business when launching new businesses as well as in mergers and acquisitions.

To share and raise awareness of the Environmental Policies among Group employees, they were printed in employee handbooks. Opportunities to read through and discuss them were also arranged, for example as part of new employee training, ISO 14001 internal environmental auditor training courses and departmental meetings. The environmental policies are also posted in meeting rooms, and the environmental approach of the Sumitomo Forestry Group has been shared with business partners.

Furthermore, the Sumitomo Forestry Group Code of Conduct established in 2017 not only encompasses Group companies but everyone in the supply chain. The Code of Conduct drives coexistence with the environment and clarifies the approach to advance efforts toward the environment, including all of the business partners of Sumitomo Forestry Group.

We formulated the Mid-Term Environmental Management Plan (fiscal 2010 to 2014) with specific numerical targets for the first time in fiscal 2009 as environmental goals and established the Mid-Term CSR Management Plan (fiscal 2015 to 2020) that includes environmental targets in fiscal 2014. The plan was incorporated into CSR budget as concrete numerical targets for each fiscal year and environmental activities have been steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization.

In May 2019, We have announced the Sumitomo Forestry Group 2021 Mid-Term Management Plan (fiscal 2019 to 2021). As one of four basic policies, the Mid-Term CSR Management Plan (fiscal 2015 to 2020) was revised to promote the integration of business and ESG efforts in addition to the formulation of non-financial targets as Mid-Term Sustainability Targets. In the future, the Sumitomo Forestry Group will further enhance its environmental management in accordance with these goals.

- ▶ [Sumitomo Forestry Group Corporate Philosophy and Sustainability Management](#)
- ▶ [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities](#)
- ▶ [New Business Plan Risk Assessment](#)

## 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**

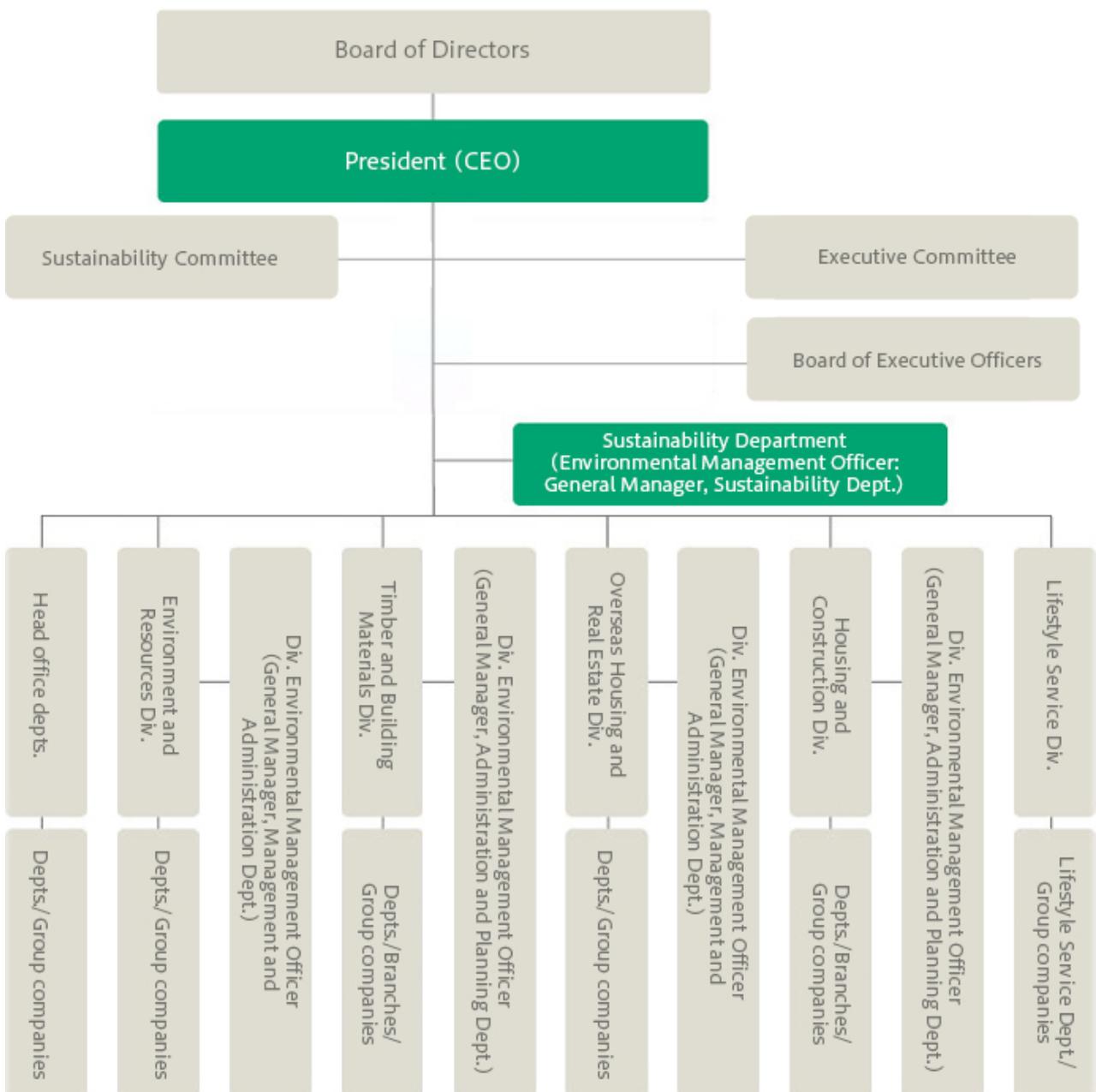
We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

## Environmental Management Structure

### Environmental Management Structure

To ensure that management is practiced in accordance with the Environmental Policies, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility.

The General Manager of Sustainability Department under the President (CEO) acts as the Environmental Management Officer to raise the effectiveness of environmental activities by drafting a Sustainability Budget as a quantitative targets for each fiscal year for environmental activities that each department of the Group is advancing and regularly checks in with the Sustainability Committee.



► Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues

## Roles of Environmental Management Personnel

- Group Overall Environmental Representative: President (CEO)
- Group Environmental Management Officer: General Manager, Sustainability Dept.
- Division Environmental Management Officers: General Manager, Administration and Planning Dept. (Timber and Building Materials Div.); General Manager, Administration and Planning Dept. (Housing and Construction Div.); General Manager, Management and Administration Dept. (Overseas Housing and Real Estate Div.); General Manager, Management and Administration Dept. (Environment and Resources Div.)
- Department Environmental Managers: General Managers, presidents of group companies, etc.
- Environmental activity personnel: Environmental promotion personnel

## ISO 14001 Certification

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for its housing operations in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations with all departments and divisions in Japan achieving integrated ISO 14001 certification in fiscal 2002.

The scope of certified Group companies has been extended to businesses that have a large influence on the environment, and today the Group has four certified companies in Japan. Progress is also being made on certification of overseas Group companies, focused on manufacturing companies, with six companies already certified.

As of March 2020, the certification rate of consolidated organizations was 89.7% (based on sales).

ISO 14001  
Certification Rate  
(Based on Sales)

**89.7%**

## Sumitomo Forestry Group ISO 14001 Certification

Company Name	Date acquired	Date renewed (valid for three years)
Sumitomo Forestry Co., Ltd.(excl. overseas operations)	August 2002*1	August 2019*1
Sumitomo Forestry Landscaping Co., Ltd.	November 2002*2	
Sumitomo Forestry Crest Co., Ltd.	September 2003*2	
Sumitomo Forestry Home Tech Co., Ltd.	March 2013*2	
Japan Bio Energy Co., Ltd.	August 2014*2	
PT. Kutai Timber Indonesia (KTI)	July 2001	September 2019
Nelson Pine Industries Ltd. (NPIL)	July 2003	April 2018
PT. Rimba Partikel Indonesia (RPI)	October 2005	October 2017
PT. AST Indonesia (ASTI)	January 2007	October 2017
Vina Eco Board Co., Ltd. (VECO)	March 2014	March 2020
Pan Asia Packing (PAP)	April 2017	April 2020

\*1 Certification was acquired by individual departments and divisions from 1997 before integrated ISO 14001 certification was acquired for the entire company.

\*2 Acquired by inclusion in Sumitomo Forestry's integrated certification

## Audits by External Certification Bodies

Companies covered by the integrated ISO 14001 certification in Japan undergo routine reviews conducted once a year by certification body JIC Quality Assurance Ltd. In fiscal 2019, 84 departments at 5 companies went under renewal and surveillance reviews for the ISO 14001: 2015 (JISQ 14001: 2015) standards.

As a result of these reviews, eight incompatibilities and 96 points of advice for improvement were identified as matters to be observed. After reviewing report on the corrective measures taken to address the incompatibilities was examined, all of the entities were approved for renewal of registration on August 8, 2019.

In addition to examining methods of improvement and taking action for each of the observation items, notices were issued by the Sustainability Department to share information on any issues common to the Group companies, and internal environmental audits were conducted to check the implementation of preventive measures.

## Internal Environmental Audits

In addition to reviews conducted by external certification bodies, companies covered by the ISO 14001 certification periodically carry out internal environmental audits. These audits are implemented by employees who have passed an exam upon completion of an in-house training course taught by third-party instructors to become internal environmental auditors.

Following the amendments of the international standards in September 2015, requiring these courses be taken and passed by all general managers within the scope of the registration in particular enhances understanding about the revisions to these standards and strengthens leadership. As a result, the number of employees certified as internal environmental auditors has reached a cumulative total of 1,297 (as of the end of fiscal 2019).

Internal environmental audits are in the fifth year since the update to the ISO14001:2015 standard. After a full audit of all the departments at five Japanese companies within the scope of the registration, internal environmental audits were conducted at 108 departments from July 2019 to March 2020, following the audits conducted in fiscal 2018 with emphasis on departments that had many points of improvement. When irregularities due to the amendments were found, the audited departments took corrective actions and subsequently submitted the action reports to the audit department. Audit results were reported to management by the General Manager of Sustainability Department and a review was conducted.

## Compliance and Violations of Environmental Laws

There were no significant violations\* of any, environment-related laws or ordinances in the past five years.

\* Violation with a penalty or punishment of one million yen or more

Significant violations  
in the last five years

0

## Environmental Risk Management

### Understanding and Responding to Environmental Risks

The Sumitomo Forestry Group is aware of the risk upon our business activities from environmental changes such as climate change or reduced biodiversity and works to gather related information, analyze this information as necessary as a way to evaluate business risks.

We also determined specific measures as evaluation metrics in each department for risk with the potential to arise in daily operations and report on the progress of those measures to the Risk Management Committee each quarter while the Sustainability Committee formulates measures for risk with the potential to arise in the medium to long term. Risks with the potential to high impact business are reported to the Board of Directors to discuss their countermeasures. In fiscal 2019, the Sustainability Committee invited instructors from outside the company to teach a Risk and Opportunity of ESG Investment and Corporate Strategy study session. This seminar discussed specific challenges related to mainly climate change such as amendments to SBT certification standards and RE100 trends.

#### ► Risk Management Framework

### Climate Change and Biodiversity-related Risks and Strategies

#### Responding to Natural Disasters

Damage from a major earthquake, windstorm, flood or other natural disaster could result in significant costs arising from restoring operations at facilities, verifying the safety of delivered housing products, delays in the completion and handover of contracted properties, or other events. Such costs could influence the Group's operating results and financial position.

As countermeasures, Sumitomo Forestry promotes the sale of homes built with highly seismic resistant BF construction method as well as the sale of resilience housing equipped with the functionality to sustain living for a certain period of time even if lifelines are cut. Furthermore, we are building a service framework that aims to provide rapid assistance through IoT technology that rapidly grasps the damage during a disaster in real time.

- HIGHLIGHT 2 : Building homes that protect lives and lifestyles
- BF Method
- Housing Sales Adapted to Climate Change

#### Responding to Changes in the Wood Cultivation and Procurement Regulations

Because Sumitomo Forestry positions wood as its principal material and product, the risk of higher costs as well as the risk of having to change suppliers in the event of limitations being imposed due to the depletion of timber resources or changes to habitats resulting from climate change and the loss of biodiversity.

Sumitomo Forestry imports timber and wood products from more than 20 different countries and strives to place representatives in primary locations to collect information to mitigate the risk of changes in timber cultivation and timber procurement regulations. The company also makes efforts to verify legal compliance, such as deploying employees from the head office. We work to procure legally harvested timber throughout the entire Group in accordance with the Clean Wood Act enacted in May 2017, such as becoming the first company to register in Japan.

- Procurement Initiatives (Distribution Business)

## Setting Carbon Pricing Such as Mandatory Emission Reductions

---

As reduction of greenhouse gases advances globally, there is the possibility that reduction obligations will be imposed upon businesses in countries where the Sumitomo Forestry Group has bases. If Group companies with bases in these countries are unable to meet reduction obligations, they will be required to purchase emission credits, creating the risk of increased business costs.

Even in Japan, carbon pricing has been implemented due to Tax for Climate change measures enforced in October 2012. Achieving targets outlined in the Paris Agreement could result in changes such as higher taxes and the adoption of new carbon taxes, which could influence business activities and costs.

As a countermeasure, Sumitomo Forestry sets greenhouse gas reduction target for each Group company and department and pursues those reductions based on the numerical targets that are drafted each fiscal year.

▶ [Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues](#)

## Responding to Energy Supply Shortages

---

In countries like New Zealand, where hydroelectric power is used, there is a risk that a change in the amount of rainfall will cause dam levels to fall and lead to a disruption of supply from hydroelectric power stations, forcing Sumitomo Forestry Group sites in those countries to suspend plant operations.

As a countermeasure, Sumitomo Forestry sets greenhouse gas reduction targets for each Group company and department and promotes energy savings while pursuing those reductions based on the numerical targets that are drafted each fiscal year.

## Corporate Image Deterioration

---

Any failure in addressing various risks such as climate change measures and the preservation of biodiversity may be detrimental to the corporate image, directly affecting sales and other performance indicators.

Sumitomo Forestry comprehensively analyzes and addresses risks from environmental, social and governance perspectives in the short to medium and long term through the Risk Management Committee and Sustainability Committee.

▶ [Risk Management](#)

## Responding to Environmental Laws and Regulations

The Sumitomo Forestry Group is striving to reduce and to prevent the manifestation of legal risks such as the disposal of industrial waste, soil and water pollution caused by toxic substances, noise and vibration.

In fiscal 2019, there were no significant violations of any environment-related laws or regulations or any grave environmental incidents.

## Processing of Industrial Waste

---

Construction-related waste makes up the highest percentage of industrial waste that is illegally dumped in Japan. Viewing the environmental risks presented by the processing of industrial waste as one of the biggest in terms of the potential impact on society and business, the Sumitomo Forestry Group works to ensure that industrial waste is disposed of appropriately.

Specifically, to comply with the Waste Management and Public Cleansing Act and other related laws and regulations, the Group has established a set of industrial waste management regulations covering appropriate disposal, reduction, recycling and reuse of industrial, as well as manufacturing regulations stipulating standards essential for production activities. In keeping with these regulations, voluntary audits of waste manifests and terms of outsourcing agreements with waste processors are carried out twice a year for each Group company office in Japan emitting industrial waste. If an audit concludes that corrective action is required, appropriate action is taken and it is subsequently confirmed through reports submitted in line with the industrial waste management system that waste is being properly treated.

In addition, industrial waste managers at each office conduct site checks of contractors' waste treatment plants at least once a year. In fiscal 2019, managers from the Housing and Construction Division conducted approximately 639 on-site checks at roughly 550 waste treatment plants run by 335 waste treatment contractors. Divisions other than the Housing and Construction Division as well as offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.

To be able to determine whether industrial waste is being processed in an appropriate manner, the Group asks waste treatment contractors to employ electronic manifests. All branches of the Housing and Construction Division as well as all contractors accepting industrial waste from new housing construction sites have already introduced electronic manifests. In fiscal 2019, 99.7% of all manifests, including those for housing demolition waste, were electronic.

In conjunction with this, training is also provided for employees who coordinate the processing of industrial waste. In fiscal 2019, a total of 18 people participated, including newly appointed personnel in charge of industrial waste processing at Group companies in Japan. Moreover, training was conducted in the same way for building contractors, demolition contractors and industrial waste disposal operators. Furthermore, in April 2020, the Sumitomo Forestry Group created an e-learning program on basic waste management to teach the fundamentals of industrial waste management and built a system for employees to undergo this curriculum via the intranet.

### ► [Promotion of Waste Reduction and Recycling](#)

## Soil Contamination

---

Soil contamination is difficult to discover as contaminants build up and spread underground out of sight. The Sumitomo Forestry Group implements soil contamination countermeasures for land owned or administered by the Group and conducts voluntary soil contamination studies prior to new land purchases in the subdivision business. We are in compliance on land applicable to the Soil Contamination Countermeasures Act.

## Water Pollution

---

Water pollution creates the risks of human health being directly affected by contamination of drinking water and of contamination affecting the habitats of organisms living in rivers, lakes and seas. Inspections entrusted to external measurement agencies are conducted once every two months and daily water quality tests are done internally through automatic COD measurement devices for the waste water expelled from waste water processing facilities in the Sumitomo Forestry Crest Imari Plant, which is a specified office under the amended Water Pollution Control Act of Japan, and the inspection results are issued to the local municipalities every six months.

Water is also sampled and inspected by the prefecture once a year and by the city three times a year. Through this measure, all inspections found the level of water pollution to be within the statutory limit for wastewater.

In addition, the Tsukuba Research Institute is considered a specified office under the amended Water Pollution Control Act of Japan and therefore, delivers notification of updates to some testing equipment and new installations according to this law. The Institute also conducts water quality inspections once every month through an external measurement agency to monitor those results and issue reports to Tsukuba City once every six months.

### ► [Management of Hazardous Chemical Substances and Appropriate Disposal](#)

## Contamination by Hazardous Chemical Substances

---

Contamination caused by hazardous chemical substances leads to risks of a major impact on human health or the environment and the risk of a disaster. The Sumitomo Forestry Group keeps track of amounts of hazardous chemical substances including volatile organic compounds (VOCs) used and discharged as part of appropriate management, meanwhile making an effort to reduce the use of these chemicals.

The Group takes appropriate action in response to the Air Pollution Control Act. Sumitomo Forestry Crest's Niihama Plant equipped with boilers and Kagoshima and Shizuoka plants equipped with incinerator make regular measurements of emission volumes and concentrations of NO<sub>x</sub>, SO<sub>x</sub> and soot and dust, and dioxins, respectively, and monitor that these figures are maintained below the statutory limits.

### ► Management of Hazardous Chemical Substances and Appropriate Disposal

## Noise and Vibrations

---

Sumitomo Forestry makes an effort to prevent noise and vibrations during housing construction. When complaints about noise or vibrations are received, the circumstances are recorded and the information is shared with the rest of Group to prevent the occurrence of similar incidents.

Sumitomo Forestry Crest confirms that noise levels within the site boundaries of plants are below the statutory limit by taking regular measurements.

No complaints about noise or vibrations having a major impact on the environment were received from local residents during fiscal 2019.

## Global Warming (Addressing the Act on Rational Use and Proper Management of Fluorocarbons)

---

In April 2015, the Fluorocarbons Recovery and Destruction Law came into force for the purpose of promoting drastic measures over the entire lifecycle of chlorofluorocarbons that have a strong greenhouse effect, from manufacture to disposal.

Since April 2020, regulation based on the law have been further strengthened, and the Group has taken steps to disseminate the details and take appropriate measures.

In most cases, the Sumitomo Forestry Group leases its offices in buildings, and since the Group is primarily engaged in the construction and sale of housing and the manufacture and distribution of processed wood products, it does not own (or manage) that much commercial refrigeration and air conditioning equipment (air-conditioners, refrigerators, etc.). However, in response to the enactment of this law, we are conducting periodic simple inspections of the same equipment that is using fluorocarbons as a coolant as well as executing legal and periodic inspections for devices with compressors that have 7.5kW or higher rated output. Furthermore, Sumitomo Forestry promotes the transition to products that do not use fluorocarbons in accordance with the Law on Promoting Green Purchasing when replacing existing equipment or purchasing new equipment.

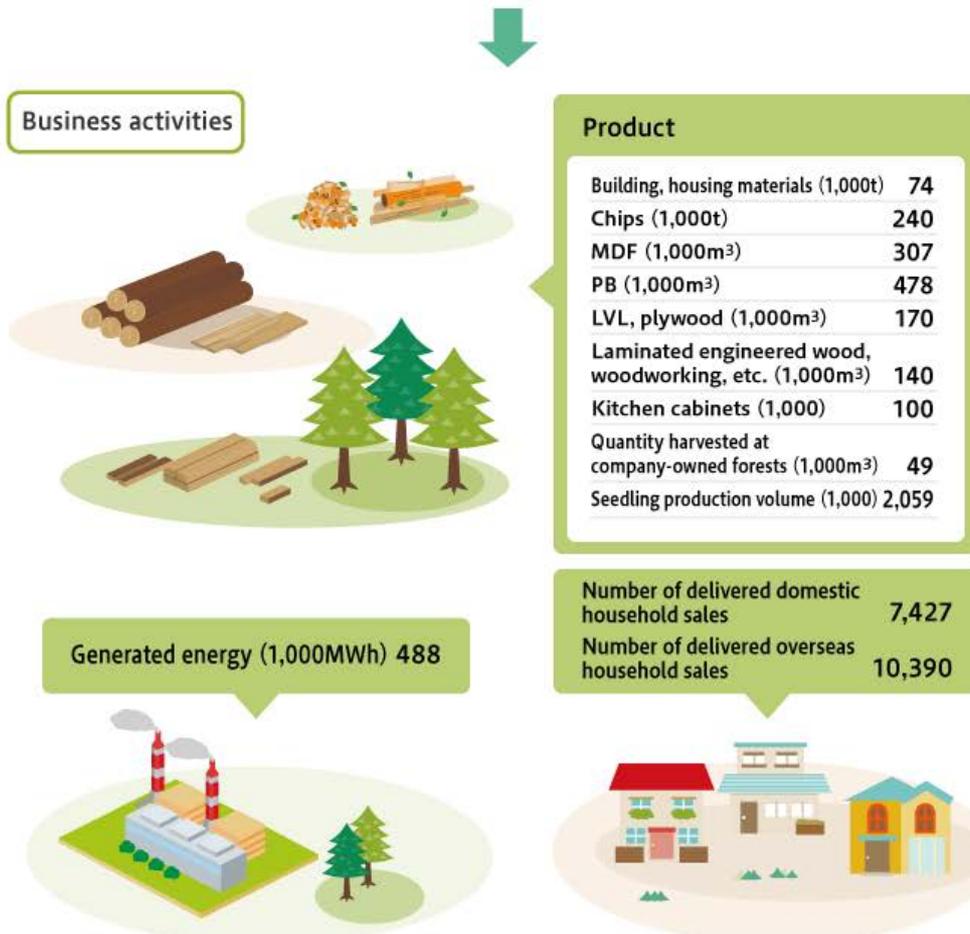
## Balance of Input & Output

### Balance of Input & Output

The Sumitomo Forestry Group accurately understands how its business activities impact the environment and make evaluations and manage them in its environmental management. As such, data on environmental impact is collected at each stage from energy and raw material input to manufacturing and disposal per plant and business to utilize them for reduction initiatives.

### Fiscal 2019 Sumitomo Forestry Group Balance of Input & Output

- INPUT -			
<b>Energy Input (TJ)</b>	<b>11,946</b>	<b>Raw materials (1,000t)</b>	<b>2,591</b>
Purchased electricity (1,000MWh)	267	Timber	1,887
Petroleum (1,000kL)	18	Metal	27
Gas (1,000m <sup>3</sup> )	4,102	Plastic	17
Coal (1,000t)	39	Paper	1
Wood waste (1,000t)	420	Adhesives, coatings, drugs	107
Palm kernel shells (PKS, etc.) (1,000t)	78	Concrete	341
Non-industrial steam (TJ)	4	Other	210
		Seedlings (1,000)	1,018
<b>Water consumption (1,000m<sup>3</sup>) 2,897</b>			

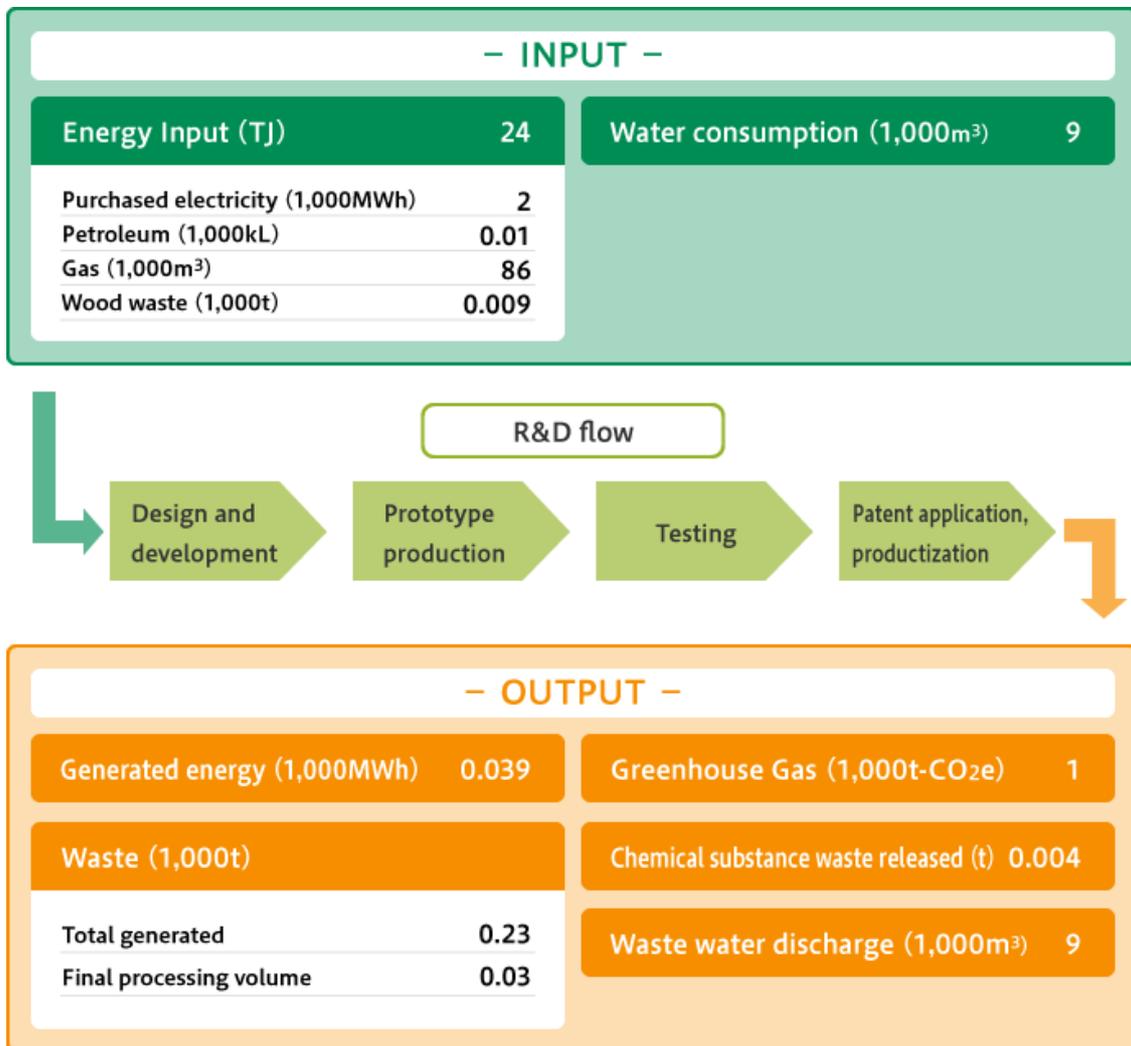




- OUTPUT -	
Waste (1,000t)	Chemical substance waste released (t) 20
Total generated 475	Waste water discharge (1,000m <sup>3</sup> ) 967
Final processing volume 56	Greenhouse Gas (1,000t-CO <sub>2</sub> e) (Scope 3) 10,255
Greenhouse Gas (1,000t-CO <sub>2</sub> e) (Scope 1, 2) 381	

▶ About symbol for Independent assurance

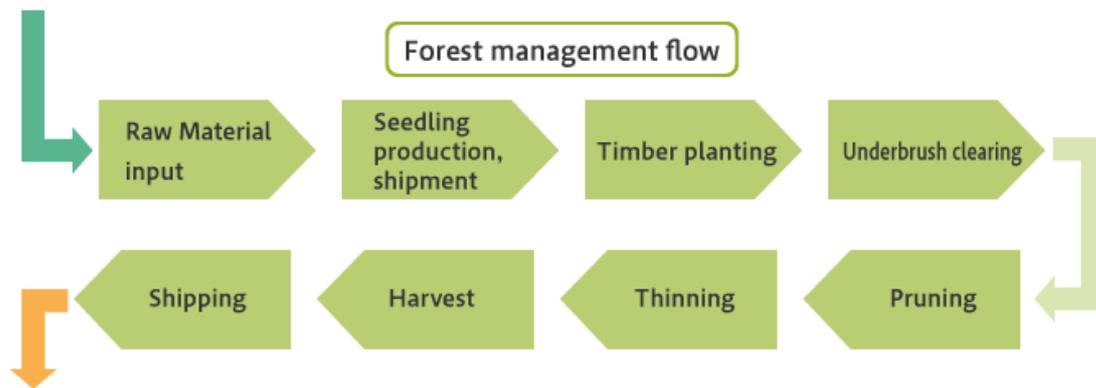
## Research & Development\*



\* Subject: Tsukuba Research Institute

## Forest Management\*

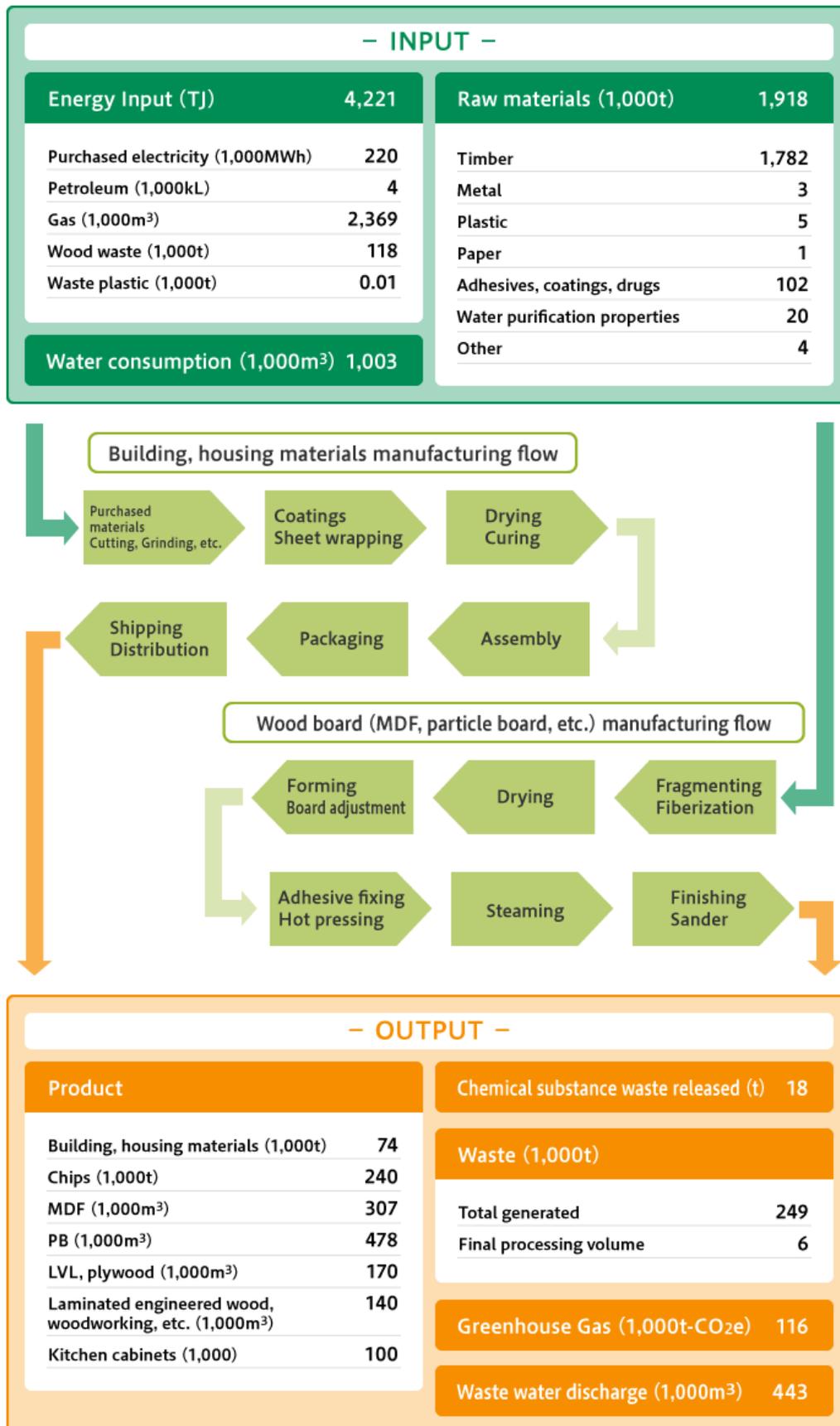
- INPUT -	
<b>Energy Input (TJ)</b>	<b>6</b>
Purchased electricity (1,000MWh)	0.2
Petroleum (1,000kL)	0.1
Wood pellet (1,000t)	0.03
<b>Raw Materials</b>	
Domestic forest raw materials (seedling shipment volume [1,000])	<b>1,018</b>
<b>Water consumption (1,000m<sup>3</sup>)</b>	<b>38</b>



- OUTPUT -	
<b>Product</b>	<b>Greenhouse Gas (1,000t-CO<sub>2</sub>e)</b> 0.4
Quantity harvested at company-owned forests (1,000m <sup>3</sup> )	<b>49</b>
Seedling production volume (1,000)	<b>2,059</b>
Unused wood resources (1,000m <sup>3</sup> )	<b>19</b>

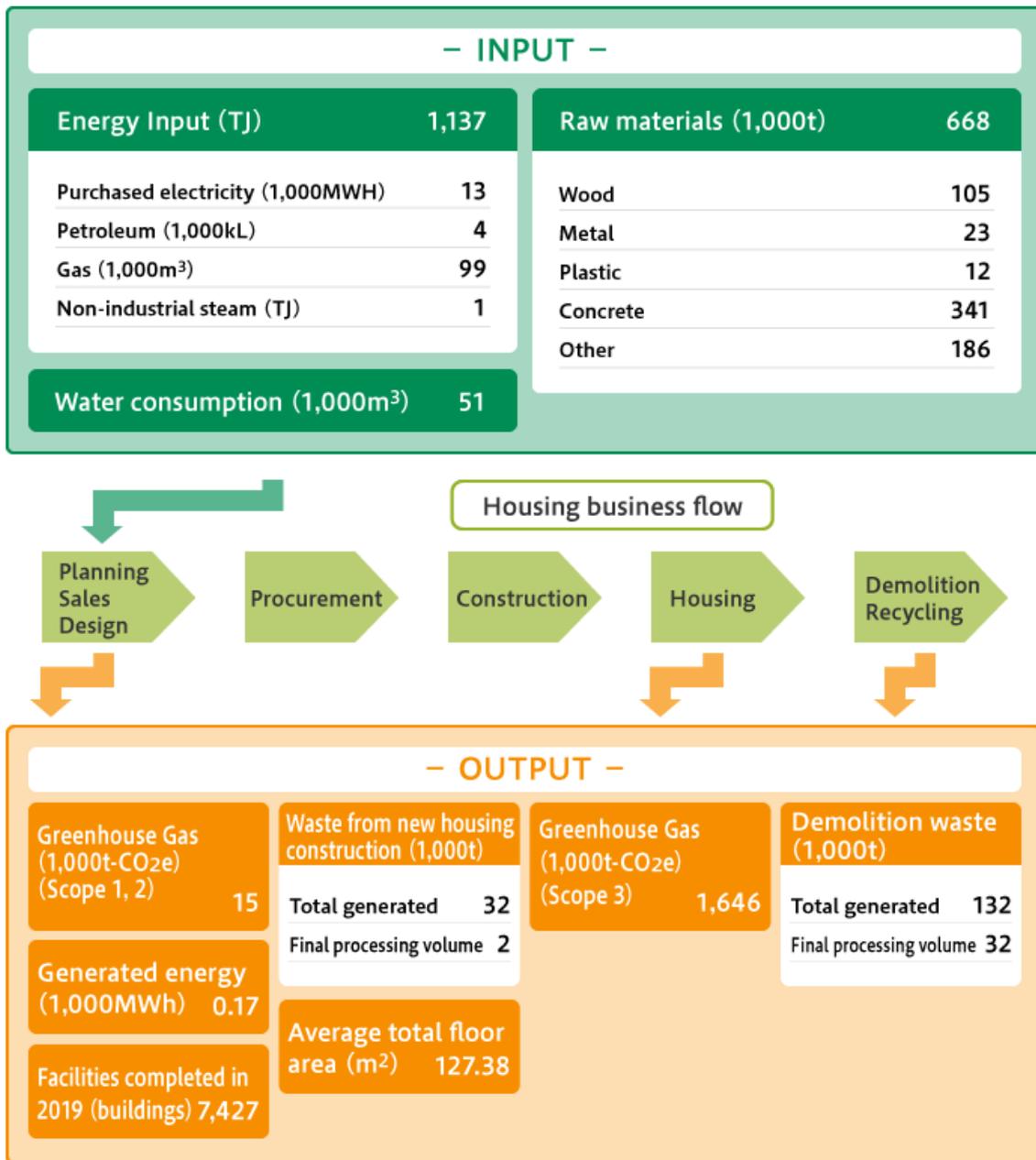
\* Subjects: Forestry offices (Hyuga, Niihama, Osaka, and Mombetsu); seedling tree farming centers (Togo, Motoyama, Gifu, Watarase, and Mombetsu)

## Manufacturing Business\*



\* Subjects: Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), Sumitomo Forestry Landscaping (Shinshiro Plant and Tobishima Plant), Kutai Timber Indonesia (KTI, Indonesia), Rimba Partikel Indonesia (RPI, Indonesia), Sinar Rimba Pasifik (SRP, Indonesia), AST Indonesia (AST, Indonesia), Nelson Pine Industries (NPIL, New Zealand), Vina Eco Board (VECO, Vietnam), Canyon Creek Cabinet Company (America), Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy.

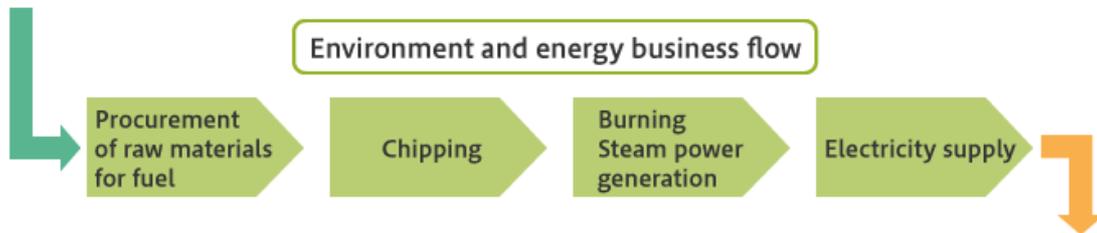
## Housing and Construction Business (Domestic)\*



\* Boundary: Sumitomo Forestry Housing and Construction Division and Sumitomo Forestry Home Engineering

## Environmental Energy Business\*

- INPUT -	
<b>Energy Input (TJ)</b>	<b>6,720</b>
Purchased electricity (1,000MWh)	1
Petroleum (1,000kL)	0.4
Gas (1,000m <sup>3</sup> )	0.1
Wood waste (1,000t)	302
Palm kernel shells (PKS, etc.) (1,000t)	78
Coal (1,000t)	39
<b>Raw materials (1,000t)</b>	
Adhesives, coatings, drugs	5
<b>Water consumption (1,000m<sup>3</sup>)</b>	<b>1,413</b>



- OUTPUT -	
<b>Generated energy (1,000MWh)</b>	<b>426</b>
<b>Greenhouse Gas (1,000t-CO<sub>2</sub>e)</b>	<b>208</b>
<b>Waste water discharge (1,000m<sup>3</sup>)</b>	<b>515</b>
<b>Chemical substance waste released (t)</b>	<b>2</b>
<b>Waste (1,000t)</b>	
<b>Total generated</b>	<b>17</b>
<b>Final processing volume</b>	<b>4</b>

\* Subjects: Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation

► Boundaries and Method of Data Aggregation (Balance of Input & Output)

## Boundaries and Method of Data Aggregation (Balance of Input & Output)

### Boundaries (Organizational Range)

Classification	Boundary
All Business Activities	All Sumitomo Forestry Group Companies
Research & Development	Tsukuba Research Institute
Forest Management	Forestry offices (Hyuga, Niihama, Osaka, and Mombetsu); seedling tree farming centers (Hyuga, Motoyama, Gero, Midori, Mombetsu, and Minamiaizu)
Manufacturing Business	Sumitomo Forestry Crest (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), Sumitomo Forestry Landscaping (Shinshiro Plant and Tobishima Plant), Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, Rimba Partikel Indonesia, AST Indonesia, Kutai Timber Indonesia, Nelson Pine Industries, Vina Eco Board, Sinar Rimba Pasifik and Canyon Creek Cabinet Company
Environmental Energy Business	Mombetsu Biomass Electric Power Co., Hachinohe Biomass Electric Power Co.
Housing and Construction Business (Domestic)	Sumitomo Forestry (Housing and Construction Division), Sumitomo Forestry Home Tech, Sumitomo Forestry Home Engineering, Sumitomo Forestry Landscaping, Sumitomo Forestry Archi Techno
Offices and other sites	Sumitomo Forestry and Group companies other than the above

► All Sumitomo Forestry Group Companies

### Prerequisites

Classification	Prerequisites	
Research & Development	Energy/CO <sub>2</sub>	Energy use and CO <sub>2</sub> emissions at research institutes
	Raw Materials	Raw materials used during research and development
	Water	Water used during research and development
	Waste	Waste produced during research and development
Forest Management	Energy/CO <sub>2</sub>	Energy use and CO <sub>2</sub> emissions from harvesting and seedbed production at Company-owned forests
	Raw Materials	Raw materials use during harvesting and seedbed production at Company-owned forests

Classification	Prerequisites	
Forest Management	Water	Water use from harvesting and seedbed production at Company-owned forests
	Waste	Waste produced during harvesting and seedbed production at Company-owned forests
Manufacturing Business	Energy/CO <sub>2</sub>	Energy use and CO <sub>2</sub> emissions at each plant
	Raw Materials	Raw materials used during production of wood products, construction materials and horticulture
	Water	Water used during production of wood products, construction materials and horticulture
	Waste	Waste produced during production of wood products, construction materials and horticulture
Environmental Energy Business	Energy/CO <sub>2</sub>	Energy use and CO <sub>2</sub> emissions at power generation plants
	Raw Materials	Raw materials used during power generation
	Water	Water used during power generation
	Waste	Waste produced during power generation
Housing and Construction Business (Domestic)	Energy/CO <sub>2</sub>	Energy use and CO <sub>2</sub> emissions for business sites (including model homes) related to the housing business
	Raw Materials	Materials invested in housing construction
	Water	Water use at business sites related to the housing business
	Waste	Waste emitted from housing construction (including renovations) and demolition
Offices and other sites	Energy/CO <sub>2</sub>	Energy use and CO <sub>2</sub> emissions at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses
	Water	Water use at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses
	Waste	Waste produced at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses

## Aggregation Method

CO<sub>2</sub>: Refer to the pages below

▶ [Boundaries and Methods of CO<sub>2</sub> Emissions Calculation](#)

Waste: Calculating Emissions with Data Collected from Manifests

## Responding to TCFD

### Responding to TCFD

Established by the direction of the Financial Stability Board (FSB) in April 2015, the Task Force on Climate-related Financial Disclosures (TCFD) issued its final report in June 2017. The TCFD requires the disclosure of information on four aspects of climate change risks and opportunities: governance, strategy, risk management, and metrics and targets. In particular, strategic aspects recommend disclosure about strategic resilience according to investigations conducted according to future climate scenarios. Sumitomo Forestry Group has undertaken this as one of its agenda items, recognized the risks associated with climate change as serious risks, and announced its support to the TCFD in July 2018. Based on the TCFD recommendations, scenario analysis was begun the same year.

In the initial scenario analysis, the timber and building materials, and the housing and construction business— core businesses of Sumitomo Forestry—examined the circumstances in 2030 according to two scenarios anticipating the global average temperature rising by two degrees Celsius and four degrees Celsius compared to temperatures before the industrial revolution. These findings were reported to the Sustainability Committee and Board of Directors. In addition, the Sumitomo Forestry Group has set targets in the Mid-Term Sustainability Targets for further initiatives in the future based on the scenario analyses.

► [Material Issue 5: Corporate Ethics and Governance Structures](#)

### Governance Related to the Issue of Climate Change

The Sumitomo Forestry Group will promote the response to issue of climate change centered on the Sustainability Committee, similarly as other ESG challenges. The Sustainability Committee, chaired by the President and composed of members made up of executive officers, directors and each divisional manager, formulates and promotes initiatives for medium to long-term ESG challenges related to the sustainability of the Sumitomo Forestry Group in addition to analyzing risks and opportunities, conducting progress management of the Mid-Term Sustainability Targets, which incorporate business strategies toward achieving the SDGs, including monitoring of implementation and effectiveness of the Our Values and Code of Conduct. The content of all committee proceedings is reported to the Board of Directors.

- [Sustainability Committee](#)
- [Risk Management Framework](#)

### Identifying and Evaluating Risks and Opportunities

In business operations in which we position wood as our principal material and product, a major transitional business risk that we face is the increase in timber procurement costs associated with stricter regulations such as forest protection policies and logging regulations. Examples of physical risks include the increased costs associated with delayed construction processes and decreased efficiency of housing construction caused by increasingly intense natural disasters and the impact of abnormal weather involving temperature rises. At the same time, the advance of regulations against fossil fuels provide a boost (opportunities) for our biomass energy generation operations business and demand for fuels made from wood chips.

Our corporate headquarters has worked with each division in these scenario analyses to identify risks and opportunities and to evaluate the impact mainly from financial aspects. We discussed measures to prevent risks with respect to the items identified as material risks and opportunities, and reported them to the Sustainability Committee and the Board of Directors. Moving forward, we will increase the accuracy of our scenario analyses and discuss how to reflect them in our business planning, while moving forward with the creation of business strategies for the resilience that will see us through into an uncertain future.

## Timber and Building Materials Division

	Risk category	Impact on operations	Risk level
Transition Risks	Carbon emission targets, policies in each country	<ul style="list-style-type: none"> <li>Increased timber procurement costs due to policies related to forest carbon sinks.</li> </ul>	High
	Forest conservation policies	<ul style="list-style-type: none"> <li>Increased timber procurement costs due to logging taxes, logging fees and other.</li> </ul>	High
	Energy conservation and other subsidy policies	<ul style="list-style-type: none"> <li>Increased revenues from the promotion of wood biomass operations.</li> <li>On the other hand, if subsidy policies are abolished, decreased revenues.</li> </ul>	High
	Changes in energy mix	<ul style="list-style-type: none"> <li>Increased revenues if biomass is incorporated into each country's sustainability criteria.</li> <li>On the other hand, higher costs of biomass fuel (wood chips) with an increase in demand.</li> </ul>	High
	Economic stagnation with global warming regulations	<ul style="list-style-type: none"> <li>A fall in demand for wood building materials and a decrease in revenues if construction is suppressed.</li> </ul>	High
	Increase / decrease in demand for important products and increase / decrease in product price		Low to moderate
	Advances in next-generation technologies		Low to moderate
	Popularization of renewable energy/energy conservation technologies		Low to moderate
	Changes in investor evaluation		Low to moderate
Physical Risks	Rise in average temperatures	<ul style="list-style-type: none"> <li>Increased timber procurement costs with forest fires and tree diseases, insects and other.</li> <li>On the other hand, rising temperatures and increased precipitation will lengthen the growth period. This will increase productivity, which may reduce timber procurement costs.</li> </ul>	High
	Changes in rainfall and climate patterns	<ul style="list-style-type: none"> <li>Increased timber procurement costs with changes in the regions where we can plant and procure trees.</li> </ul>	High
	Intensification of abnormal weather	<ul style="list-style-type: none"> <li>A fall in revenues due to factory shutdowns.</li> <li>Increased timber procurement costs with a decline in forest resources.</li> </ul>	High

## Housing and Construction Division

	Risk category	Impact on operations	Risk level
Transition Risks	Carbon emission targets, policies in each country	<ul style="list-style-type: none"> <li>Increased timber procurement costs due to policies related to forest carbon sinks.</li> </ul>	High
	Forest conservation policies	<ul style="list-style-type: none"> <li>Increased timber procurement costs due to logging taxes, logging fees and other.</li> </ul>	High
	Policies related to buildings	<ul style="list-style-type: none"> <li>Additional investments and renovation costs to comply with policies.</li> <li>A continuation of the subsidy program will create a monetary incentive. Depending on the policy, this may impact market competitiveness and revenues.</li> </ul>	High
	Changes in customer evaluation	<ul style="list-style-type: none"> <li>If customer awareness of climate change increases, customer preference will move toward the use of certified timber, increasing procurement costs.</li> </ul>	High
	Energy conservation and other subsidy policies		Low to moderate
	Fossil fuel subsidy program		Low to moderate
	Changes in energy mix		Low to moderate
	Changes in investor evaluation		Low to moderate
Physical Risks	Intensification of abnormal weather	<ul style="list-style-type: none"> <li>In the event of a major natural disaster, increased construction costs due to schedule delays, equipment repairs or replacement, and other factors. An increase in extremely hot days will lower outdoor work productivity.</li> <li>Increased costs due to construction delays and maintaining and enhancing worker health.</li> </ul>	High

► [HIGHLIGHT 7: A Strategic Response to Climate Change](#)

► [Climate Change and Biodiversity-related Risks and Strategies](#)

## Climate Change Related Opportunities and Strategies

### Expanding Housing Sales in Concert with Government ZEH Promotion

Japan has launched policy targets that aim for more than half of all custom-built detached houses constructed by housing manufacturers and other companies to be ZEH compliant by 2020 as a countermeasure global warming approved by Cabinet decision in May 2016.

Working in concert with this policy, Sumitomo Forestry is promoting ZEH housing sales with a ZEH order ratio goal set in the Mid-Term Sustainability Targets while also leveraging the appeal of Double Power Generation that distinguishes our ZEH homes by using both solar panel cells and fuel cell batteries for residential use. This gives us a competitive edge that is boosting our ZEH ratio.

In the 2030 scenario analyses, the ZEH ratio required by the government is even higher in the scenario with a 4-degree Celsius rise while a ZEH with even higher energy efficiency becomes the standard in the scenario with a 2-degree Celsius rise. In both scenarios, we anticipate an increase in market competitiveness for Sumitomo Forestry homes due to our technical development capabilities.

\* Values based on orders include ZEH and Nearly ZEH. ZEH Standardization Performance (FY2019) submitted to Sustainable Open Innovation Initiative is 51%.

► [Promotion of Net Zero Energy House \(ZEH\) Specifications](#)

Percentage of orders for ZEH type houses out of new custom-built detached housings Target (%) (FY2021)

**80%\***

Percentage of orders for ZEH type houses out of new custom-built detached housings Results (%) (FY2019)

**48.2%\***

### Expanding Renewable Energy Demand

The need for renewable energy sources such as biomass power generation and solar power generation is increasing as a means of countering climate change. We forecast greater profitability by expanding the supply of wood chips for fuel for biomass power generation.

The Sumitomo Forestry Group wood biomass power generation business expanded to four domestic locations by March 2019. Once the Kanda Biomass Power Generation Plant, slated for completion in Fukuoka Prefecture in 2021, begins operation, the Group will have a total power generation capacity of roughly 177 MW, which will supply electricity to approximately 374,000 households.

Our scenario analyses forecast biomass power generation which currently makes up 1.7% of the power composition in Japan will rise to 3.7% with a 4-degree Celsius rise and 4.6 with a 2-degree Celsius rise by 2030 in light of the overall Agency for Natural Resources and Energy policies to realize the ideal energy mix toward 2030. The Sumitomo Forestry Group anticipates growing sales in the biofuel chip supply business due to these policies.

► [Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity](#)

Amount of biofuel material used (such as wood chips and pellets) Target (t) (FY2021)

**1,363,930t**

Amount of biofuel material used (such as wood chips and pellets) Results (t) (FY2019)

**1,112,224t**

## Climate Change Countermeasure Metrics and Targets

At Sumitomo Forestry, our climate change countermeasures are driven by quantitative targets that are set each fiscal year by each department within each group company based on the Sustainability Targets, SBT and RE100 as metrics by which climate-related risks and opportunities are evaluated and managed.

- ▶ [Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues](#)
- ▶ [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities](#)
- ▶ [Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities](#)

## Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

### Establishment and Certification of Science Based Targets (SBT)

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. The Sumitomo Forestry Group has announced the formulation of SBTi\* and set new greenhouse gas reduction targets for the entire Group in June 2017 and was certified as SBT in July 2018. Its progress and results are explained below.



- 1. Scope 1&2: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.**
- 2. Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.**

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

\* The SBTi was established in 2015 as a collaboration of four organizations - CDP (formerly the Carbon Disclosure Project), the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting, to help companies determine a pathway for reducing their emissions in line with what is required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures.

In Japan, the Ministry of the Environment has translated this in Japanese as "Corporate 2°C Target" and is supporting company efforts.

### Toward to SBT Certification Goals

In July 2018, the Sumitomo Forestry Group greenhouse gas emissions reduction targets have been officially approved by international SBT initiative (SBTi). Its progress and results are explained below.

Target Details	Base Year FY2017 t-CO <sub>2</sub> e	FY2019 t-CO <sub>2</sub> e	Rate of Change %
1. Scope 1&2: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.	369,785	380,641* <sup>1</sup>	2.9
2. Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.	8,895,066	9,324,602* <sup>2</sup>	4.8

\*1 The fiscal 2019 increase in greenhouse gas emissions was caused by the start of full operations in April 2018 at the Hachinohe Biomass Power Generation plant.

\*2 The fiscal 2019 increase in greenhouse gas emissions was caused by the increase in the number of delivered overseas household sales in the Overseas Housing and Real Estate Division.

► [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities](#)

## Aiming for 100% Renewable Energy and Joining the RE100

The Sumitomo Forestry Group positions reduction of environmental impact of our business activities as one material issue that needs to be addressed and strives to engage in energy-saving activities and use of renewable energy. As part of these initiatives, we joined the international RE100\* initiative that aims for 100% of electricity used to be from renewable energy in March 2020 to accelerate our efforts to reduce greenhouse gases.



By 2040, we aim to utilize 100% renewable energy for the electricity used for our Group business activities and for the fuel for our power generation operations.

Sumitomo Forestry Group's implementation of renewable energy includes solar power generation panels installed at our housing exhibition sites and generated power for our own use (including an adjacent wood fuel chip factory) from our biomass power generation sites. In fiscal 2019, renewable energy accounted for about 16% of our total group electricity usage. The biomass fuel accounted for about 87% on our power generation business fuel usage.

To accelerate the implementation of renewable energy, we plan to have each business division set its own targets and tackle the issue as a company-wide initiative.

For Sumitomo Forestry Group to achieve 100% renewable energy for the electricity for our operations, we are utilizing Sumirin Denki, a service where we purchase surplus power as well as supply electricity generated from solar power systems of Sumitomo Forestry home houses. We are also considering installing solar power generation systems in our factories both in Japan and overseas. Furthermore, we will consider a diverse range of procurement methods that take advantage of programs in each country we operate.

Sumitomo Forestry Group will continue to proactively utilize renewable energies to reduce greenhouse gas emissions and contribute to the realization of a sustainable society.

\* RE100 is an international initiative run jointly by The Climate Group, a global environmental NGO, and the CDP. 32 companies in Japan are part of the 229 companies worldwide who are RE100 members as of March 25, 2020.

### ► HIGHLIGHT 5: Aiming for 100% Renewable Energies by 2040

## Greenhouse Gas Emissions per Scope Based on the GHG Protocol

Since fiscal 2012, the Sumitomo Forestry Group has ascertained the volume of its CO<sub>2</sub> emissions according to different scopes\* based on the GHG Protocol, a set of widely used international accounting tools for quantifying GHG emissions. In view of the increasing demand of renewable energy in recent years, the Sumitomo Forestry Group entered the biomass power generation business in 2011 and has begun operation of Okhotsk Bio Energy in December 2016 as a consolidated subsidiary. This power plant uses coal as supplemental fuel for smooth operation and maintenance while using unused wood resources as the primary fuel. Therefore, the total CO<sub>2</sub> emissions in Scope 1 and 2 in fiscal 2019 for the Sumitomo Forestry Group were 380,641t-CO<sub>2</sub>e, up 2.9% compared to fiscal 2017.

In addition, when looking by business, our plants in Japan and the power generation business make up 57.0% while our plants overseas compose 28.5%. We started to calculate Scope 3 in fiscal 2013 and the targets for this calculation largely expanded in fiscal 2015 and fiscal 2017. Among these results, the impact in category 11, "emissions during use of detached houses sold," is acknowledged to be a major factor, and the increase in residential and construction operations in fiscal 2020 of Net Zero Energy House (ZEH) projects is expected to reduce CO<sub>2</sub> emissions volumes while the homes are in use.

In the future, we will work to meet targets via SBT in an effort to take greenhouse gas emissions reduction to another level.

\* The GHG Protocol requires businesses to disclose their greenhouse gas emissions according to the following categories

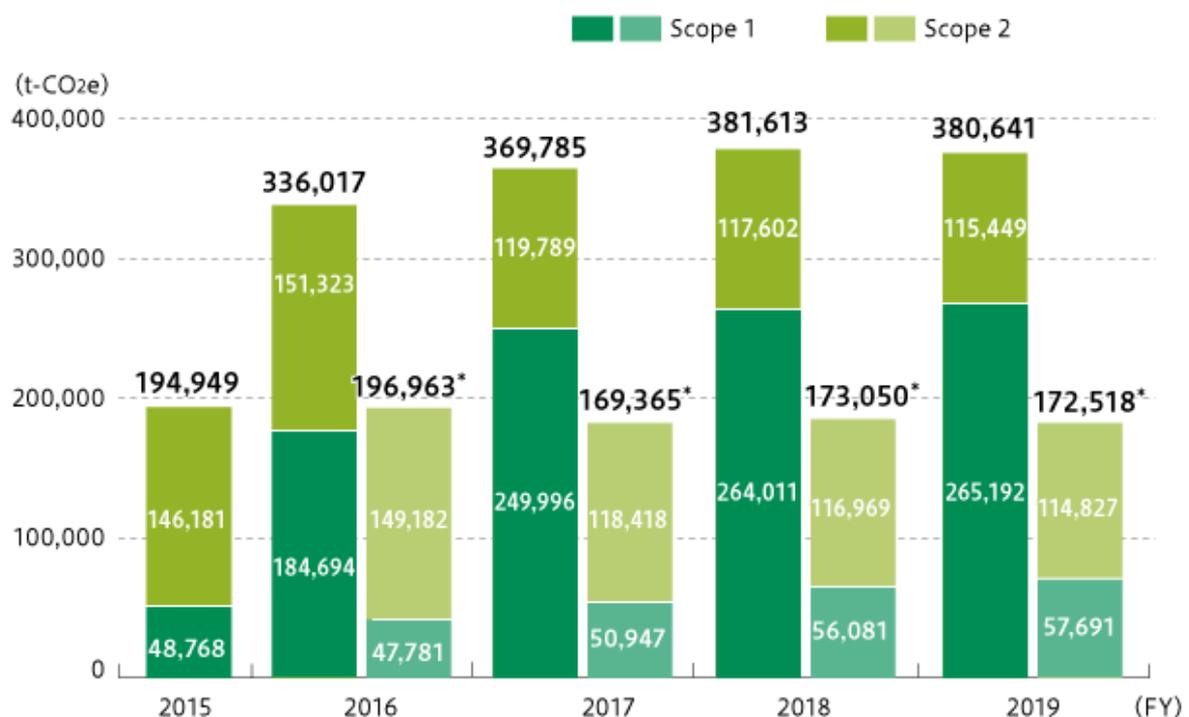
Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO<sub>2</sub> emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. E.g. CO<sub>2</sub> emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. E.g. CO<sub>2</sub> emissions generated during the use of products sold.

### ► Promotion of Net Zero Energy House (ZEH) Specifications

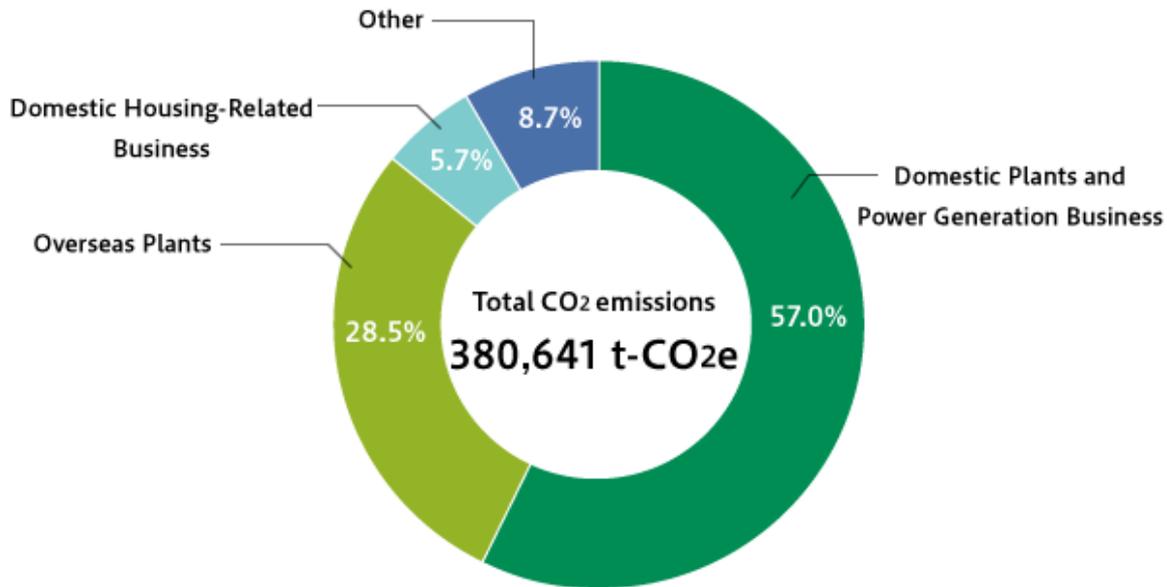
#### Scope 1 and Scope 2 CO<sub>2</sub> Emission Trends



\* Electric power generation (Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation) figures are excluded.

### ► About symbol for Independent assurance

### Scope 1 and 2 Breakdown by Business (FY2019)

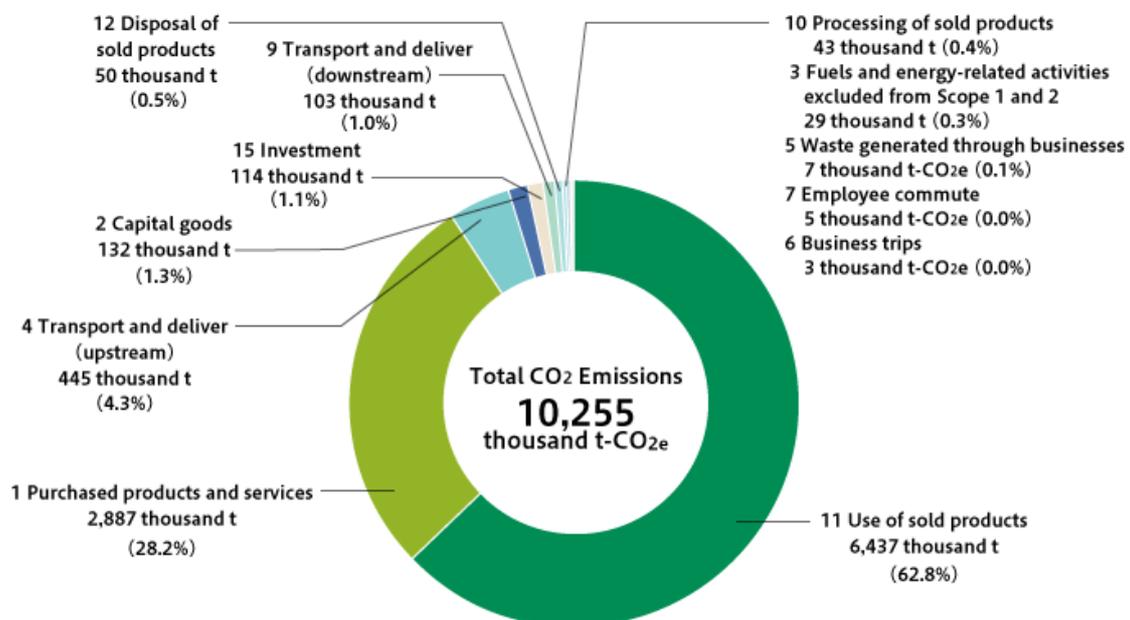


### FY2019 Scope 1 and 2 CO2 Emissions Breakdown

(Thousand t-CO<sub>2</sub>e)

	Domestic and Overseas Office	Domestic Non-Office	Overseas Non-Office	Total
Scope 1	30	213	21	265
Scope 2	16	10	89	115
<b>Total</b>	<b>46</b>	<b>223</b>	<b>111</b>	<b>381</b>

### Scope 3 Emissions by Category



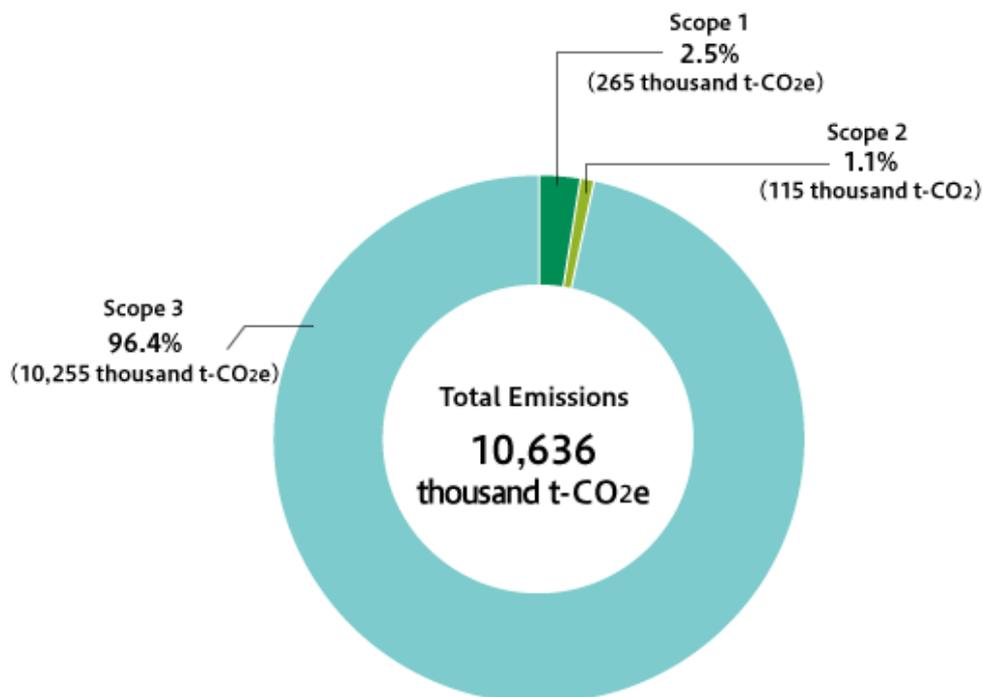
## Scope 3 Emissions by Category (three years)

(thousandt-CO<sub>2</sub>e)

Category	Boundary of Emissions included in the Category	FY2017	FY2018	FY2019
1 Purchased products and services	Emission from upstream of products and services purchased by Sumitomo Forestry	2,543	2,625	2,887
2 Capital goods	Emissions from upstream of purchased equipment	71	72	132
3 Fuels and energy related activities excluded from Scope 1 and 2	Emissions from the upstream of purchased fuels, electricity, heat capacity, and water	21	20	29
4 Transport and deliver (upstream)	Emissions from Sumitomo Forestry distribution from suppliers of purchased products and services in (1) and emissions due to logistics services other than (1) for costs incurred by Sumitomo Forestry	420	433	445
5 Waste generated through businesses	Emissions from waste treatment and its transport	8	8	7
6 Business trips	Emissions related to business trips of employees such as use of public transportation and accommodation	2	2	3
7 Employee commute	Emissions from employee commuting	5	5	5
8 Leased property (Upstream)	(Emissions from use of upstream leased property such as office buildings, heavy machinery, vehicles, and facilities are included in Scope 1 or 2)	-	-	-
9 Transport and deliver (downstream)	Emissions during transport of products sold	106	107	103

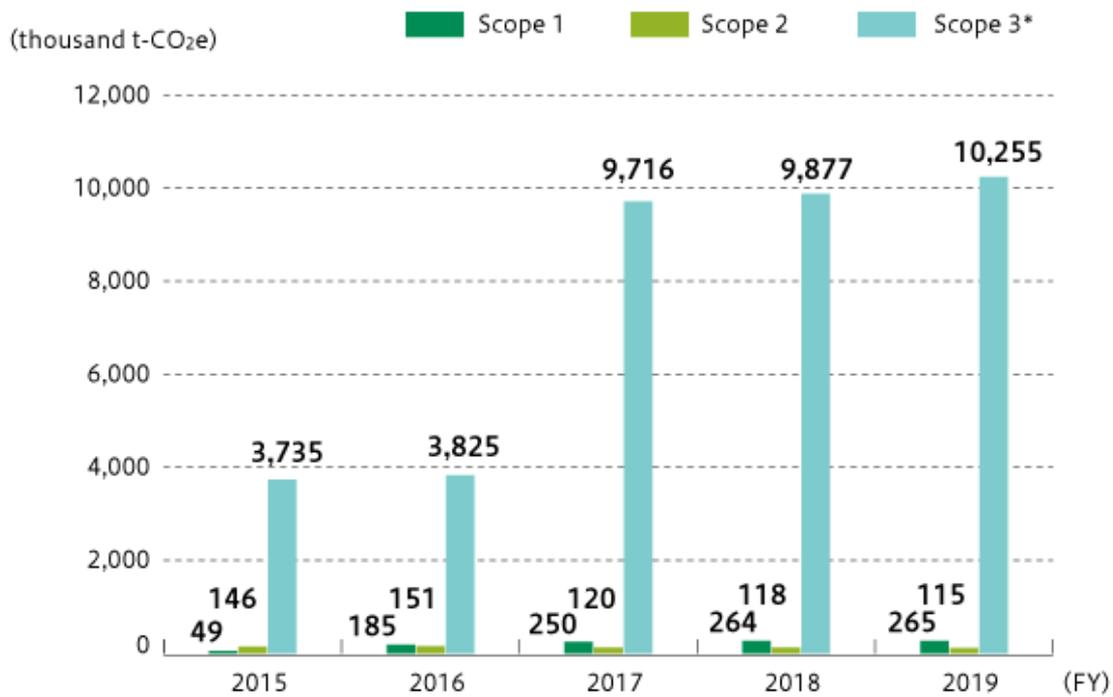
Category	Boundary of Emissions included in the Category	FY2017	FY2018	FY2019
10 Processing of sold products	Emissions from processing of raw wood into plywood as well as of sold pre-cut processing of sold lumber	52	54	43
11 Use of sold products	Emissions during use of detached houses sold	6,352	6,384	6,437
12 Disposal of sold products	Emissions from demolition and disposal of detached houses sold by the Company	47	48	50
13 Leased property (downstream)	(Tenants must belong to the Group and the figures are included in Scope 1 and 2 of the Group)	-	-	-
14 Franchised	(excluded)	-	-	-
15 Investment	Emissions from the investees (based on the Company's proportional share)	90	117	114

**FY2019 Total Greenhouse Gas Emissions Accrued From Corporate Activities**



▶ About symbol for Independent assurance

### Emission Trends in Scope 1, 2, and 3



\* The scope of calculation of Scope 3 expanded from the traditional domestic scope in Japan to the entire Sumitomo Forestry Group as of fiscal 2017.

#### ► Boundaries and Methods of CO<sub>2</sub> Emissions Calculation

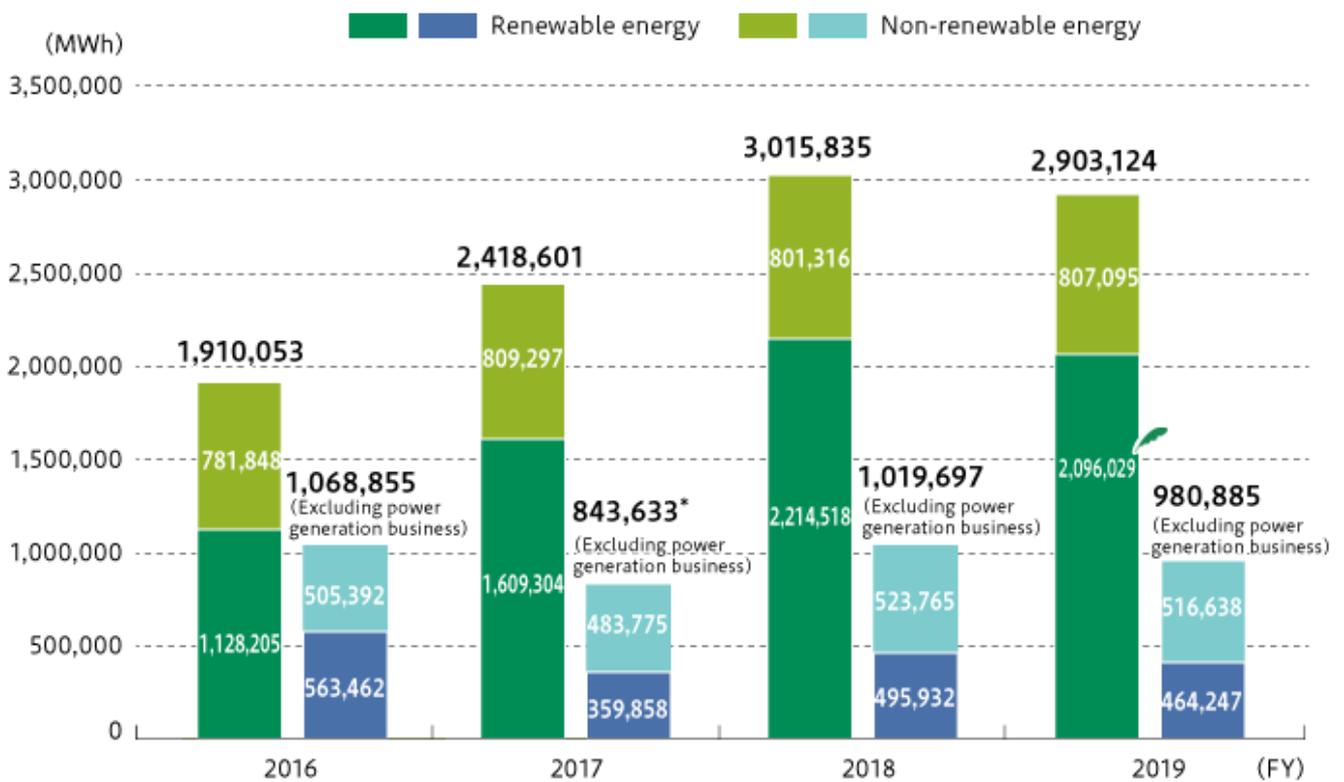
### Energy Consumption from Business Activities

The Sumitomo Forestry Group consumed 2,903,124MWh\* of energy in fiscal 2019. The energy consumption of the Group increased during fiscal 2016 to 2017 due to the start of trial and full-fledge operations of the Mombetsu Biomass Power Generation and Hachinohe Biomass Power Generation Businesses.

The start of full operations at the Hachinohe Biomass Power Generation Plant in April 2018 stopped a dramatic amount of the rise in energy consumption, but this power consumption declined 3.7% in fiscal 2019 compared to the previous fiscal year. The energy consumption in business other than the power generation business has declined by various energy-saving activities. In fiscal 2019, total renewable energy accounted for about 72% of our group energy usage.

\* The Balance of Input & Output is calculated according to the TJ unit based on the Environmental Reporting Guidelines issued by the Ministry of the Environment. Both are equivalently calculated for the amount of energy consumption.

## Energy Consumption Trends Over Past Four Years



\* Data for Alpine MDF Industries Ltd. has been excluded because the company was sold in March 2017.

▶ [About symbol for Independent assurance](#)

## Reducing CO<sub>2</sub> Emissions from Offices

All business sites of Group companies in Japan are advancing the introduction of fuel-efficient vehicles to make 547 of the 616 company-owned vehicles introduced during fiscal 2019 fuel-efficient vehicles (for an 88.8% adoption rate of fuel-efficient vehicles). In addition, the Group has encouraged employees who drive on the job at offices and business sites of Group companies in Japan to participate in the Eco Training course run by the Japan Automobile Federation (JAF).

The Group has also worked to reduce power consumption. In the Housing and Construction Division, power consumption has been reduced by moving to a "free address" office system (where personnel are not assigned to fixed desks) to make more efficient use of office space. In addition, the division has also proceeded to install solar power generation systems and LED lighting at its model homes and other business sites.

The Group will continue to reduce CO<sub>2</sub> emissions by such means as reducing prolonged working hours and raising awareness among employees.

## Reducing CO<sub>2</sub> Emissions Outside Offices

To address CO<sub>2</sub> emissions collectively, the Group set Sumitomo Forestry Crest, manufacturing plants of Agro-Products Division of Sumitomo Forestry Landscaping, as well as power generation businesses, the Tsukuba Research Institute, the Tokyo Metropolitan Area Recycling Center, Sumirin Fill Care, Kawanokita Development, and Japan Bio Energy as domestic non-office category constituents, as well as overseas manufacturing plants of RPI, ASTI, KTI, VECO, NPIL, SRP, and CCC in addition to OBT as overseas non-office category constituents with their respective reduction targets.

In fiscal 2019, the start of full operations at Hachinohe Biomass Power Generation caused an increase of 2.0% compared to fiscal 2017, which is the base year.

## Reducing CO<sub>2</sub> Emissions from Transportation

Under the revised Act on the Rational Use of Energy in Japan, consigners\*<sup>1</sup> are required to reduce per-unit energy consumption by an annual average of 1% or more in the medium to long term in relation to the transportation of goods. Sumitomo Forestry and Sumitomo Forestry Crest fall under the category of "specified consigner" (annual freight transportation volume is 30 million ton-km\*<sup>2</sup> or more), obligating them to submit reports to the Japanese Government. Sumitomo Forestry therefore sets a target each fiscal year to reduce per-unit energy consumption\*<sup>3</sup> in transportation by 1% or more compared to the previous year. Sumitomo Forestry Crest also sets targets to reduce per-unit energy consumption compared to the previous year.

In fiscal 2019, Sumitomo Forestry's per-unit energy consumption was 99.7% compared to the previous year and Sumitomo Forestry Crest's was 98.9%.

Ongoing efforts will be made to reduce CO<sub>2</sub> emissions through cooperation with transportation partners on such measures as improving loading efficiency, shifting from land to sea transportation, and utilizing the return leg of construction material deliveries to transport waste.

\*1 Consigners as defined in the Act on the Rational Use of Energy in Japan is someone who transports cargo to carriers for our businesses

\*2 Freight transportation volume (ton-kilometers) = freight weight (tons) × distance travelled (km)

\*3 Sumitomo Forestry measures energy consumption per unit of volume handled. Sumitomo Forestry Crest measures energy consumption per unit of net sales

### Energy Consumption From Transportation, CO<sub>2</sub> Emissions and Energy Consumption Per-Unit (FY2019 Performance)

	Energy Use (Crude Oil Equivalent)	CO <sub>2</sub> emissions	Energy Consumption Per Unit
Sumitomo Forestry	1,988kL	5,305t-CO <sub>2</sub>	0.00174kL/m <sup>3</sup> (Ratio to Previous FY: 99.7%)
Sumitomo Forestry Crest Co., Ltd.	1,896kL	5,035t-CO <sub>2</sub>	0.0000572kL/thousand yen (Ratio to Previous FY: 98.9%)

### Establishment of an Efficient Delivery

Sumitomo Forestry is reducing the CO<sub>2</sub> emissions in its transportation processes by bringing together materials for Sumitomo Forestry Home houses from multiple manufacturers momentarily at relay centers in approximately 30 locations throughout Japan with a system to consolidate and transport shipments.

Home Eco Logistics takes on logistics operations for the Sumitomo Forestry Group with the housing business at the core and also actively puts forward proposals for efficient logistics operations to material manufacturers, housing builders, housing construction companies and building material distributors. There are over 60 logistics contractors as of March 2020, excluding the Sumitomo Forestry Group. Furthermore, we are providing consulting for more efficient internal warehousing operations and inventory management rationalization. In fiscal 2019, two new construction materials operators contracted our consulting services.

In the future, we will actively strive in cooperative distribution through multiple companies because of insufficient shipment capacity forecast due to a decrease in the amount of new housing construction.

## Boundaries and Methods of CO<sub>2</sub> Emissions Calculation

### Boundary of CO<sub>2</sub> Emissions (Organizational Range)

The amount of CO<sub>2</sub> emissions published in this report is an aggregation for companies throughout the Group, including all consolidated subsidiaries in and outside of Japan unless otherwise noted. Furthermore, the boundaries of calculating CO<sub>2</sub> emissions by scope are as shown below.

- Scope 1, 2 and 3

All Group companies, including consolidated subsidiaries in Japan and overseas.

\* For scope 3, the boundary was expanded to include the entire Sumitomo Forestry Group in fiscal 2017 from Japan

▶ [List of Applicable Companies](#)

### Scope 1 CO<sub>2</sub>e Emissions

The CO<sub>2</sub> emissions both inside and outside of Japan are calculated by using heat conversion, carbon dioxide emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures, and average value of emission coefficient measured at the biomass power plant.

The waste used for energy at manufacturing plants (wood waste and waste plastics) and wood pellets are also converted to amount of heat, and the greenhouse gas emissions (CO<sub>2</sub>e) are calculated using the CH<sub>4</sub> and N<sub>2</sub>O emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures.

### Scope 2 CO<sub>2</sub> Emissions

The CO<sub>2</sub> emissions caused by use of purchased electricity in Japan are calculated by the carbon dioxide emission coefficient for each power provider in each fiscal year stipulated in the Act on Promotion of Global Warming Countermeasures.

The CO<sub>2</sub> emissions due to the use of purchased heat are calculated by the CO<sub>2</sub> emission coefficient stipulated in the Act on Promotion of Global Warming Countermeasures.

The CO<sub>2</sub> emissions caused by use of purchased electricity overseas in fiscal 2019 are calculated by the carbon dioxide emission coefficient of each country according to the IEA Emission Factors 2019 issued by the International Energy Agency (IEA).

### Scope 3 CO<sub>2</sub>e Emissions

#### Category 1. Purchased goods and services

##### (Portion of outside contracts during construction of wooden detached houses)

$\Sigma$  (energy use during on-site construction per home  $\times$  CO<sub>2</sub> emissions coefficient by energy)  $\times$  Portion of outside contracts used in houses completed in the current fiscal year

##### (Purchased products)

$\Sigma$  (Amount of procured product or sales  $\times$  Emissions per weight or per price)

Overseas companies handling timber and building materials: Sales per unit of housing in Japan is calculated and multiplied to the sales of each overseas company.

Domestic companies handling timber and building materials: Sales per unit of timber and building materials in the Timber & Building Materials Business is calculated and multiplied to the sales of each affiliate company.

## Category 2. Capital goods

---

$\Sigma$  (Capital goods procurement value by all Group companies  $\times$  Per unit emissions by industrial division)

## Category 3. Fuel- and energy-related activities (not included in scope 1 or scope 2)

---

### (Procurement)

$\Sigma$  (Energy and water use  $\times$  Per unit emissions of energy)

### (Transport from retailers)

\* The target of calculations is the use on operational sites such as plants

$\Sigma$  (Energy use (weight conversion)  $\times$  Estimated transport distance  $\times$  Per unit use of fuel in ton-kilometers  $\times$  CO<sub>2</sub> emissions coefficient)

\* Calculation based on transportation scenario

## Category 4. Upstream transportation and distribution

---

### (Transport in Japan)

$\Sigma$  (Amount procured by each plant  $\times$  Estimated transport distance  $\times$  Per unit use of fuel in ton-kilometers  $\times$  CO<sub>2</sub> emissions coefficient)

CO<sub>2</sub> emissions related to owner shipments (value to report based on the energy saving law; however, this excludes waste transport)

\* Waste transport is included in Category 5

### (Transport by sea)

$\Sigma$  (Amount of import products procured  $\times$  Distance to transport by sea from the country of procurement  $\times$  Per unit emissions of ship transport)

## Category 5. Waste generated in operations

---

$\Sigma$  (Amount of emissions by type of waste  $\times$  Per unit emissions by the type of waste or processing method)

## Category 6. Business travel

---

Number of employees of all Group companies  $\times$  Per unit emissions during business trips

## Category 7. Employee commuting

---

### (Type of transportation: Train/bus)

Number of employees of all Group companies  $\times$  Per unit emissions during commute

\* Per unit emissions during commute: Calculated from the emissions during commute for the past three years (2013, 2014, 2015) of Group companies in Japan

### (Type of transportation: Automobile)

Number of employees of all Group companies  $\times$  Per unit emissions during commute by automobiles

\* Per unit emissions during commute: Calculated by dividing the costs of commuting by automobiles by average unit price of gasoline of that fiscal year, and then multiplying the emission coefficient of burning gasoline

\* Emissions during commute using employee-owned vehicles is included in Scope 1

## Category 9. Downstream transportation and distribution

---

### (Wood yard pick up such as the plywood or fiberboard that is sold)

$\Sigma$  (Sales volume × Estimated transport distance × Per unit fuel use in ton-kilometer × CO<sub>2</sub> emissions coefficient)

\* Calculation based on transportation scenario

## Category 10. Processing of sold products

---

### (Plywood work and Precut factories)

$\Sigma$  (Sales volume of crude wood and processed materials × Per unit emissions during processing)

\* Per unit is based on the LCA procurement implemented in the past by the company

## Category 11. Use of sold products

---

### (CO<sub>2</sub> emissions during habitability)

$\Sigma$  (Annual energy use per household × CO<sub>2</sub> emissions coefficient by energy) × Number of households × Number of houses completed by construction method for fiscal year

\* Emissions related to renovations are omitted because there is a possibility to count a portion of Scope 1 and Scope 2 emissions twice for affiliate companies engaged in the renovations business (Sumitomo Forestry Home Tech Co., Ltd.)

\* Energy use per household (electricity/city gas) :

In Japan : Calculated by using the Building Research Institute's energy consumption performance calculator program

Overseas: Average of dividing amount of fuel and electricity used per state released by the government by number of households

## Category 12. End-of-life treatment of sold products

---

### (CO<sub>2</sub> emissions during demolition)

$\Sigma$  (Fuel use during demolition per household × CO<sub>2</sub> emissions coefficient by fuel) × Number of houses completed for the current fiscal year

\* Fuel use during demolition per household (diesel/gasoline):

Estimated based on sample surveys related to the fuel use in model house demolition conducted by Sumitomo Forestry in 2006

### (CO<sub>2</sub> emissions during disposal (including transport))

$\Sigma$ (Amount of waste during demolition per household × Per unit emissions by volume reduction rate , disposal rate , recycling rate for each type of waste × Per unit emissions by type of waste or processing method) × Number of houses completed in the current fiscal year

\* Amount of waste during demolition per household:

The amount of waste produced during demolition annually by Sumitomo Forestry Group for fiscal 2016 is calculated by converting the equivalent building weight of the standard plan (floor area:147m<sup>2</sup>) of Sumitomo Forestry for fiscal 2010

## Category 15. Investments

---

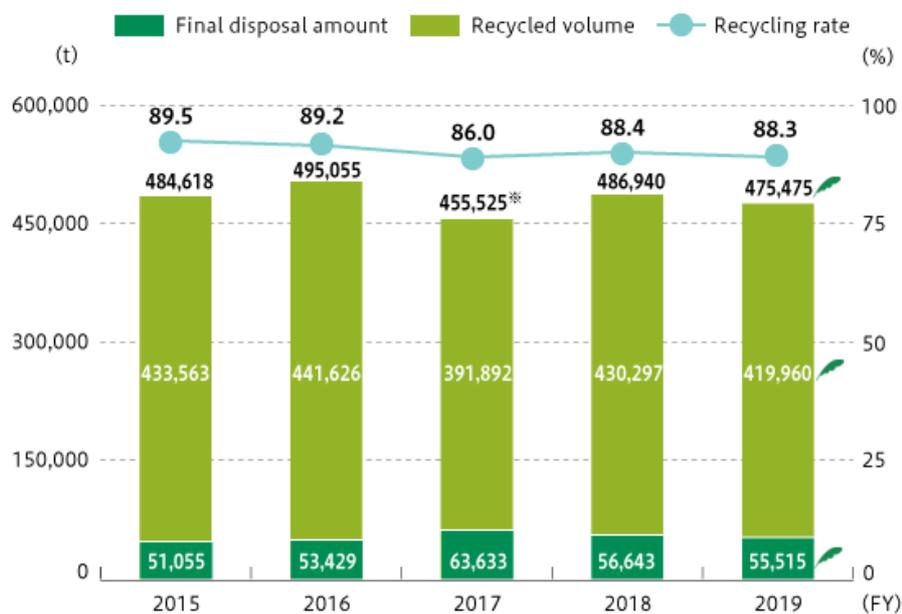
$\Sigma$  (Scope 1 and 2 emissions from companies the Group invests × Equity interest of Sumitomo Forestry Group)

\* Scope 1 and 2 emissions are the public values from the company the Group invests or the values released in the Act on Promotion of Global Warming Countermeasures

## Promotion of Waste Reduction and Recycling

The Sumitomo Forestry Group makes efforts in attaining zero emissions and reducing industrial waste generated, at the same time as promoting reuse and recycling for each operational process in accordance with the Sumitomo Forestry Group Environmental Policies in order to build a sustainable and recycling-oriented society. The Mid-Term Sustainability Targets announced in May 2019 set targets for protecting resources, reducing the emission of waste and achieving zero emissions. In addition to the recycling rate, we have also set a target for the absolute amount of final disposal and are further strengthening the management system. In fiscal 2019, overall Sumitomo Forestry Group emissions volume was down 2.4% compared to the previous year. The amount of final disposal achieved our target of 58,860 ton with a result of 55,515 tons. This was a 2.0% reduction compared to the previous fiscal year. We will continue to strive to effectively use resources in the future.

### Trends in Waste Generated and Recycling Rate Over the Last Five Years



\* Data for Alpine MDF Industries Ltd. (Alpine) has been excluded because the company was sold in March 2017.

▶ About symbol for Independent assurance

### Initiatives to Achieve Zero Emissions

The Sumitomo Forestry Group has defined “Zero emissions” as no incineration or landfill of industrial waste (recycling rate of 98% or more) generated by domestic manufacturing facilities and new housing construction sites.

Based on this definition, domestic manufacturing facilities achieved zero emissions in fiscal 2009. As for new housing construction sites, including exterior landscaping, the Group achieved zero emissions in the Tokyo metropolitan area in fiscal 2012.

Since fiscal 2015, the Group has been adhering to the former Mid-Term CSR Management Plan with its target year of fiscal 2020 while continuously working towards zero emissions. From fiscal 2019, we are working to achieve zero emissions in keeping with the new Mid-Term Sustainability Targets, with a target year of fiscal 2021. In addition to the recycling rate, the Mid-Term Sustainability Targets set a target of 15% reduction in the amount of final disposal throughout the entire Sumitomo Forestry Group compared to fiscal 2017, and we worked toward zero emissions. Furthermore, within the Mid-Term Sustainability Targets, we take factors such as the state of progress of business activities and the resulting waste generation into account, establishing the following seven categories for a more finely differentiated effort to achieve zero emissions than in the Mid-Term CSR Management Plan. These categories are: New Housing Construction Sites, Domestic Production Plants, Power Generation Business, Renovation Business, Lifestyle Service Business, Overseas Manufacturing Plants, and Demolition Work sites.

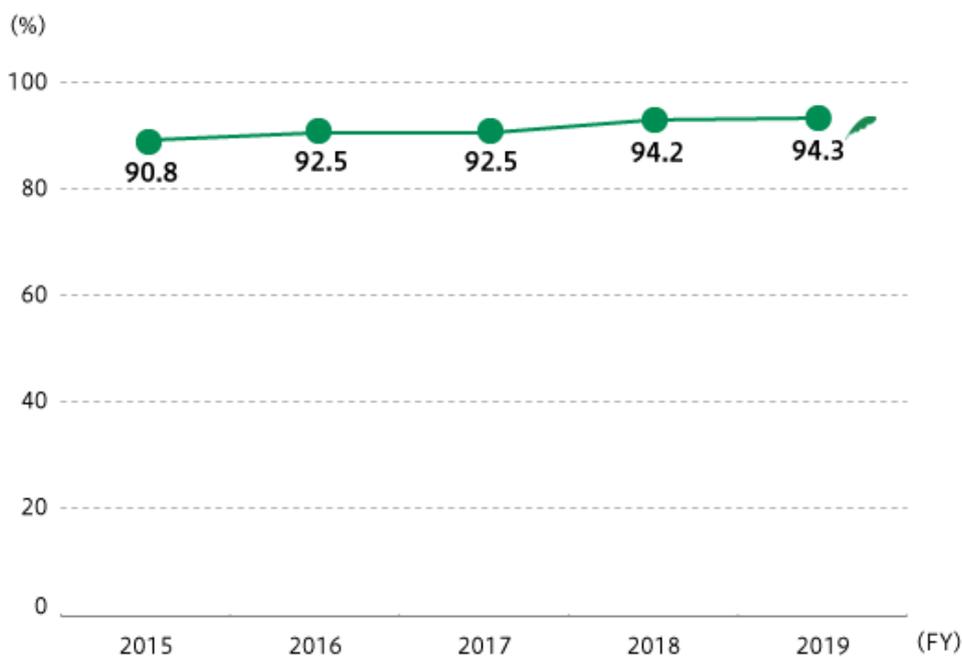
▶ Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities

## Efforts at New Housing Construction Sites

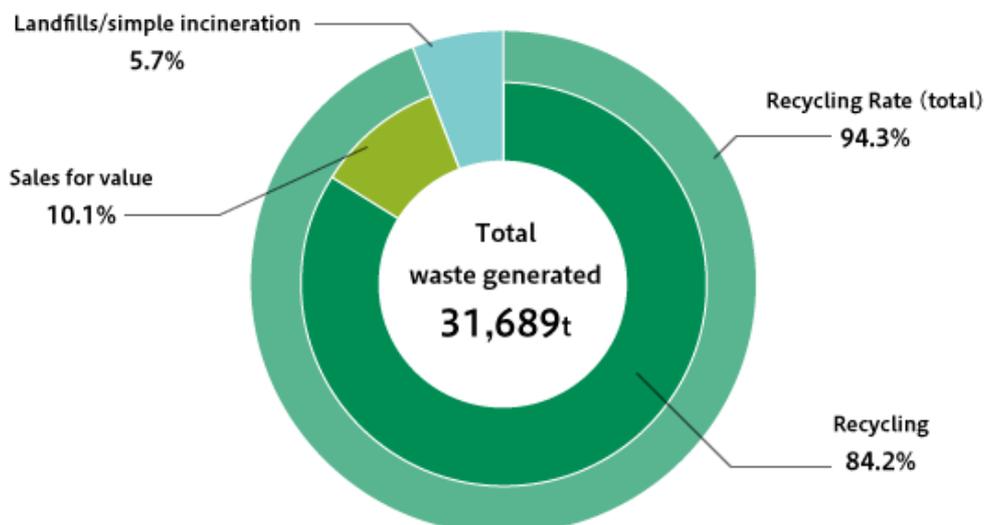
We work to reduce waste generated at Sumitomo Forestry's new housing construction sites. At monthly meetings of our Waste Reduction Working Group, leaders of sub-groups raise and share issues while managing progress toward meeting targets. Efforts to reduce waste have included the use of the bare minimum necessary packaging materials and reusable protective material for flooring. We engaged in initiatives that aimed to achieve the 98% recycling rate set by the Mid-Term Sustainability Targets, which was 94.3% against our target of 96.1% for fiscal 2019. In the future, we will strive to further reduce waste emissions and improve our recycling rate through precuts of roof slate and external wall siding.

In the Tokyo metropolitan area, the Company obtained inter-region recovery and recycling certification, whereupon we established the Metropolitan Area Recycling Center, and implemented streamlined sorting of waste. Since fiscal 2018, new housing construction site waste processing operations expanded areas covered by the inter-region recovery and recycling certification are promoting a higher recycling rate.

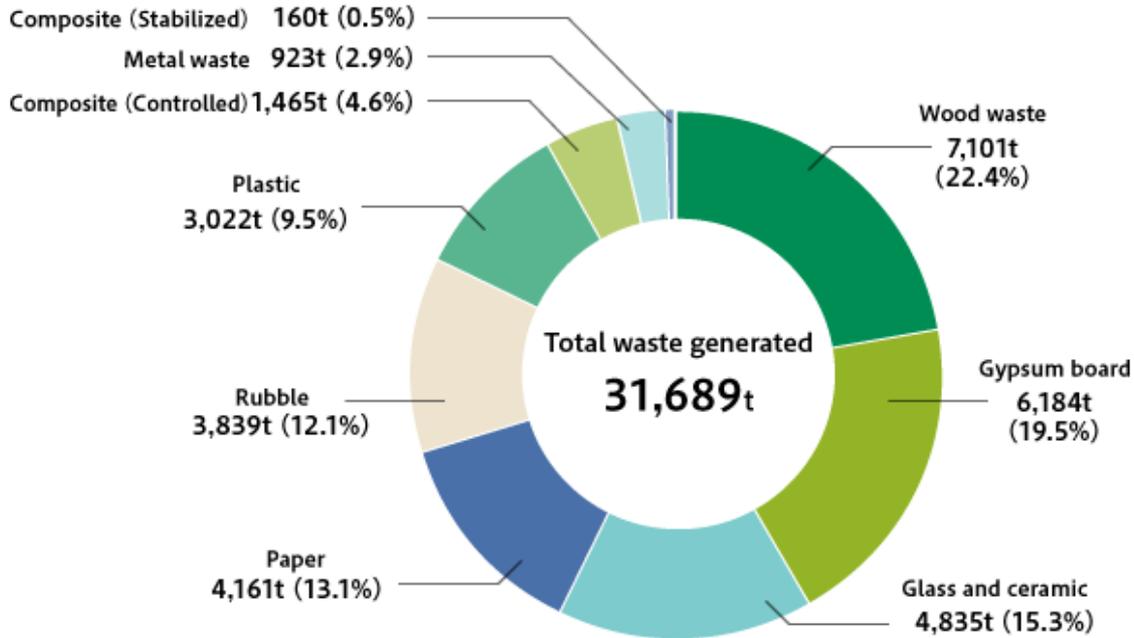
**Recycling Rate at New Housing Construction Sites**  
(Housing and Construction Division, Sumitomo Forestry Landscaping, Sumitomo Forestry Home Engineering)



**Breakdown of Waste Generated by Disposal Process for New Housing Construction Sites (FY2019)**



### Breakdown of Waste Generated at New Housing Construction Sites (FY2019)

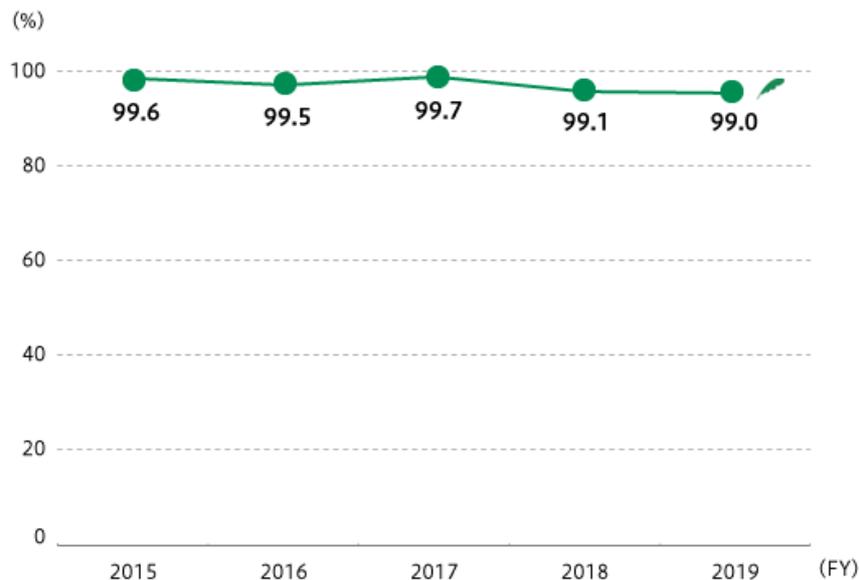


▶ About symbol for Independent assurance

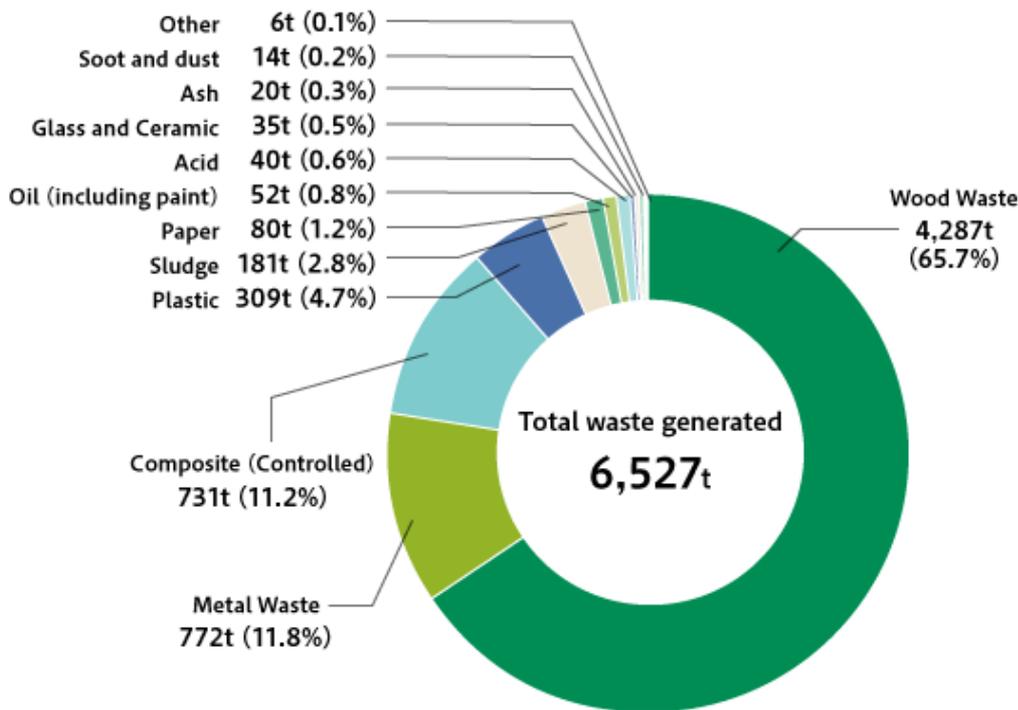
### Initiatives at Domestic Manufacturing Facilities

Sumitomo Forestry Group managed to achieve a recycling rate of 99.0% against the target of 99.3% while zero emissions (recycling rate of 98% or more) were achieved at Sumitomo Forestry Crest and the Agro-Products division of Sumitomo Forestry Landscaping in fiscal 2019 as a result of ongoing efforts to reduce waste emissions, for example by tightening the sorting of industrial waste and selling it for a profit.

### Recycling Rate at Domestic Manufacturing Plants (Sumitomo Forestry Crest, the Agro-Products division of Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy)



### Breakdown of Waste Generated at Domestic Manufacturing Plants (FY2019)

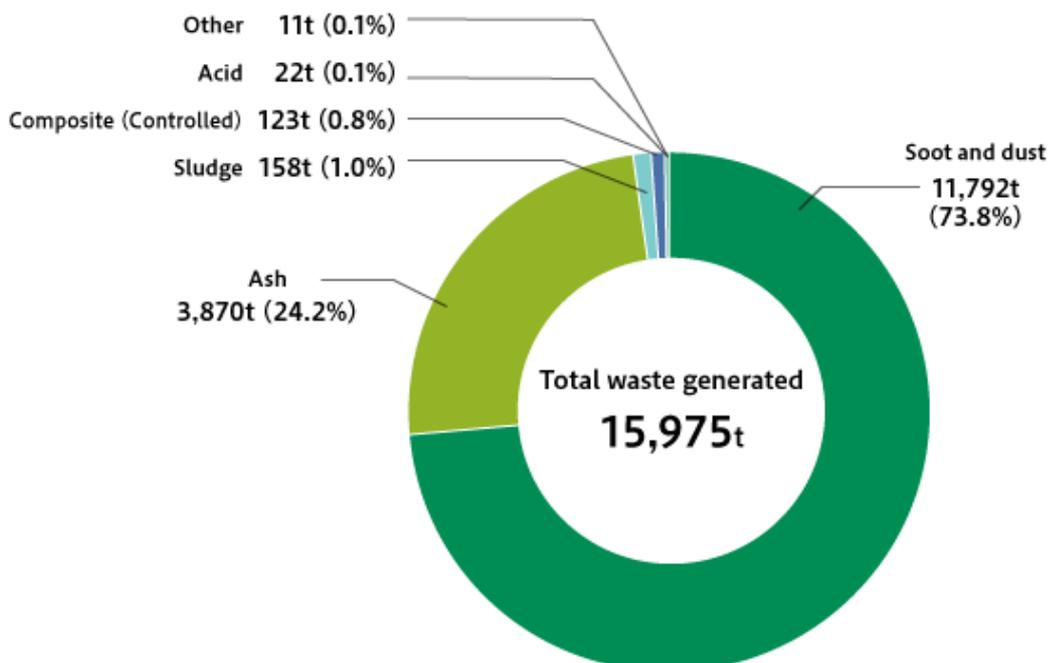


▶ About symbol for Independent assurance

### Power Generation Business Initiatives

In power generation business operations, incineration ash emitted by biomass boilers is blended with quicklime for reuse primarily as a forest roadbed material. In fiscal 2018, it was manufactured under the product name Rovander, and received approval as a Hokkaido Government-certified Recycled Product. The recycling rate set as a target for fiscal 2019 was 52.5%, but effective use of incinerator ash allowed us to surpass our target and achieve a rate of 81.6%.

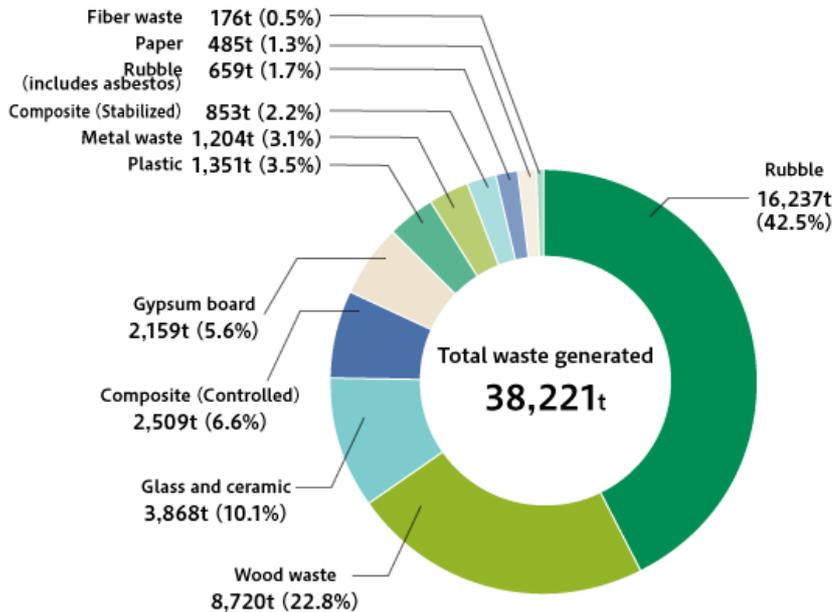
### Breakdown of Waste Generated at Power Generation Business Operations (FY2019) (Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation)



## Renovation Business Initiatives

We are working to reduce waste generated by renovation sites by using protective materials as well as other measures to mitigate waste generation. In fiscal 2014, Sumitomo Forestry Home Tech began recycling wood waste materials generated at its renovation sites. Our efforts to use resources effectively include recycling wood waste as raw material for particle board. The recycling rate in fiscal 2019 was 69.3% against our target of 80.0%. In the future, we will more thoroughly sort waste on site with the aim of a recycling rate of 80%.

**Breakdown of Waste Generated at Renovation Business Operations (FY2019)  
(Sumitomo Forestry Home Tech)**

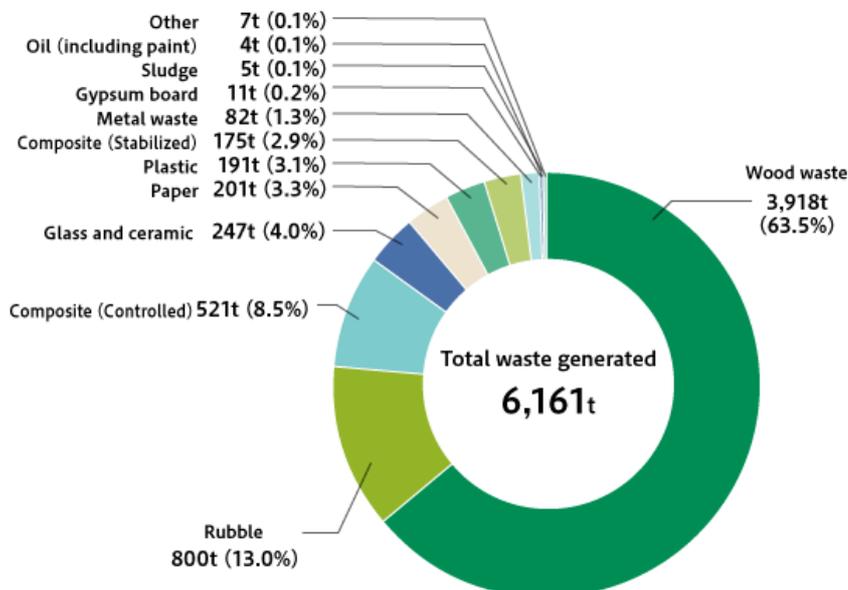


## Initiatives at Lifestyle Service Business, Housing-Related Materials Sales\*, etc.

At waste-generating locations of enterprises such as Lifestyle Service Business and housing materials sales, initiatives to reduce amounts of waste generated are implemented at a department level.

\* Housing materials sales comprise distribution and renovation operations, Tsukuba Research Institute, etc.

**Breakdown of Waste Generated by Lifestyle Service Business, Housing-related Materials Sales, etc. (FY2019)**



## Initiatives at Overseas Manufacturing Plants

We are working toward zero emissions with two new Group companies from 2019: Sinar Rimba Pasifik (SRP) in Indonesia and Canyon Creek Cabinet (CCC) in the United States in addition to five main manufacturing companies outside Japan\*. Kutai Timber Indonesia collects wood waste generated during the particle board manufacturing process and reuses it as boiler fuel or in wood building materials.

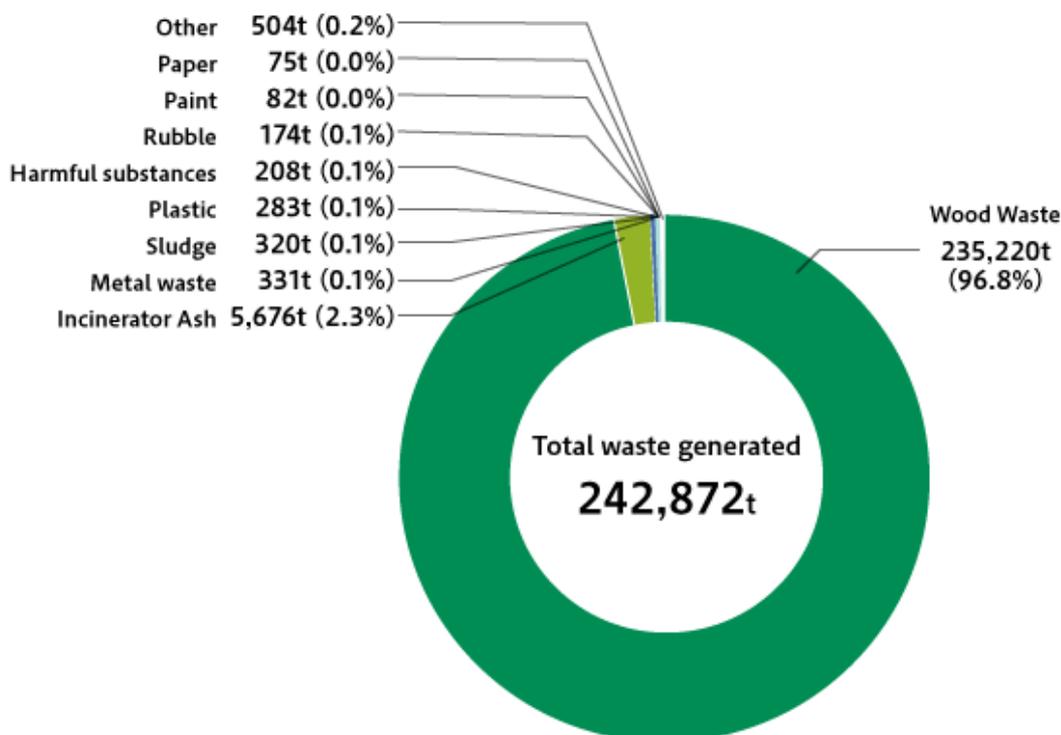
In fiscal 2019, the total volume of waste produced was 242,872t, with a final waste processing volume of 6,114t and a recycling rate of 97.5% against the 97.9% target set by the Mid-Term Sustainability Targets. The Mid-Term Sustainability Targets set the target of a 98% recycling rate to be achieved by fiscal 2021.

\* Indonesia: PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, and PT. AST Indonesia

New Zealand: Nelson Pine Industries Ltd.

Vietnam: Vina Eco Board Co., Ltd.

### Breakdown of Waste Generated at Overseas Manufacturing Plants (FY2019)



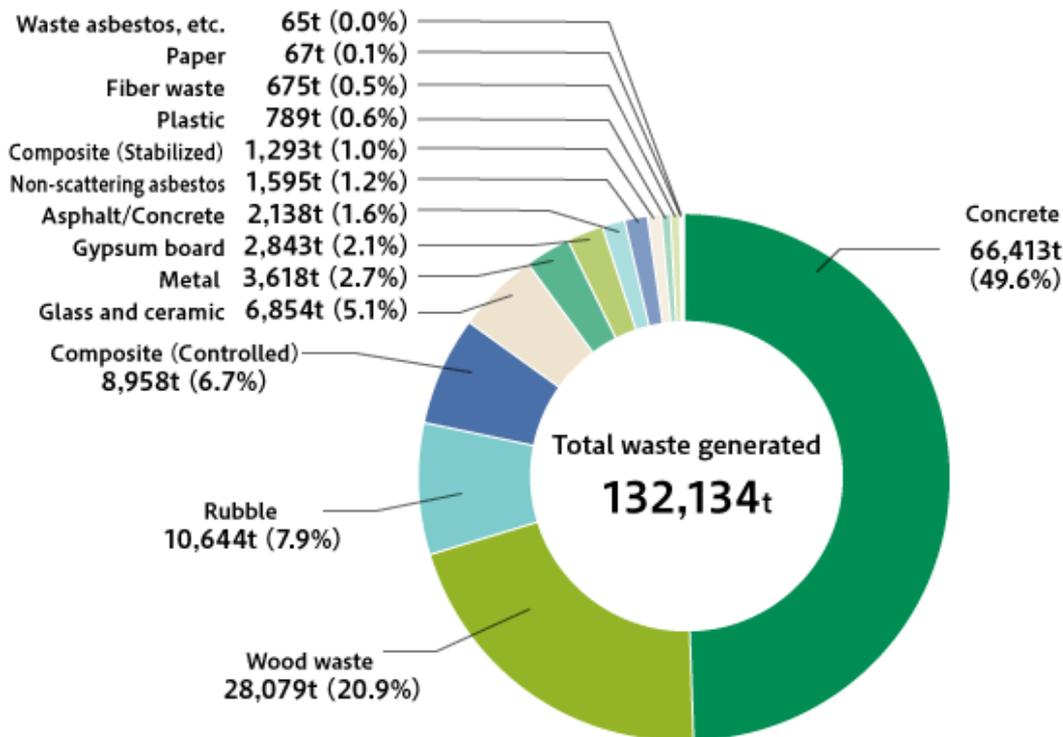
## Efforts at Demolition Housing Sites

Sumitomo Forestry was promoting resource recycling even before the enactment of the Construction Material Recycling Law implemented in 2002 by ensuring that materials were properly sorted during demolition prior to the construction of a new house and that waste remained sorted for processing afterwards. Since the enactment in 2002, the Company has recycled the items required under the Law (wood waste, concrete, etc.), sorting them at the sites where the waste is generated.

The recycling rate\* for concrete and metal waste was almost 100% in fiscal 2019, as it was the previous year. A 100% recycling rate was achieved for wood waste through measures including the thorough removal of extraneous matter. The Mid-Term Sustainability Targets set the target of 98% recycling rate for construction areas that the Construction Material Recycling Law does not apply to (total floor area of 80m<sup>2</sup> or less).

\* Recycling rate calculation includes metals in addition to construction materials specified under the Construction Material Recycling Law (concrete, asphalt-concrete and wood waste) and metals.

### Breakdown of Demolition Waste Generated (FY2019)



### Education for New Construction and Demolition Contractors

Demolition contractors report about industrial waste to the Housing and Construction Division from the start of demolition work to its completion, recording the work according to a manual. The Housing and Construction Division comprehensively checks these reports and, if there are any inconsistencies, education and comprehension tests about industrial waste are conducted for new construction contractors with monthly construction contractor meetings as an important management branch to confirm their capabilities.

### Recycling of Wood Resources into Chips

The Sumitomo Forestry Group contributes to resource recycling through its wood chip operations, whereby offcuts generated during the timber milling process and wood waste from new housing construction and demolition sites are turned into wood chips to be used as a raw material for products such as paper and particle board, and also as a fuel for power-generating boilers or other equipment.

In fiscal 2020, we aim to further increase the volume we handle for use as fuel in order to meet the growing demand for fuel used in biomass power generation.

### Handling Volume of Wood Chips



▶ About symbol for Independent assurance

### Effective Utilization of Used Activated Carbon from Water Purification Plants

The Tokyo Metropolitan Government (TMG) Bureau of Waterworks uses an advanced water treatment system combining ozonation and the use of biological activated carbon.

The Agro-Products division of Sumitomo Forestry Landscaping (formerly Sumirin Agro-Products Co.) is making effective use of this used activated carbon to develop and market potting media for agriculture and horticulture and a soil improvement agent for greening. Joint research conducted with the TMG found that these items were effective in promoting plant growth, and the two parties applied for a joint patent based on the research results.

The amount of used activated carbon in fiscal 2019 was 3,630m<sup>3</sup>. In fiscal 2020 as in fiscal 2019, Tane Baido and Karuido products that use many used activated carbons are expected to perform favorably with the aim of procuring 4,500 m<sup>3</sup> from Tokyo and 800 m<sup>3</sup> from the Kansai region.



Used activated carbon and farming-garden products made from it

## Measures for Plastic

### Formulating Standards to Handle Plastics

Plastics spread throughout society quickly and brought convenience and other benefits to our lives. However, the reuse and material recycling rate of plastics is still low in the world, compared to other materials. Pollution problems caused by plastics waste flowing into our oceans have become a global issue. The Sumitomo Forestry Group set measures to respond to the issue of plastics in August 2019, and it has been raising awareness in all relevant departments. We are looking into any and all alternatives to plastic goods for novelty item, stationary supplies and even packaging. We have put in place various initiatives from using cans instead of plastic bottles for vending machines and drinks stored at the company unless for a special reason, such as disaster prevention, to not passing out drinks in plastic bottles during meetings. We have also reflected and revised measures for handling plastics in the Green Procurement Guidelines.

### Endorsement of “Kanagawa Zero Plastic Waste Declaration” in Response to Plastic Waste

The problem of plastic waste in the oceans is internationally acknowledged as an extremely serious environmental problem for the major impact it exerts on aquatic ecosystems and human lives. On February 12, 2019, the Yokohama Branch Office, representing the five offices\*<sup>1</sup> it manages in the Kanagawa Prefecture area, announced its endorsement of the “Kanagawa Zero Plastic Waste Declaration”.\*<sup>2</sup> Efforts spearheaded by the Shonan Branch Headquarters, which have included clean-up activities at the Shonan-Tsujido shoreline, will be stepped up in a collaborative effort by all five offices.

As part of this activity, the Shonan Branch worked with Shoyukai to clean up the beach along the Tsujido shoreline in July 2019. More than 80 people gathered together in the sprinkling rain to pick up trash such as plastic waste, wood waste, and metal for roughly an hour from 7:30 in the morning. The trash included not only plastic waste but also syringes and old tires. This activity was a great chance to reflect once again on the environment around us.

\*1 The Housing and Construction Division Yokohama, Yokohama-kita, Kanagawa-nishi, Shonan and Tokyo-minami Branches.

\*2 As an “SDGs Future City,” area, Kanagawa Prefecture announced its “Kanagawa Zero Plastic Wasted Declaration” as part of its specific SDG targets for a sustainable society, publicized as a “Message from the Whales” in September 2018. The project aims to achieve “zero plastic waste” by 2030 or earlier if possible by spreading efforts among the municipalities, private-sector companies and residents of the prefecture to eliminate and collect plastic straws, shopping bags, etc.



Clean-up efforts at the Shonan shore.

## Management of Hazardous Chemical Substances and Appropriate Disposal

### Management of Chemical Substances

#### Management of Chemical Substances at Plants in Japan

The Sumitomo Forestry Group manages hazardous chemical substances at each of three relevant Sumitomo Forestry Crest Co., Ltd. plants (Kashima Plant, Niihama Plant, Imari Plant) in accordance with the Pollutant Release and Transfer Register Law in Japan.

#### Management Table of Chemical Substances at Plants in Japan (FY2019)

Applicable Company	Applicable Department	Substance No.	Name of Chemical Substance	Total Use (kg/year)	Total Released (kg/year)				Total Transferred (kg/year)		Conversion into Products (kg)
					Air* For VOC regulations	Water	Soil	Landfill Disposal	Sewerage	Outside Plant Premises	
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	186	Methylene chloride (dichloromethane)	10,991	7,800	0	0	0	0	3,200	1
		448	Methylenebis (4,1- phenylene) diisocyanate	1,357	0	0	0	0	0	52	0
	Subtotal			12,348	7,800	0	0	0	0	3,252	1
	Niihama Plant	186	Methylene chloride (dichloromethane)	4,355	2,868	0	0	0	0	1,487	1
	Subtotal			4,355	2,868	0	0	0	0	1,487	1
	Imari Plant	4	Acrylic acid and water-soluble salts	14,039	0	0	0	0	0	0	14,039
		7	n-Butyl acrylate	8,705	0	0	0	0	0	24	8,681
		84	Glyoxal	2,400	0	0	0	0	0	4	2,396
		134	Vinyl acetate	2,270,087	2,400	100	0	0	0	64	2,267,523
		349	Phenol	61,200	0	0	0	0	0	21	61,179
395		The water-soluble salts of peroxy disulfuric acid	3,764	0	0	0	0	0	9	3,755	
407	Poly (Oxyethylene) = Alkylether (alkyl group: C12~C15)	2,649	0	24	0	0	0	7	2,618		

Applicable Company	Applicable Department	Substance No.	Name of Chemical Substance	Total Use (kg/year)	Total Released (kg/year)				Total Transferred (kg/year)		Conversion into Products (kg)
					Air* For VOC regulations	Water	Soil	Landfill Disposal	Sewerage	Outside Plant Premises	
		411	Formaldehyde	159,921	48	0	0	0	0	310	159,563
		415	Methacrylic acid	891	0	0	0	0	0	0	891
		448	Methylenebis (4,1- phenylene) diisocyanate	10,108	0	0	0	0	0	53	10,055
	Subtotal			2,533,764	2,448	124	0	0	0	493	2,530,699
Total				2,550,467	13,116	124	0	0	0	5,232	2,530,700

▶  About symbol for Independent assurance

## Management of Chemical Substances at Plants Overseas

Chemical substances, including adhesives and coatings, in the table below are managed at overseas plants in accordance with the management regulations for chemical substances in each country.

### Management Table of Chemical Substances at Plants Overseas (FY2019)

Applicable Company	Country	Name of Chemical Substance	Total Use (t/year)	Total Released (t/year)		Total Transferred (t/year)
				Air* For VOC regulations	Waters, etc.	Waste Processing
KTI	Indonesia	Adhesives at MA, UA, etc.	20,636	-	-	5
ASTI	Indonesia	Styrene, xylene, solvents	30	-	-	9
RPI	Indonesia	Isocyanate/ Formaldehyde	539	-	-	0
NPIL	New Zealand	Formaldehyde	347	-	-	0
VECO	Vietnam	Isocyanate/ Formaldehyde, etc.	360	-	-	8
CCC	United States of America	MEK, alcohols, etc.	340	-	-	12
Total			22,252	-	-	34

## Management of Air Pollutants

### Management of Air Pollutants at Plants in Japan

The Sumitomo Forestry Group periodically conducts atmospheric emission concentration tests for dioxins, NO<sub>x</sub>, SO<sub>x</sub>, and smoke dust for each relevant plant at Sumitomo Forestry Crest (Kashima Plant, Shizuoka Plant, and Niihama Plant), the Shinshiro Plant at Sumitomo Forestry Landscaping, and at the Mombetsu Biomass Electric Power in accordance with the Air Pollution Control Act as well as local regulations. In fiscal 2019, emissions concentration testing results were all within the relevant standard values.

#### Management Table of Air Pollutants at Plants in Japan (FY2019)

Applicable Company	Applicable Department	Measured Substances	(Baseline)		Measured Concentration	Emissions to the Air(mg-TEQ)
			Unit			
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	Dioxin	ng-TEQ/m <sup>3</sup>	5	0.65	25
	Shizuoka Plant	Dioxin	ng-TEQ/m <sup>3</sup>	5	1.1	2.6

Applicable Company	Applicable Department	Measured Substances	Total Released (kg/year)	(Baseline)		Measured Concentration	Dry gas flow rate (Nm <sup>3</sup> /h)	
				Unit				
Sumitomo Forestry Crest Co., Ltd.	Niihama Plant (Wood Waste Boiler)	Sulfur oxides (SO <sub>x</sub> )	110	ppm	-	Less than 5	3,370	
		Nitrogen oxides (NO <sub>x</sub> )	1,310	ppm	350	69	3,370	
		Soot and dust	40	g/Nm <sup>3</sup>	0.3	0.03	3,370	
	Niihama Plant (Heavy Oil Boiler)	Sulfur oxides (SO <sub>x</sub> )	265	ppm	-	0.023	590	
		Nitrogen oxides (NO <sub>x</sub> )	47	ppm	180	67	590	
		Soot and dust	3	g/Nm <sup>3</sup>	0.3	0.004	590	
	Imari Plant	Sulfur oxides (SO <sub>x</sub> )	1,399	-	-	-	-	
							* There are no standards on the measurement frequency because this is a small-size once-through boiler.	
	The Agro-Products division of Sumitomo Forestry Landscaping	Shinshiro Plant	Sulfur oxides (SO <sub>x</sub> )	31	ppm	0.49	Less than 1.2	10,100
Nitrogen oxides (NO <sub>x</sub> )			709	ppm	200	38	10,100	
Soot and dust			554	g/Nm <sup>3</sup>	0.2	0.061	10,100	

Applicable Company	Applicable Department	Measured Substances	Total Released (kg/year)	(Baseline)		Measured Concentration	Dry gas flow rate (Nm <sup>3</sup> /h)
				Unit			
Mombetsu Biomass Power Plant		Sulfur oxides (SOx)	115,153 	ppm	373	6.0	189,000
		Nitrogen oxides (NOx)	264,852 	ppm	250	86.4	189,000
		Soot and dust	2,718	g/Nm <sup>3</sup>	0.1	0.0031	189,000
Hachinohe Biomass Power Generation Plant		Sulfur oxides (SOx)	663 	ppm	32.3	0.01	61,527
		Nitrogen oxides (NOx)	65,090 	ppm	250	61.7	61,527
		Soot and dust	0.0	g/Nm <sup>3</sup>	0.3	0.0	61,527

 [About symbol for Independent assurance](#)

## Management of Air Pollutants at Plants Overseas

At overseas plants, the Sumitomo Forestry Group measures the concentration of NOx, SOx and smoke dust in Indonesia and Vietnam as well as VOC emission in the United States of America in accordance with the regulations of each country and region. In fiscal 2019, emissions concentration testing results were all within the relevant standard values.

### Management Table of Air Pollutants at Plants Overseas (FY2019)

Applicable Company	Country	Measured Substances	(Baseline)		Measured Concentration	Dry gas flow rate (Nm <sup>3</sup> /h)
			Unit			
KTI	Indonesia	CO(Carbon monoxide)	µg/Nm <sup>3</sup>	22,600	3,416	-
		Sulfur oxides (SOx)	µg/Nm <sup>3</sup>	262	156	-
		Nitrogen oxides (NOx)	µg/Nm <sup>3</sup>	150	20	-
		H <sub>2</sub> S(Hydrogen sulfide)	µg/Nm <sup>3</sup>	0.03	0.0009	-
		NH <sub>3</sub> (Ammonia)	ppm	2	0.0016	-
		O <sub>3</sub> (Ozone)	ppm	0.1	0.0076	-
		Soot and dust	mg/Nm <sup>3</sup>	0.26	0.058	-
RPI	Indonesia	Sulfur oxides (SOx)	mg/Nm <sup>3</sup>	800	18.7	-
		Nitrogen oxides (NOx)	mg/Nm <sup>3</sup>	1,000	207	-
		Soot and dust	mg/Nm <sup>3</sup>	350	*	-
ASTI	Indonesia	CO(Carbon monoxide)	µg/Nm <sup>3</sup>	15,000	2,803	-
		Sulfur oxides (SOx)	µg/Nm <sup>3</sup>	632	4.4	-

Applicable Company	Country	Measured Substances	(Baseline)		Measured Concentration	Dry gas flow rate (Nm <sup>3</sup> /h)
			Unit			
		Nitrogen oxides (NOx)	µg/Nm <sup>3</sup>	316	28.4	-
		H <sub>2</sub> S(Hydrogen sulfide)	µg/Nm <sup>3</sup>	0.02	0.002	-
		NH <sub>3</sub> (Ammonia)	ppm	2.0	0.08	-
		TSP(Debu Total) Total Suspended Particulate Matter	µg/Nm <sup>3</sup>	230	116.3	-
VECO	Vietnam	Sulfur oxides (SOx)	mg/Nm <sup>3</sup>	500	Below Detection Boundary	-
		Nitrogen oxides (NOx)	mg/Nm <sup>3</sup>	850	151.2	-
		Soot and dust	mg/Nm <sup>3</sup>	200	94.5	-
CCC	United States of America	Volatile organic compounds (VOCs)	lbs	200,000	144,960	-

\*Measurements were postponed until October 2020 due to the impact of the novel coronavirus infection (COVID-19).

## Management of Water Pollutants

### Management of Water Pollutants in Japan

The Sumitomo Forestry Group conducts periodic water quality concentration tests of waste water at all of the relevant plants at the Tsukuba Research Institute and Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant) in accordance with the Water Pollution Control Act of Japan. In fiscal 2019, emissions concentration testing results were all within the relevant standard values.

#### Management Table of Water Quality at Plants in Japan (FY2019)

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
Sumitomo Forestry	Tsukuba Research Institute	pH	-	5~9	7.8
		BOD(Biochemical Oxygen Demand)	mg/L	< 600	8.1
		COD	mg/L	-	-
		SS(Suspended Solids)	mg/L	< 600	6.6
		Normal hexane extracts (mineral oils)	mg/L	≤ 5	<1
		Normal hexane extracts (animal and vegetable oils and fats)	mg/L	≤ 30	<1

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
		Iodine consumption	mg/L	≦ 220	5.5
		Phenol content	mg/L	≦ 5	< 0.02
		Cyanogen compound	mg/L	≦ 1	< 0.1
		Copper content	mg/L	≦ 3	< 0.02
		Zinc content	mg/L	≦ 2	0.021
		Soluble iron content	mg/L	≦ 10	0.047
		Soluble manganese content	mg/L	≦ 10	< 0.02
		Benzene	mg/L	≦ 0.1	< 0.001
		Boron and other compounds	mg/L	≦ 10	0.125
		Fluorine and other compounds	mg/L	≦ 8	< 0.17
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	pH	-	5.8~8.6	12.6
		BOD(Biochemical Oxygen Demand)	mg/L	-	1
		COD(Chemical Oxygen Demand)	mg/L	10.0	3
		SS (Suspended Solids)	mg/L	10.0	<1
	Shizuoka Plant	pH	-	5.8~8.6	7.8
		BOD(Biochemical Oxygen Demand)	mg/L	≦ 160	1.1
		COD(Chemical Oxygen Demand)	mg/L	-	-
		SS (Suspended Solids)	mg/L	≦ 200	1.8
	Niihama Plant	pH	-	5.8~8.6	8.2
		BOD(Biochemical Oxygen Demand)	mg/L	-	-
		COD(Chemical Oxygen Demand)	mg/L	160	18
		SS (Suspended Solids)	mg/L	200.0	16
	Imari Plant	pH	-	5.8~8.6	8.0
		BOD(Biochemical Oxygen Demand)	mg/L	-	-
		COD(Chemical Oxygen Demand)	mg/L	70	19.8
		SS (Suspended Solids)	mg/L	70	9.5
Mombetsu Biomass Power Plant		pH	-	5~9	7.7

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
		BOD(Biochemical Oxygen Demand)	mg/L	1,000 mg/L or less over five days	3
		SS (Suspended Solids)	mg/L	1,000	3
Hachinohe Biomass Power Generation Plant		pH	-	5.8~8.6	7.5

## Management of Water Pollutants Overseas

The Sumitomo Forestry Group conducts concentration tests of water pollutants at overseas plants in accordance with the water quality regulations for waste water in each country. In fiscal 2019, emissions concentration testing results were all within the relevant standard values.

### Management Table of Water Quality at Plants Overseas (FY2019)

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
KTI	Indonesia	pH	-	6~9	7.8
		BOD(Biochemical Oxygen Demand)	mg/L	75.0	10.8
		COD(Chemical Oxygen Demand)	mg/L	125.0	39.1
		TSS (Suspended Solids)	mg/L	50.0	7.8
		NH <sub>3</sub> -N (Ammonia concentration)	mg/L	4.0	1.4
		Fenol (Fenol concentration)	mg/L	0.25	0.002
RPI	Indonesia	pH	-	6~9	8.8
		BOD(Biochemical Oxygen Demand)	mg/L	75	8.8
		COD(Chemical Oxygen Demand)	mg/L	125	29.3
		TSS (Suspended Solids)	mg/L	50	3
		NH <sub>3</sub> -N(Ammonia concentration)	mg/L	4	0.16
		Fenol (Fenol concentration)	mg/L	0.25	< 0,001
ASTI	Indonesia	pH	-	6~9	7.3
		BOD(Biochemical Oxygen Demand)	mg/L	50.0	35
		COD(Chemical Oxygen Demand)	mg/L	100.0	64
		Soluble iron content	mg/L	5	0.2

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
		Soluble manganese content	mg/L	2	0.1
		Copper content	mg/L	2	0.02
		Zinc content	mg/L	5	0.019
		Chromium hexavalent compound	mg/L	0.1	0.027
		Chromium compound	mg/L	0.5	0.075
		Cadmium compound	mg/L	0.05	0.002
		Lead compound	mg/L	0.1	0.009
		Hydrogen sulfide compound	mg/L	0.05	0.031
		Nitrate compound	mg/L	20	0.191
		Nitrite compound	mg/L	1	0.003
VECO	Vietnam	pH	-	5~9	7.0
		BOD(Biochemical Oxygen Demand)	mg/L	200	62.6
		COD(Chemical Oxygen Demand)	mg/L	300	152
		SS (Suspended Solids)	mg/L	200	22.5
		Nitrogen compound	mg/L	60	55
		Phosphate compound	mg/L	10	1.2
NPIL	New Zealand	pH	-	6~9	7.0
		BOD(Biochemical Oxygen Demand)	mg/L	2,350	1,503
		COD(Chemical Oxygen Demand)	mg/L	6,400	3,998
		SS (Suspended Solids)	mg/L	650	416

## Appropriate Disposal of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured the proper disposal routes for asbestos. Sumitomo Forestry strives to prevent the spread of asbestos in the demolition work of residences through the formulation of the Guide for Appropriate Measures during Demolition Work.

The Group is also engaged in proper disposal of asbestos in the buildings of each office based on the law.

## Proper Disposal of Building Materials Containing Asbestos

We are also furthering the proper management and processing of Polychlorinated Biphenyl (PCB) contained in equipment such as spent high-voltage capacitors in accordance with the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

### Disposal Status of Polychlorinated Biphenyl (PCB) Waste\*<sup>1</sup>

Applicable Company	Applicable Facility	Total Disposal in FY2017(kg)* <sup>1</sup>	Total Disposal in FY2018(kg)* <sup>1</sup>	Total Disposal in FY2019(kg)* <sup>1</sup>
Sumitomo Forestry Crest Co., Ltd.	(Former) Nagoya Plant* <sup>2</sup>	44,190	0	0
ASTI	ASTI Plants	0	0	0
Subtotal		44,190	0	0

\*<sup>1</sup> The total disposal amount is based on the disposal notification and includes the weight of the storage container.

\*<sup>2</sup> The (Former) Nagoya Plant was closed in end of June 2015.

### Management Status of Polychlorinated Biphenyl(PCB)\*<sup>1</sup>

Applicable Company	Applicable Facility	FY2019 Onward Estimated Processing (Units)	Management Status
Sumitomo Forestry Crest Co., Ltd.	(Former) Nagoya Plant* <sup>2</sup>	513unit	Stabilizers in storage
ASTI	ASTI Plants	14kg	Electrical Boards

\*<sup>1</sup> The equipment included above is equipment currently in use or in storage which is being evaluated for processing

\*<sup>2</sup> The (Former) Nagoya Plant was closed in end of June 2015

## Management of Fluorocarbon Emissions

The Sumitomo Forestry Group is managing fluorocarbon emissions related to the fluorocarbon gases that are used as coolants by equipment such as air-conditioning and refrigeration at affiliate companies, and for testing equipment at the Tsukuba Research Institute, through periodic inspections of fluorocarbon emissions indicated in the table below in accordance with the Act on Rational Use and Proper Management of Fluorocarbons enacted April 2015. There were no leaks of fluorocarbons in fiscal 2019. We also raised legal awareness inside the Group following amendments to the Act on Rational Use and Proper Management of Fluorocarbons in April 2020.

## Project for Soil Purification Technology and Environmental Remediation Aided by Plants

An issue in re-using the site of an old factory is the environmental impact associated with soil contamination and the cost burden of any remedial measures. For example, under the revised Fire Service Act of Japan, gasoline stations are now obliged to repair any underground tanks that have lain under the ground for more than 40 years, and as a consequence of this, it is expected that between 1,000 and 2,000 stations will close down each year.

In order to meet the demand for environmental remediation and measures dealing with soil contamination, the Sumitomo Forestry Group has been working on cleansing contaminated soil by using the functions of plants (phytoremediation). As part of this, during fiscal 2012, in collaboration with ENEOS (JX Nippon Oil & Energy Corporation at the time), the Group developed a method for purifying soil contaminated with oil using Burning Field, a variety of Japanese lawn-grass independently registered by the Group.

One of the functions possessed by the variety of Japanese lawn-grass used in this method is that the nutrients transpiring from its roots activate microorganisms in the soil, and the upshot of this is that it has the potential to inexpensively reduce the oil content in polluted soil. This method has been adopted at nine sites so far to purify areas where gasoline stands or oil depots once stood, with purification at five sites now complete.

In fiscal 2013 and 2014, the Ministry of the Environment conducted a study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil in addition to presenting the Environmental Measures Exemplary Efforts Awards (Minister of the Environment Award) in 2013. The study found that oil-degrading microorganisms tend to become more active, and were recognized as having potential to be applied at sites heavily contaminated with oil. Received the Good Design Award in October 2018 from the Japan Institute of Design Promotion.

Moving forward, by steadily producing results in soil purification based on this technique, the Group will continue to help resolve the nationwide problem of oil contamination.



Grass laid on the site where a gasoline station once stood

## Policies and Targets for Biodiversity Conservation

### Declaration of Biodiversity and Biodiversity Action Guidelines

Sumitomo Forestry established its policy on Biodiversity Conservation in Company-owned Forests in Japan in fiscal 2006, and its Timber Procurement Philosophy and Policy in fiscal 2007. The Company also revised its Environmental Policies in fiscal 2007 to incorporate biodiversity considerations. Then in March 2012, the Sumitomo Forestry Group established its Declaration of Biodiversity, setting out the Sumitomo Forestry Group's understanding of and stance on biodiversity; Biodiversity Action Guidelines, specifying an internal set of guidelines; and Biodiversity Long-Term Targets as specific goals of activity.

In July 2015, the Group initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies\*, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. Therefore, the efforts in biodiversity are also operated based on the policies integrated in the Sumitomo Forestry Group Environmental Policy.

\* The Sumitomo Forestry Group formulated the Environmental Philosophy in 1994 and the Environmental Policies in 2000.

► [Sumitomo Forestry Group Environmental Policy](#)

### Long-Term Biodiversity Targets

As well as advancing biodiversity conservation initiatives, the Group established its Long-Term Biodiversity Targets in March 2012 as a way of contributing to the international community in respect to attainment of the Aichi Biodiversity Targets adopted at the Conference of Parties to the Convention on Biological Diversity (COP10) in 2010. Rough schedules for achieving each of the long-term targets were put in place covering the period up until 2020 and serve as a guideline for advancing initiatives.

#### The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)

##### Group-wide Targets

1. (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, we will work to prevent a reduction in forest areas and pursue forest sustainability.

- We will strive to regenerate forests through reforestation and natural regeneration and logging a planned, sustainable manner that takes into account the forest's ability to grow.
- We will increase the procurement and use of sustainable timber, such as forest certified timber, plantation forest timber and Japanese timber.
- We will promote the efficient use as well as the recycling and reuse of timber.

2. (Increase the amount of CO<sub>2</sub> absorbed by and sequestered in forests and timber)

By cultivating healthy forests and promoting the use of timber through the greater use of timber construction materials and the construction of wooden buildings, we will strive to increase the amount of CO<sub>2</sub> absorbed by and sequestered in forests and timber to contribute to the protection of biodiversity and the alleviation of climate change.

##### Individual targets

3. (Forests)

We will promote forest management that regenerates, maintains and increases biodiversity.

- We will carry out zoning to protect ecosystems and the habitats of living creatures.
- We will ensure that in terms of area, 20% or more of our Company-owned forests in Japan are environment forests that emphasize environmental protection.
- We will maintain that 100% Company-owned forests remain forest-certified.

- We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.
  - We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.
4. (Products)  
We will provide products and services that take into account biodiversity, such as forest-certification and products and services that have undergone environmental assessment.
  5. (Construction)  
We will work to develop homes and communities that are in harmony with the natural environment and their surrounding urban landscapes.
  6. (Design)  
We will manage and minimize the generation of waste by promoting a zero-emissions policy in building and construction.
  7. (Greening)  
We will be considerate to the surrounding ecosystems and tree species and actively cultivate native species.
  8. (Plants)  
We will manage and minimize pollutants, waste and noise, and reduce their impact on biodiversity.
  9. (Public relations)  
We will actively communicate the importance of biodiversity to all stakeholders, including customers, business partners, and local communities.
  10. (Research)  
We will gather the latest information and develop conservation technologies to implement biodiversity initiatives.
  11. (Social contribution)  
We will protect trees that are historically and culturally important and also preserve their genetic material.

## Company Structure for Biodiversity Conservation

In accordance with our environmental management structure, the Representative Director and President is the person in charge of Sumitomo Forestry Group's biodiversity conservation initiatives, and the Executive Officer in charge of the Sustainability and the General Manager of the Sustainability Department manage Sumitomo Forestry Group company activities.

## Commitment to Protected Areas

To manufacture and secure timber resources, Sumitomo Forestry owns or manages many forests both in Japan and overseas. None of these forests is located in areas designated as world heritage sites. Furthermore, we have not and will not operate in areas designated as world natural heritage sites. Regardless of land ownership, national parks in Japan, which has a small land area, operate under the Regional Natural Park System and many national parks include private property. A portion of Sumitomo Forestry's Company-owned forests are located inside national park areas, and as is the case for other areas designated as protected forests or other, we operate in strict compliance with all legal regulations.

Furthermore, in terms of risk assessment, in areas determined to be important from a biodiversity perspective, we not only strictly adhere to all legal regulations, also work to mitigate our impact through reevaluation, minimization, revitalization, offsetting and other efforts.

We manage approximately 48,000 hectares of Company-owned forests in Japan and approximately 230,000 hectares of forests overseas. These managed forests are categorized as environmental forests, commercial forests and other. Both in Japan and overseas, a nature conservation area is created according to its categorization as an environmental forest or protected forest and operations in such areas are not permitted in principle.

However, the borders of these lands set by the government do not always match the boundaries of the ecosystem. Affiliated companies PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI) conducted thorough animal and plant surveys that included conservation forest neighboring areas under governmental management before defining preservation areas and business areas. WSL and MTI also worked with local organizations to build a conservation network that defines a net of green corridors to prevent closed off islands which would isolate the regions where orangutans, long-nose monkeys and other

rare flora and fauna live. These protected areas account for over 20% of our operating land, higher than the 17% goal for protected regions set out in the Aichi Biodiversity Targets.

## Evaluation of Stakeholder Initiatives

The concept and specific initiatives of the conservation network advocated by WSL and MTI have attracted attention both in Japan and overseas as unprecedented efforts worldwide. At the Indonesian Pavilion of the United Nations Framework Convention on Climate Change (COP25) held in Madrid, Spain in 2019, representatives from international organizations, researchers, and non-profit organizations highly praised our presentation of these initiatives as a representative of private organization.

In addition, in our urban greening business, we obtain third-party evaluations by actively encouraging our customers to register for “Ikimono Kyozon Jigyousho” certification set by the Association for Business Innovation in Harmony with Nature and Community (ABINC) or the Social and Environmental Green Evaluation System (SEGES) green certification implemented by the Organization for Landscape and Urban Green Infrastructure.

## Support of Related Initiatives and Cooperation with Organizations

Sumitomo Forestry participates in many organizations that are actively involved in biodiversity conservation. The chairman of Sumitomo Forestry serves as vice chairman of the Keidanren Committee on Nature Conservation, made up of Keidanren member companies. In addition, employees are temporarily assigned to serve as secretariat members\* and committee members are dispatched to the planning task force, which is in charge of operations. We also participate in the Japan Business Initiative for Biodiversity (JBIB), made up of companies passionate about biodiversity, and conduct joint research on corporate biodiversity initiatives in subcommittee meetings.

In the Double 20 Project in Japan to achieve the targets for Aichi, we have registered three projects as of June 2016; The Sumitomo Forestry Group's Biodiversity Long-term Targets, Sumitomo Forestry-owned Forest Operations Friendly to Biodiversity, and the Environmental Education Program at Mt. Fuji Manabi no Mori Project. These three projects are highly praised for many reasons that include the creation of many independent links, content with a great impact that utilizes the features of the company in its efforts and for the ripple effects to related industries that can be expected thanks to the relationship outlined with Aichi targets. In March 2017, these projects were bundled and recognized as a business tie-up with the Japan Committee for United Nations Development Business (UNDB-J; 10th).

Sumitomo Forestry Landscaping Co., Ltd. is actively striving toward the registration of certifications in the JBIB Guidelines for Sustainable Business Sites promoted by the Association for Business Innovation in harmony with Nature and Community (ABINC) and the SEGES Green Certification promoted by the Organization for Landscape and urban Green Infrastructure for properties undertaken with the environmental greening business. Moreover, the Chief Corporate Advisor of Sumitomo Forestry acts as the chairman of the Organization for Landscape and Urban Green Infrastructure.

\* Initiatives implemented up to fiscal 2019.

- ▶ [Sumitomo Forestry Group biodiversity conservations activities have been certified as an affiliated operation of the Japan Committee for United Nations Development Business \(UNDB-J\) \(in Japanese\)](#)
- ▶ [Japan Business Initiative for Biodiversity \(JBIB\)](#)

## Participation in Drafting the Guidelines for Private Sector Engagement in Biodiversity

The Ministry of the Environment drafted the Guidelines for Private Sector Engagement in Biodiversity (Ver. 1) in 2009 for business proprietors as a means to advance biodiversity conservation and sustainable use with recognition that corporate activities play a vital role in those efforts. Sumitomo Forestry was involved in drafting these guidelines as a member of the investigative committee.

The Guidelines for Private Sector Engagement in Biodiversity brings together basic information and approaches necessary to conserve biodiversity and reduce loss in a way that is easy for private sector organizations not yet addressing biodiversity issues to understand while also offering a means for business proprietors already engaged in efforts to play an even more effective role.

In December 2017, the second version was released in light of growing interests and expectations about conserving biodiversity driven by the SDGs and other international targets. These guidelines presented the sustainable timber procurement of Sumitomo Forestry as one excellent example initiative.

## Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

### Biodiversity Conservation in Company-Owned Forests in Japan

The Policy on Biodiversity Conservation for Company-owned forests in Japan calls for efforts to promote diversity of ecosystems through proper management of protected areas and consideration toward the continuity of forests, diversity of species through protection of rare flora and fauna, and genetic diversity through the maintenance of populations. In keeping with these policies, forests are subject to appropriate zoning and management according to certain criteria, such as the increment of trees. Sumitomo Forestry is also making efforts to create endangered species lists and manuals and conduct monitoring surveys of wildlife.

#### Policy on Biodiversity Conservation in Company-Owned Forests in Japan(Excerpt) (Formulated June 2006)

##### 1. Diversity of ecosystems

We will properly manage strictly protected areas designated under the Natural Parks Law of the Japanese government and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear cutting is conducted.

##### 2. Diversity of species

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the Sumitomo Forestry Red Data Book.

##### 3. Genetic diversity

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.

### Red Data Book and Riparian Forest Management Manual

Sumitomo Forestry creates a Sumitomo Forestry Red Data Book listing flora and fauna at threat of extinction which may exist in Company-owned forests and distributes it to employees and contractors involved in forest management. By carrying the book with them during operations, personnel can refer to the opinions of specialists when they come across flora and fauna included in the book and take action. While using the latest version of this book today, we will continually advance measures focused on biodiversity and update the content of the text as necessary.

The Company has also created the Riparian Forest Management Manual to ensure the appropriate management and preservation of areas around bodies of water that are rich in biodiversity.



Sumitomo Forestry Red Data Book

## Wildlife Monitoring Surveys

Sumitomo Forestry monitored wildlife inhabiting Company-owned forests. Every year, surveys are conducted in one of four areas — Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Hyogo/Mie (Honshu). Data for each area is therefore accumulated in four-year cycles. This is used to create basic reference materials relating to biodiversity and to ascertain the impact of forestry on the surrounding environment over the long-term.

Monitoring surveys conducted nine times up until now have clearly shown diverse life being maintained through the production of a habitat environment and a change in the number of mammals and birds during the gradual transition from a clear-cut area to forest.

While a number of species decline temporarily, the clear-cut areas have been shown to distribute places suitable for umbrella species such as hawks and land appropriate for hunting in a mosaic shape in addition to realizing a favorable environment for life such as the species above to thrive.

In the future, we will consider monitoring results to date as we work to properly sustain functions such as maintaining environmental conservation and biodiversity in company-owned forests.

### Species of Mammals and Birds Confirmed by Past Surveys

	Managed Area (ha)		Verified mammal and avian species								
			2008	2009	2010	2011	2012	2013	2014	2015	2016
Company-owned forests in Shikoku	14,782	Mammals	14				11				10
		Birds	31				34				24
Company-owned forests in Kyushu	9,182	Mammals		11				12			
		Birds		33				29			
Company-owned forests in Hokkaido	18,199	Mammals			10				9		
		Birds			38				40		
Company-owned forests in Honshu * 2013 acquisitions in Okayama, Hyogo, and Mie * 2015 additional acquisitions in Wakayama	5,804	Mammals				12				(Wakayama)10 (Hyogo) 6	
		Birds				25				(Wakayama)29 (Hyogo) 21	
Total	47,967										

\* Conducted in two areas in 2015; Wakayama and Hyogo



Japanese deer confirmed in Niihama (Shikoku) forests in 2016



Japanese monkeys confirmed in Niihama (Shikoku) forests in 2016

## Appropriate Control of the Deer Population

In recent years, the rising deer population throughout Japan is increasing concerns about damage caused to young plants, peeled bark, and other harm to forestry in addition to soil runoff and the loss of biodiversity caused by the animals eating herbaceous plant on the forest floor, which decreases the variety of vegetation.

The Sumitomo Forestry Group identifies the living conditions and moving patterns of the deer in company-owned forests and mitigates damage to seedlings to encourage forest growth by trapping and ridding the deer in order to ensure proper forest management.

Properly controlling the deer population contributes to comprehensive forest management of next generation through promotion of forest growth, biodiversity conservation by sustaining diverse vegetation on the forest floor, and prevention of local disasters by preventing soil runoff.

## Biodiversity Conservation in Plantation Forests Overseas

More than half of living species throughout the world live in rainforests, which are said to be the treasure troves of life. However, rainforests are slowly disappearing today due to a variety of issues from disordered development and illegal logging to forest fires. Sumitomo Forestry Group affiliated companies PT. Wana Subur Lestari and PT. Mayangkara Tanaman Industri conduct industrial forestation operations in the West Kalimantan province of Indonesia with the aim to balance biodiversity and economic interests.

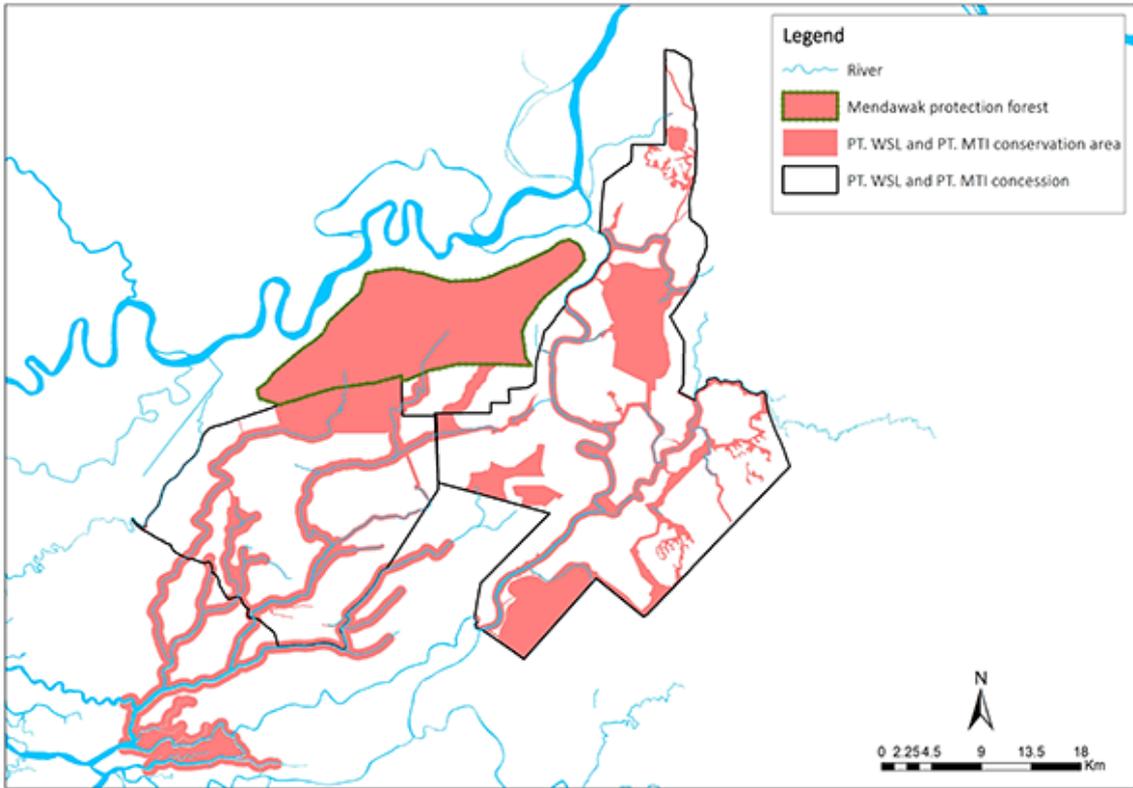
After thorough animal and plant surveys, the companies formulate a land use plan that appropriately divides protected zones from plantation zones. Protected zones are subject to regular animal surveys and in addition to population monitoring of orangutans and Proboscis monkeys, which are rare animals, studies are conducted on fruit-bearing trees, their source of food. In addition, we consult with neighboring companies to construct a conservation network of mesh-shaped green corridors to ensure that habitats do not become isolated. In fiscal 2019, a camera trap set up inside the protected area photographed for the first time an orangutan mother and baby, providing evidence that the orangutan population inside the operation site was increasing.

Conservation networks, which the Company advocates, are a new concept that is gaining attention both in Japan and overseas. At the Indonesia Pavilion at the 25th United Nations Climate Change Conference (COP25) held in 2019, we were the only private company representative to give a presentation, which won high acclaim.

We not only work to conserve ecosystems on land but also check the water quality of rivers flowing through the plantation and survey marine life of rainforest peatlands.

In the future, the Sumitomo Forestry Group will further strive to engage in biodiversity conservation from the standpoint of a private organization and economically-viable, sustainable business searching for greater harmony between the global environment and local communities.

### Conservation Network



## Efficient Use of Water Resources

### Reduction of Water Consumption in Business Activities

Around the world, there is a growing sense of crisis over water shortages. It is expected that this problem will become more and more urgent as the demand for water rises with population increase and economic growth in developing countries.

The primary businesses of the Sumitomo Forestry Group include the Timber & Building Materials Business and the Housing Business, which operate on a business model that does not use high-volume of water. However, our businesses are expanding into sectors that do use water as a valuable resource. Our policy is to reduce the amount of water used with emphasis on these businesses while conducting risk assessments and examining countermeasures for problems that arise.

In addition to manufacturing plants inside and outside Japan, since fiscal 2012, the Sumitomo Forestry Group began examining the consumption of water and the associated sources at bases where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group. In fiscal 2017, we discovered 91.8% of water use is at eight group companies which make up 7.2% of the consolidated net sales by analyzing the water use of all Group companies in fiscal 2016. Therefore, we have positioned these eight companies as important water management companies and conducted risk assessments for water use at five companies in Japan as well as brought together specific measures to address any cases of insufficient water. The Sumitomo Forestry Group has also begun to grasp the actual state of water use even at three overseas companies.

From fiscal 2016 to fiscal 2018, Sumitomo Forestry Group water consumption increased due to the operation of the Mombetsu Biomass Power Plant and Hachinohe Biomass Power Plant. Biomass power generation leads to increased water usage because power is generated by burning wood and other biomass fuel to boil water and create steam for powering turbines.

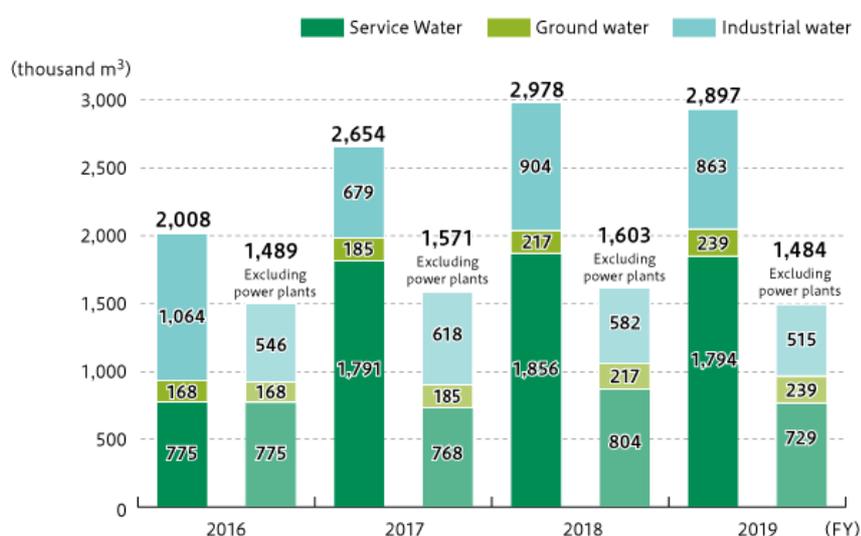
The Sumitomo Forestry Group has set conservation and effective utilization of water resources as a target in the Mid-Term Sustainability Targets announced in May 2019 with specific water consumption targets for entire Group for conducting progress management.

In fiscal 2019, the entire group used 2,897,000 m<sup>3</sup> of water, which achieved our target of 2,981,000 m<sup>3</sup> or less. Water saving measures for circular use of industrial water at the Sumitomo Forestry Crest Imari Plant was a major factor in reaching this target. Overseas manufacturing plants reduced their water use in fiscal 2019 by 6.2% compared to fiscal 2018 because of water-saving activities, such as the use of rainwater.

Sumitomo Forestry conducts sample surveys of water used by partner companies at on-site construction of houses in fiscal 2015 to grasp the water consumption in the supply chain, which found the volume of water used per 1 m<sup>2</sup> of floor area is approximately 0.0887 m<sup>3</sup>.

▶ [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities > Management of Each Target](#)

#### Water Usage over the Past Four Years\*1



▶ [About symbol for Independent assurance](#)

## Water Usage per Department\*1

	Office Departments in Japan, etc. (Unit: 1,000m <sup>3</sup> )			Plants and Power Generation Business Departments in Japan (Unit: 1,000m <sup>3</sup> )			Overseas Plants (Unit: 1,000m <sup>3</sup> )			Total (Unit: 1,000m <sup>3</sup> )
	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019	FY2019
Service Water	73	79	78	1,258	1,302	1,324	460	475	392	1,795
Ground water	0	29	37	10	14	12	175	174	190	239
Industrial water	119	235	114	263	470	432	297	310	318	863
Total	192	232	230	1,531*2	1,786	1,768	932	959	900	2,897

\*1 Covers sites where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.

\*2 A portion of the industrial water for fiscal 2016 was calculated as public water in fiscal 2017 due to a revision in the data collection category.

## Efforts at Sumitomo Forestry Crest

The Imari Plant of Sumitomo Forestry Crest, which manufactures such products as synthetic resin adhesives, uses industrial water to cool its manufacturing equipment. Afterwards, this water is reused to dilute factory wastewater and for other purposes as a water-conservation measure. In addition, from fiscal 2018, wastewater (coagulation sedimentation treated water) is further treated biologically to control the amount of water necessary for dilution for factory wastewater water quality management. This and other new water-saving measures led to an industrial water usage of 84,100 m<sup>3</sup> in fiscal 2019, a 43% decline compared to fiscal 2018.



Biological processing facility (aeration blower) Biological processing facility (aeration tank)



Measuring the COD of effluent

## Measures Used at the Sumitomo Forestry Crest's Imari Plant for Saving Water

1. Subjecting waste water (after processing for coagulating sedimentation) to further<sup>\*1</sup> biological processing makes it possible to restrict the water used for dilution in plant waste water quality management (approximately 350m<sup>3</sup>/day).
2. Maintain water-quality control by measuring COD<sup>\*2</sup> and treat wastewater using only the minimum amount of water necessary.
3. After water is used to cool manufacturing equipment, it is used to dilute plant waste water.
4. Improve the proportion of rainwater used, such as by upgrading the pumps used for collecting rainwater.

\*1 Beneficial microorganisms are supplied with air (oxygen), whereupon they absorb and break down organic substances, lowering COD values.

\*2 Chemical Oxygen Demand (COD): An indication of the amount of oxygen required to oxidize an organic compound in water; one of the most important indicators of water quality.

### Participation in Relevant Incentives

The Sumitomo Forestry Group provides answers to the CDP Water questions and discloses more detailed information about efforts on risks related to water since fiscal 2017.

## Environment Related Data

### Environmental Data of Group Companies in Japan

The Sumitomo Forestry Group reports information about its environmental impact of each company and each plant for domestic manufacturers and power plants that have a large influence on the environment.

#### Sumitomo Forestry Crest Co., Ltd.

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Energy Input (GJ)	30,517	28,499	26,605	16,760	102,381
Raw Material Input (t)	7,377	34,335	4,488	7,817	54,017
Water Resource Use (m <sup>3</sup> )					
Service Water	3,318	5,023	4,005	102	12,448
Main Water Source	Lakes -- Lake Kitaura in Kasumigaura (Protected region: A portion is part of Suigo-Tsukuba Quasi-National Park)	Groundwater -- Oi River Basin	-	Reservoirs	-
Industrial water	-	-	-	84,100	84,100
Main Water Source	-	-	Groundwater (water authority in Niihama City)	River -- Aritagawa River basin (partly Mt. Kurokami mammal and avian species wildlife refuge)	-
Greenhouse gas emissions (t-CO <sub>2</sub> )					
Carbon dioxide (CO <sub>2</sub> )	1,178	1,373	1,725	941	5,217
Methane (CH <sub>4</sub> )*	8.3	4.8	6.8	-	19.9
Dinitrogen oxide (N <sub>2</sub> O)*	1.9	0.5	0.6	-	3.0
Waste generations (t)	2,108	2,150	700	331	5,288
Water discharge (m <sup>3</sup> )					
Sewerage	2,012	0	4,005	0	6,017
Ocean	0	0	0	76,730	76,730
Rivers	0	5,023	0	0	5,023
Lakes	0	0	0	0	0
Emissions to the air (kg)					
Sulfur oxides (SO <sub>x</sub> )	-	-	375 	1,399 	1,774
Nitrogen oxides (NO <sub>x</sub> )	-	-	1,357 	-	1,357
Soot and dust	-	-	42	-	42

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

 [About symbol for Independent assurance](#)

## The Agro-Products Division of Sumitomo Forestry Landscaping

Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Energy Input (GJ)	2,345	5,857	8,202
Raw Material Input (t)	13,365	6,523	19,888
Water Resource Use (m <sup>3</sup> )			
Service Water	538	1,217	1,755
Main Water Source	River -- Kiso-gawa River Basin	River -- Toyokawa Prefectural Water System	-
Industrial water	-	-	-
Main Water Source	-	Well water	-
Greenhouse gas emissions (t-CO <sub>2</sub> )			
Carbon dioxide (CO <sub>2</sub> )	133	366	499
Methane (CH <sub>4</sub> )*	-	-	-
Dinitrogen oxide (N <sub>2</sub> O)*	-	-	-
Waste generations (t)	31	35	66
Water discharge (m <sup>3</sup> )			
Sewerage	0	0	0
Ocean	0	0	0
Rivers	1,217	538	1,755
Lakes	0	0	0
Emissions to the air (kg)			
Sulfur oxides (SOx)	-	31 	31
Nitrogen oxides (NOx)	-	709 	709
Soot and dust	-	554	-

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

 [About symbol for Independent assurance](#)

## Power Plants

Item (unit)	Mombetsu Biomass Power Generation	Hachinohe Biomass Power Generation	Okhotsk Bio Energy Co. Ltd.	Japan Bio Energy Co., Ltd.	Michinoku Bio Energy Co., Ltd.	Subtotal
Energy Input (GJ)	5,236,808	1,483,270	17,918	11,465	7,523	6,756,984
Raw Material Input (t)	4,589	37	87,773	63,656	87,157	243,212
Water Resource Use (m <sup>3</sup> )						
Service Water	1,055,090	9,990	326	4,753	256	1,070,415
Main Water Source	Shokotsu River System	Mount Haku Water System Service Reserve	Shokotsu River System	Lake Sagami, Sagami River System, and Miyagase Dam	Mount Haku Water System Service Reserve	-
Industrial water	-	347,780	-	-	-	347,780
Main Water Source	-	Mabechi River	-	-	-	-
Greenhouse gas emissions (t-CO <sub>2</sub> )						
Carbon dioxide (CO <sub>2</sub> )	91,954	394	1,166	256	509	94,279
Methane (CH <sub>4</sub> )*	5,754	2,279	-	-	-	8,034
Dinitrogen oxide (N <sub>2</sub> O)*	83,985	23,756	-	-	-	107,741
Waste generations (t)	13,611	2,364	1	771	-	16,687
Water discharge (m <sup>3</sup> )						
Sewerage	418,132	-	265	-	-	418,397
Ocean	-	96,935	-	-	-	96,935
Rivers	-	-	-	-	-	-
Lakes	-	-	-	-	-	-
Emissions to the air (kg)						
Sulfur oxides (SOx)	115,153 	663 	-	-	-	115,816
Nitrogen oxides (NOx)	264,852 	65,090 	-	-	-	329,942
Soot and dust	2,718	0	-	-	-	2,718

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

 [About symbol for Independent assurance](#)

## Total for All Plants in Japan

Item (unit)	Total
Energy Input (GJ)	6,867,567
Raw Material Input (t)	317,116
Water Resource Use (m <sup>3</sup> )	
Service Water	1,084,618
Main Water Source	As indicated above
Industrial water	431,880
Main Water Source	As indicated above
Greenhouse gas emissions (t-CO <sub>2</sub> )	
Carbon dioxide (CO <sub>2</sub> )	99,995
Methane (CH <sub>4</sub> )*	8,054
Dinitrogen oxide (N <sub>2</sub> O)*	107,744
Waste generations (t)	22,041
Water discharge (m <sup>3</sup> )	
Sewerage	424,414
Ocean	173,665
Rivers	6,778
Lakes	0
Emissions to the air (kg)	
Sulfur oxides (SOx)	117,621
Nitrogen oxides (NOx)	332,008
Soot and dust	3,314

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

## Environmental Data of Group Companies Overseas

The Sumitomo Forestry Group reports information about its environmental impact for each plant for overseas manufacturers that have a large influence on the environment.

### Overseas Manufacturers 1/2

Item (unit)	PT. Rimba Partikel Indonesia (RPI)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)	PT. Sinar Rimba Pasifik (SRP)
Energy Input (GJ)	457,032	84,040	1,401,077	25,897
Raw Material Input (t)	97,928	20,970	588,467	5,166
Water Resource Use (m <sup>3</sup> )				
Service Water	-	690	-	-
Industrial water	-	35,094	282,519	-
Ground water	64,301	-	122,549	-
Greenhouse gas emissions (t-CO <sub>2</sub> )				
Carbon dioxide (CO <sub>2</sub> )	19,352	6,450	49,492	1,987
Methane (CH <sub>4</sub> )*	362	-	1,353	-
Dinitrogen oxide (N <sub>2</sub> O)*	34	-	126	-
Waste generations (t)	19,756	3,494	89,572	1,164
Water discharge (m <sup>3</sup> )				
Sewerage	0	6,825	0	-
Ocean	0	0	7,200	-
Rivers	60,676	0	0	-

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

### Overseas Manufacturers 2/2

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek (CCC)	Total
Energy Input (GJ)	1,668,244	378,014	59,083	4,073,387
Raw Material Input (t)	684,287	201,192	7,206	1,605,216
Water Resource Use (m <sup>3</sup> )				
Service Water	279,258	108,549	3,553	392,050
Industrial water	-	-	-	317,613
Ground water	-	-	3,215	190,065
Greenhouse gas emissions (t-CO <sub>2</sub> )				
Carbon dioxide (CO <sub>2</sub> )	12,864	12,252	2,796	105,193
Methane (CH <sub>4</sub> )*	1,265	96	-	3,076
Dinitrogen oxide (N <sub>2</sub> O)*	229	9	-	398
Waste generations (t)	104,132	23,133	1,622	242,873

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek (CCC)	Total
Water discharge (m <sup>3</sup> )				
Sewerage	236,647	38,732	3,553	285,757
Ocean	0	0	0	7,200
Rivers	0	0	0	60,676

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

## Environmental Accounting Results for Fiscal 2019

Sumitomo Forestry publicizes aggregated data of environmental protection costs and effects and also economic impact of its activities for the purpose of promoting environmentally sound management.

\* The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain Group companies

### Environmental Protection Costs

Cost Category		Main Activities	Total Cost (Million yen)
Costs within operational area	Global environmental protection costs* <sup>1</sup>	Sustainable forestry cultivation	678
		Environment-related business (Overseas consulting, REDD+ business, etc.)	128
		Carbon offset	22
	Resource recycling costs* <sup>2</sup>	Promotion of appropriate treatment, reduction, and recycling of industrial waste	5,879
		Waste wood chip distribution operations	155
		Volume sold of potting mix using recycled sediment from water purification	296
Upstream / Downstream costs* <sup>3</sup>		Green purchasing	25
Management activity costs* <sup>4</sup>	Operation and promotion of environmental management activities (ISO14001 certification, environmental education, LCA surveys, etc.)		200
	Monitoring of environmental impact		1
	Disclosure and administration of environmental information (Sustainability Report, environment-related advertising, environment-related exhibitions, etc.)		26
R&D costs* <sup>5</sup>		R&D activities related to environmental protection	987
Social contribution costs* <sup>6</sup>	Management and operation of Mt. Fuji Manabi no Mori		14
	Management and operation of Forester House		9
	Other social contribution activities		2
	Donations to the Keidanren Nature Conservation Fund		2
	Donations to Organization for Landscape and Urban Green Infrastructure		15

Cost Category	Main Activities	Total Cost (Million yen)
Total		8,439

\*1 Global environmental protection costs: Expenditures for preservation and management of Company-owned forests to foster sustainable forestry, expenditures in Japan and overseas relating to the environmental business, and overseas reforestation expenses for implementing carbon offset.

\*2 Resource recycling costs: Expenditures on waste wood distribution operations and sorting, recycling, appropriate treatment, transportation and management of construction waste, as well as costs incurred in the recycling of potting mix.

\*3 Upstream/Downstream costs: Expenditures for green purchasing.

\*4 Management activity costs: Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and sustainability reports; expenditures relating to lectures on environmental education; and costs for LCA inspections and environmental impact oversight.

\*5 R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute

\*6 Social contribution costs: Expenditures related to operating the Mt. Fuji Manabi no Mori natural forest restoration project, and maintaining and operating Forester House; expenditures related to other social contribution activities; donations to the Keidanren Nature Conservation Fund; and provision of financial assistance to the Keidanren Nature Conservation Fund commissioned by the Keidanren Committee on Nature Conservation.

▶ [Link to the Keidanren Committee on Nature Conservation](#)

## Environmental Benefits

Category	Effects	Benefits
Benefits from costs within operational area	Volume of recycled waste wood from distribution operations(converted into chip equivalents)	1,009 m <sup>3</sup>
	Volume sold of potting mix using recycled sediment from water purification	15 kt
Benefits from Upstream/Downstream costs	Green procurement ratio	68.3%
Benefits from management activity costs	Employees designated as internal environmental auditors	195
Benefits from R&D costs	Acceleration of medium-to large-scale wooden structures Development of Original Wooden Beam and Pillar Components with Two-Hour Fire Resistance	-
	Completion of New Research Building at Tsukuba Research Institute Research Base for W350 Plan and the Scientific Study of Wood and Greenery	-
	Sumitomo Forestry Home Tech Development of original construction methods for seismic-resistance renovation Acquisition of certified disaster prevention technologies	-
	Co-development of the industry's highest level of sound insulation flooring Implementation in Forest Maison rental homes	-
	Launched FRD roadway design support software Supported more efficient development of better roadways to contribute to the revitalization of the forest industry	-

Category	Effects	Benefits
Benefits of social contribution costs	Volunteers who participated in Mt. Fuji Manabi no Mori project	186
	Children participating in the Environmental Education Program at Mt. Fuji Manabi no Mori project	1,101
	Visitors to Forester House	2,720
	Sumitomo Forestry Group Sustainability Report 2019 Presented the Excellence Award at the 23rd Environmental Communication Awards	-

## Editorial Policy

### Editorial Policy

The Sumitomo Forestry Group regards the Sustainability Report as an important tool for communicating with our stakeholders.

As in previous reports, the fiscal 2019 report continues with coverage of the activity highlights based on the five material issues outlined in the Mid-Term Sustainability Targets, Sustainability Management, Governance, a Social Report and Environmental Report, in addition to Contribution Through Our Business to introduce in more detail the ways in which we are applying sustainability management through our business activities.

In addition to the website, we also publish a pamphlet with content centering on the activity highlights based on the five material issues outlined in the Mid-Term Sustainability Targets, arranged to be used in line with the interests of all our related stakeholders.

We appreciate your feedback on our wide range of sustainable activities.

▶ [Sustainability Report Questionnaire Page](#)

Boundary of the Reporting:

The scope of this report is Sumitomo Forestry, its consolidated companies, and some affiliated companies accounted for by the equity-method. The environmental data is an aggregation for Group companies, including all consolidated subsidiaries in and outside of Japan unless otherwise noted. The boundary of target organizations and calculations are as below.

\* In this report, Sumitomo Forestry refers to Sumitomo Forestry Co., Ltd. and the Sumitomo Forestry Group includes consolidated companies in Japan and overseas as well as some affiliated companies accounted for by the equity-method

▶ [List of Sumitomo Forestry Group Companies](#)

▶ [Boundaries and Method of Environmental Data Aggregation \(Balance of Input and Output\)](#)

Published:

November 2020

Reporting Period:

Japan: April 2019 to March 2020

Overseas: January 2019 to December 2019

\* Some activities started before the period and after April 2020 in Japan and after January 2020 overseas, and future forecasts are also included.

Reference Guidelines:

Environmental Reporting Guidelines (2018 Edition), Japanese Ministry of the Environment  
ISO26000:2010 procedures related to social responsibility (Japanese Standards Association)  
GRI Standards, Global Reporting Initiative (GRI)

### Reliability of Report Content

The environmental and social performance indicators have obtained third-party assurance by KPMG AZSA Sustainability Co., Ltd., and indicate the third-party guarantee mark .

The respective departments of the Sumitomo Forestry Group have endeavored to ensure accuracy by using appropriate measurements and data collection methods for the initiatives and results reported in the Sustainability Report. These methods are also disclosed when relevant.

## External Recognition

### Socially Responsible Investment (SRI) Indices / ESG Indices

Interest in Social Responsible Investment (SRI) that considers environment and social contribution on top of financial aspects are on the rise in recent years when making investments. Sumitomo Forestry Group has been included in the following Socially Responsible Investment (SRI) and ESG Indices as of July 2020.

#### DJSI (Dow Jones Sustainability Indices)

The most trusted index for companies' environmental and sustainability index developed by Dow Jones & Company in 1999. The index surveys 2,500 companies included in the Dow Jones Global Index around the world on their economic, environmental, and societal aspects. Sumitomo Forestry was selected as component of Industry Leaders and DJSI Asia Pacific in September 2019.



#### FTSE4Good Global Index

Evaluation of companies that fulfill international standards in environment, social, and governance aspects by FTSE Russell, a group company of London Stock Exchange. Sumitomo Forestry has been consecutively included in the FTSE4Good Global Index every year since 2004.



FTSE4Good

#### Used as a Constituent Company in all Four ESG Indices Selected by GPIF

#### FTSE Blossom Japan Index

An ESG index for Japanese stocks by FTSE Russell, Ltd. and selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017.



FTSE Blossom  
Japan

#### MSCI Japan ESG Select Leaders Index

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017. With Free float-adjusted market capitalization weighted index based on the MSCI Japan IMI Top 500 Index of MSCI, Inc. as a parent index, it represents relative sector weights of companies that excel in ESG.

2020 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

## MSCI Japan Empowering Women Index (WIN)

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017. With MSCI Japan IMI Top 500 Index as a parent index, it represents weights of companies that excel in gender diversity in the sector.

2020 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

\* The inclusion of Sumitomo Forestry in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Sumitomo Forestry by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

## S&P/JPX Carbon Efficient Index

Discloses the S&P/JPX Carbon Efficient Index, jointly developed as an environmental index by the Japan Exchange Group, the Tokyo Stock Exchange, and the S&P Dow Jones Index.

The Government Pension Investment Fund, Japan (GPIF) selected the S&P/JPX Carbon Efficient Index as a benchmark for ESG investment strategy from fiscal 2018.



## SOMPO Sustainability Index

The SOMPO Sustainability Index is an ESG evaluation by Sompo Asset Management Co., Ltd. Evaluated based on an environmental survey by Sompo Risk Management and a social and governance survey by IntegreX Inc., Sumitomo Forestry has been consecutively included in the SOMPO Sustainability Index since fiscal 2013.



## Awards and Recognition by Third Parties in Fiscal 2019

Date	Award/Organiser	Recognition	Scope of Recognition
September 2019	oricon ME Inc.	<p>Selected as the Top Real Estate Agency-sold Condominium in 2019 in the Oricon Japan Customer Satisfaction Ranking</p>  <p>▶ <a href="#">News Release (In Japanese)</a></p>	Sumitomo Forestry Home Service
October 2019	Japan Institute of Design Promotion	<p>Received the Good Design Award for the 10th Consecutive Year Received for the Flat Canopy Exterior Residential Material in Fiscal 2019</p>  <p>▶ <a href="#">News Release (In Japanese)</a></p>	Sumitomo Forestry
October 2019	Wood Design Award Operational Secretariat	<p>Awarded the Wood Design Award 2019 for the New Research Building at Tsukuba Research Institute</p>  <p>▶ <a href="#">News Release (In Japanese)</a></p>	Sumitomo Forestry
November 2019	Japan Vocational Ability Development Association	<p>Participants receive Silver Medal and Fighting Spirit Award in the 57th National Skills Competition Carpentry Category</p> <p>▶ <a href="#">News Release (In Japanese)</a></p>	Sumitomo Forestry School of Professional Building Techniques
December 2019	Japan Committee for United Nations. Decade on Biodiversity (UNDB-J) Mt. Fuji Manabi no Mori Natural Reforestation Project	<p>Received the Biodiversity Action Award 2019 for the Protection Category</p>  <p>▶ <a href="#">News Release (In Japanese)</a></p>	Sumitomo Forestry

Date	Award/Organiser	Recognition	Scope of Recognition
January 2020	CDP	Sumitomo Forestry Makes Climate Change A List for Fourth Consecutive Year -Achieves Highest Rating in CDP 2019-  <a href="#">▶ News Release (In Japanese)</a>	Sumitomo Forestry
January 2020	National Association of Home Builders	Named “Multifamily Development Firm of the Year” Award at the NAHB Multifamily Pillars of the Industry Awards  <a href="#">▶ News Release (In Japanese)</a>	Crescent Communities
January 2020	SAM Sustainability Award 2020	Recognition by S&P Global as a Company Excelling in Sustainability -Selected for Gold Class in the Housing Construction Field-  * Run by RobecoSAM up until 2019   <a href="#">▶ News Release (In Japanese)</a>	Sumitomo Forestry
February 2020	Global Environmental Forum	Sustainability Report 2019 Excellence Award at the 23rd Environmental Communication Awards    <a href="#">▶ News Release (In Japanese)</a>	Sumitomo Forestry

Date	Award/Organiser	Recognition	Scope of Recognition
March 2020	The Nature Conservation Society of Japan	<p>Mt. Fuji Manabi no Mori Project Natural Forest Recovery Project Nominated in the Practical Conservation Category of the Japan Nature Conservation Award 2020</p>  <p>日本自然保護大賞 2020 入選</p> <p><a href="#">▶ News Release (In Japanese)</a></p>	Sumitomo Forestry
March 2020	Sumitomo Mitsui Trust Bank, Limited United Nations Environment Programme Finance Initiative	<p>Conclusion of Positive Impact Financing Agreement Honored for Contributions to the SDGs and Material Issues</p> <p><a href="#">▶ News Release (In Japanese)</a></p>	Sumitomo Forestry
April 2020	Japan Lumber Youth Association	<p>New Research Building at the Tsukuba Research Institute Received the Minister of Land, Infrastructure, Transport and Tourism Prize</p> <p><a href="#">▶ News Release (In Japanese)</a></p>	Sumitomo Forestry

## GRI Content Index (GRI Standards)

This report refers to the GRI Standards.

[▶ GRI Content Index \(GRI Standards\)](#)

## Independent Assurance Report

[▶ Independent Assurance Report](#) 

## GRI Content Index (GRI Standards)

### GRI Content Index (GRI Standards)

Sumitomo Forestry's Sustainability Report refers to GRI Standards.

Below Content Index includes related information available on Sustainability Report.

Disclosures		ISO26000 Disclosure	Location
Organizational profile (2016)			
102-1	a. Name of the organization		▶ <a href="#">Corporate Profile</a>
102-2	a. A description of the organization's activities b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets		▶ <a href="#">Corporate Profile</a> ▶ <a href="#">Our Business</a> ▶ <a href="#">List of Services</a>
102-3	a. Location of the organization's headquarters		▶ <a href="#">Corporate Profile</a>
102-4	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report		▶ <a href="#">Sumitomo Forestry Group</a>
102-5	a. Nature of ownership and legal form		▶ <a href="#">Corporate Profile</a>
102-6	a. Markets served		▶ <a href="#">Corporate Profile</a> ▶ <a href="#">Sumitomo Forestry Group</a> ▶ <a href="#">Overseas Housing and Real Estate Business</a>
102-7	a. Scale of the organization		▶ <a href="#">Corporate Profile</a> ▶ <a href="#">Performance Highlights</a>

	Disclosures	ISO26000 Disclosure	Location
102-8	<p>a. Total number of employees by employment contract (permanent and temporary), by gender</p> <p>b. Total number of employees by employment contract (permanent and temporary), by region</p> <p>c. Total number of employees by employment type (full-time and part-time), by gender</p> <p>d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.</p> <p>e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries)</p> <p>f. An explanation of how the data have been compiled, including any assumptions made</p>	6.4 6.4.3	<ul style="list-style-type: none"> <li>▶ Social Data</li> </ul>
102-9	<p>a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services</p>		<ul style="list-style-type: none"> <li>▶ Overall Business and Scope of Impact</li> </ul>
102-10	<p>a. Significant changes to the organization's size, structure, ownership, or supply chain</p>		<ul style="list-style-type: none"> <li>▶ Corporate Profile</li> <li>▶ Performance Highlights</li> </ul>
102-11	<p>a. Whether and how the organization applies the Precautionary Principle or approach</p>	6.2	<ul style="list-style-type: none"> <li>▶ Risk Management</li> <li>▶ Procurement Initiatives (Housing and Construction Business)</li> <li>▶ Procurement Initiatives (Distribution Business)</li> <li>▶ Procurement Initiatives (Manufacturing Business)</li> <li>▶ Procurement Initiatives (Environmental Energy Business)</li> <li>▶ Occupational Health and Safety on Construction Sites</li> <li>▶ Human Rights Initiatives</li> <li>▶ Occupational Health and Safety Management</li> <li>▶ Environmental Risk Management</li> <li>▶ Management of Hazardous Chemical Substances and Appropriate Disposal</li> </ul>
102-12	<p>a. List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses</p>	6.2	<ul style="list-style-type: none"> <li>▶ Corporate Philosophy and Sustainability Management</li> <li>▶ Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues</li> <li>▶ Contributions to the SDGs and Material Issues</li> <li>▶ Promotion of Social Contribution Activities</li> </ul>

Disclosures		ISO26000 Disclosure	Location
102-13	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations	6.2	▶ Promotion of Social Contribution Activities
Strategy			
102-14	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	6.2	▶ Top Commitment
102-15	a. A description of key impacts, risks, and opportunities	6.2	<ul style="list-style-type: none"> <li>▶ Top Commitment</li> <li>▶ Risk Management</li> <li>▶ Overseas Housing and Real Estate Business</li> <li>▶ Environmental Risk Management</li> <li>▶ Responding to TCFD</li> <li>▶ IR Library</li> </ul>
Ethics and Integrity			
102-16	a. A description of the organization's values, principles, standards, and norms of behavior	4.4	▶ Corporate Philosophy and Sustainability Management
102-17	a. A description of internal and external mechanisms for: <ul style="list-style-type: none"> <li>i. Seeking advice about ethical and lawful behavior, and organizational integrity</li> <li>ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity</li> </ul>		<ul style="list-style-type: none"> <li>▶ Intellectual Property Management</li> <li>▶ Compliance</li> </ul>
Governance			
102-18	<ul style="list-style-type: none"> <li>a. Governance structure of the organization, including committees of the highest governance body</li> <li>b. Committees responsible for decision-making on economic, environmental, and social topics</li> </ul>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Risk Management</li> <li>▶ Compliance</li> <li>▶ Environmental Management Structure</li> </ul>
102-19	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Risk Management</li> <li>▶ Compliance</li> <li>▶ Environmental Management Structure</li> <li>▶ Communication with Employees</li> </ul>
102-20	<ul style="list-style-type: none"> <li>a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topic</li> <li>b. Whether post holders report directly to the highest governance body</li> </ul>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Risk Management</li> <li>▶ Compliance</li> <li>▶ Environmental Management Structure</li> </ul>

Disclosures		ISO26000 Disclosure	Location
102-21	<p>a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics</p> <p>b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Return to Shareholders and IR Activities</li> <li>▶ Communication with Employees</li> </ul>
102-22	<p>a. Composition of the highest governance body and its committees</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> </ul>
102-23	<p>a. Whether the chair of the highest governance body is also an executive officer in the organization</p> <p>b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> </ul>
102-24	<p>a. Nomination and selection processes for the highest governance body and its committees</p> <p>b. Criteria used for nominating and selecting highest governance body members</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> </ul>
102-25	<p>a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed</p> <p>b. Whether conflicts of interest are disclosed to stakeholders</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Compliance</li> </ul>
102-26	<p>a. The highest governance body's and senior executives' roles in the development, approval, and updating of the organizations' purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Environmental Management Structure</li> </ul>
102-27	<p>a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics</p>		
102-28	<p>a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics</p> <p>b. Whether such evaluation is independent or not, and its frequency</p> <p>c. Whether such evaluation is a self-assessment</p> <p>d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> </ul>

Disclosures		ISO26000 Disclosure	Location
102-29	<p>a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities—including its role in the implementation of due diligence processes</p> <p>b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics, and their impacts, risks, and opportunities</p>	6.2	<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Risk Management</li> </ul>
102-30	<p>a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Risk Management</li> </ul>
102-31	<p>a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities</p>	6.2	<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Risk Management</li> </ul>
102-32	<p>a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> </ul>
102-33	<p>a. Process for communicating critical concerns to the highest governance body</p>	6.2	<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Risk Management</li> <li>▶ Compliance</li> <li>▶ Return to Shareholders and IR Activities</li> </ul>
102-34	<p>a. Total number and nature of critical concerns that were communicated to the highest governance body</p> <p>b. Mechanism(s) used to address and resolve critical concerns</p>		<ul style="list-style-type: none"> <li>▶ Compliance</li> </ul>
102-35	<p>a. Remuneration policies for the highest governance body and senior executives</p> <p>b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics</p>	6.2	<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> </ul>
102-36	<p>a. Process for determining remuneration</p> <p>b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management</p> <p>c. Any other relationships which the remuneration consultants have with the organization</p>		<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> </ul>
102-37	<p>a. How stakeholders' views are sought and taken into account regarding remuneration</p> <p>b. If applicable, the results of votes on remuneration policies and proposals</p>	6.2	<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Return to Shareholders and IR Activities</li> </ul>

Disclosures		ISO26000 Disclosure	Location
102-38	a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country		
102-39	a. Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country		
Stakeholder Engagement			
102-40	a. A list of stakeholder groups engaged by the organization	6.2	► <a href="#">Stakeholder Engagement</a>
102-41	a. Percentage of total employees covered by collective bargaining agreements		► <a href="#">Social Data</a>
102-42	a. The basis for identifying and selecting stakeholders with whom to engage	6.2	
102-43	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	6.2 6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	► <a href="#">Stakeholder Engagement</a>
102-44	a. Key topics and concerns that have been raised through stakeholder engagement	6.2	► <a href="#">Stakeholder Engagement</a>
Reporting practice			
102-45	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	6.2	► <a href="#">IR Library</a>
102-46	a. An explanation of the process for defining the report content and the topic Boundaries b. An explanation of how the organization has implemented the Reporting Principles for defining report content		► <a href="#">Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues</a>
102-47	a. A list of the material topics identified in the process for defining report content		► <a href="#">Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues</a>

Disclosures		ISO26000 Disclosure	Location
102-48	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements		N/A
102-49	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries		<ul style="list-style-type: none"> <li>▶ <a href="#">Editorial Policy</a></li> <li>▶ <a href="#">Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues</a></li> </ul>
102-50	a. Reporting period for the information provided		▶ <a href="#">Editorial Policy</a>
102-51	a. If applicable, the date of the most recent previous report		▶ <a href="#">Editorial Policy</a>
102-52	a. Reporting cycle		▶ <a href="#">Editorial Policy</a>
102-53	a. The contact point for questions regarding the report or its contents		▶ <a href="#">Inquiries</a>
102-54	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards		▶ <a href="#">Editorial Policy</a>
102-55	a. The GRI content index		GRI Content Index
102-56	a. A description of the organization’s policy and current practice with regard to seeking external assurance for the report b. If the report has been externally assured:	7.5.3	▶ <a href="#">Independent Assurance Report</a>
Management Approach (2016)			
103-1	a. An explanation of why the topic is material b. The Boundary for the material topic c. Any specific limitation regarding the topic Boundary		<ul style="list-style-type: none"> <li>▶ <a href="#">Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues</a></li> <li>▶ <a href="#">Material Issue 1</a></li> <li>▶ <a href="#">Material Issue 2</a></li> <li>▶ <a href="#">Material Issue 3</a></li> <li>▶ <a href="#">Material Issue 4</a></li> <li>▶ <a href="#">Material Issue 5</a></li> </ul>

Disclosures		ISO26000 Disclosure	Location
103-2	<p>a. An explanation of how the organization manages the topic</p> <p>b. A statement of the purpose of the management approach</p> <p>c. A description of the following, if the management approach includes that component:</p> <p>i. Policies</p> <p>ii. Commitments</p> <p>iii. Goals and targets</p> <p>iv. Responsibilities</p> <p>v. Resources</p> <p>vi. Grievance mechanisms</p> <p>vii. Specific actions, such as processes, projects, programs and initiatives</p>		<ul style="list-style-type: none"> <li>▶ <a href="#">Top Commitment</a></li> <li>▶ <a href="#">Sustainability-related Policies</a></li> <li>▶ <a href="#">Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues</a></li> <li>▶ <a href="#">Material Issue 1</a></li> <li>▶ <a href="#">Material Issue 2</a></li> <li>▶ <a href="#">Material Issue 3</a></li> <li>▶ <a href="#">Material Issue 4</a></li> <li>▶ <a href="#">Material Issue 5</a></li> </ul>
103-3	<p>a. An explanation of how the organization evaluates the management approach</p>		<ul style="list-style-type: none"> <li>▶ <a href="#">Sustainability Targets of Our Group 2021 Mid-Term Management Plan and Material Issues</a></li> <li>▶ <a href="#">Material Issue 1</a></li> <li>▶ <a href="#">Material Issue 2</a></li> <li>▶ <a href="#">Material Issue 3</a></li> <li>▶ <a href="#">Material Issue 4</a></li> <li>▶ <a href="#">Material Issue 5</a></li> </ul>

Disclosures		ISO26000 Disclosure	Location
Economic Performance (2016)			
201-1	Direct economic value generated and distributed	<p>6.8.1</p> <p>6.8.2</p> <p>6.8.3</p> <p>6.8.7</p> <p>6.8.9</p>	<ul style="list-style-type: none"> <li>▶ <a href="#">Return to Shareholders and IR Activities</a></li> <li>▶ <a href="#">Corporate Profile</a></li> <li>▶ <a href="#">Financial Statements</a></li> </ul>
201-2	Financial implications and other risks and opportunities due to climate change	6.5.5	<ul style="list-style-type: none"> <li>▶ <a href="#">Environmental Risk Management</a></li> <li>▶ <a href="#">Responding to TCFD</a></li> <li>▶ <a href="#">Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities</a></li> </ul>
201-3	Defined benefit plan obligations and other retirement plans	6.8.7	<ul style="list-style-type: none"> <li>▶ <a href="#">IR Library</a></li> </ul>
201-4	Financial assistance received from government		
Market Presence (2016)			

Disclosures		ISO26000 Disclosure	Location
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2	
202-2	Proportion of senior management hired from the local community	6.4.3 6.8.1 6.8.2 6.8.5 6.8.7	▶ Social Data
Indirect Economic Impacts (2016)			
203-1	Infrastructure investments and services supported	6.3.9 6.8.1 6.8.2 6.8.7 6.8.9	▶ Overseas Housing and Real Estate Business ▶ Sustainable Forest Management ▶ Promotion of Social Contribution Activities ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
203-2	Significant indirect economic impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	▶ Risk Management ▶ Overseas Housing and Real Estate Business ▶ Environmental Risk Management ▶ Responding to TCFD
Procurement Practices (2016)			
204-1	Proportion of spending on local suppliers	6.4.3 6.6.6 6.8.1 6.8.2 6.8.7	
Anti-corruption (2016)			
205-1	Operations assessed for risks related to corruption	6.6.1 6.6.2 6.6.3	▶ Compliance
205-2	Communication and training about anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	▶ Compliance

Disclosures		ISO26000 Disclosure	Location
205-3	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	► Compliance
Anti-competitive Behavior (2016)			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.1 6.6.2 6.6.5 6.6.7	► Compliance
Tax (2019)			
207-1	Approach to tax	6.2	► Tax Strategies
207-2	Tax governance, control, and risk management	6.2	► Tax Strategies
207-3	Stakeholder engagement and management of concerns related to tax		► Tax Strategies
207-4	Country-by-country reporting		
Materials (2016)			
301-1	Materials used by weight or volume	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities
301-2	Recycled input materials used	6.5.1 6.5.2 6.5.4	► Promotion of Waste Reduction and Recycling
301-3	Reclaimed products and their packaging materials	6.5.1 6.5.2 6.5.4	► Promotion of Waste Reduction and Recycling
Energy (2016)			
302-1	Energy consumption within the organization	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-2	Energy consumption outside of the organization	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-3	Energy intensity	6.5.1 6.5.2 6.5.4	► Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

Disclosures		ISO26000 Disclosure	Location
302-4	Reduction of energy consumption	6.5.1 6.5.2 6.5.4 6.5.5	<ul style="list-style-type: none"> <li>▶ Home Building That Contributes to a Sustainable Society</li> <li>▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities</li> </ul>
302-5	Reductions in energy requirements of products and services	6.5.1 6.5.2 6.5.4 6.5.5	<ul style="list-style-type: none"> <li>▶ Home Building That Contributes to a Sustainable Society</li> </ul>
Water (2016)			
303-1	Water withdrawal by source	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> <li>▶ Environmental Impact of Business Activities</li> <li>▶ Efficient Use of Water Resources</li> <li>▶ Environmental Related Data</li> </ul>
303-2	Water sources significantly affected by withdrawal of water	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> <li>▶ Environmental Related Data</li> </ul>
303-3	Water recycled and reused	6.5.1 6.5.2 6.5.4	
Biodiversity (2016)			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> <li>▶ Policies and Targets for Biodiversity Conservation</li> <li>▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</li> </ul>
304-2	Significant impacts of activities, products, and services on biodiversity	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> <li>▶ Contributions to Eco Cities Through Greening</li> <li>▶ Environmental Risk Management</li> <li>▶ Policies and Targets for Biodiversity Conservation</li> <li>▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</li> </ul>
304-3	Habitats protected or restored	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> <li>▶ Contributions to Eco Cities Through Greening</li> <li>▶ Examples of Social Contribution Activities in Japan</li> <li>▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas</li> </ul>

Disclosures		ISO26000 Disclosure	Location
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	6.5.1 6.5.2 6.5.6	▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	6.5.1 6.5.2 6.5.5	▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-2	Energy indirect (Scope 2) GHG emissions	6.5.1 6.5.2 6.5.5	▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-3	Other indirect (Scope 3) GHG emissions	6.5.1 6.5.2 6.5.5	▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-4	GHG emissions intensity	6.5.1 6.5.2 6.5.5	▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-5	Reduction of GHG emissions	6.5.1 6.5.2 6.5.5	▶ Home Building That Contributes to a Sustainable Society ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-6	Emissions of ozone-depleting substances (ODS)	6.5.1 6.5.2 6.5.3 6.5.5	▶ Environmental Risk Management
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	6.5.1 6.5.2 6.5.3	▶ Management of Hazardous Chemical Substances and Appropriate Disposal ▶ Environmental Related Data
Effluents and Waste (2016)			
306-1	Water discharge by quality and destination	6.5.1 6.5.2 6.5.3	▶ Environmental Impact of Business Activities ▶ Environmental Related Data
306-2	Waste by type and disposal method	6.5 6.5.3	▶ Environmental Impact of Business Activities ▶ Promotion of Waste Reduction and Recycling

Disclosures		ISO26000 Disclosure	Location
306-3	Significant spills	6.5.1 6.5.2 6.5.3	▶ Environmental Risk Management
306-4	Transport of hazardous waste	6.5.1 6.5.2 6.5.3	
306-5	Water bodies affected by water discharges and/or runoff	6.5.1 6.5.2 6.5.3 6.5.4 6.5.6	
Environmental Compliance (2016)			
307-1	Non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	▶ Environmental Risk Management
Supplier Environmental Assessment (2016)			
308-1	New suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	
308-2	Negative environmental impacts in the supply chain and actions taken	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Business)
Employment (2016)			
401-1	New employee hires and employee turnover	6.4.1 6.4.2 6.4.3	▶ Social Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.1 6.4.2 6.4.4 6.8.7	
401-3	Parental leave	6.4.1 6.4.2 6.4.4	▶ Social Data
Labor/Management Relations (2016)			

Disclosures		ISO26000 Disclosure	Location
402-1	Minimum notice periods regarding operational changes	6.4.1 6.4.2 6.4.3 6.4.5	
Occupational Health and Safety (2016)			
403-1	Workers representation in formal joint management-worker health and safety committees	6.4.1 6.4.2 6.4.6	<ul style="list-style-type: none"> <li>▶ Occupational Health and Safety Management</li> <li>▶ Communication with Employees</li> <li>▶ Social Data</li> </ul>
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	6.4.1 6.4.2 6.4.6 6.8.8	<ul style="list-style-type: none"> <li>▶ Occupational Health and Safety Management</li> <li>▶ Social Data</li> </ul>
403-3	Workers with high incidence or high risk of diseases related to their occupation	6.4.1 6.4.2 6.4.6 6.8 6.8.3 6.8.4 6.8.8	<ul style="list-style-type: none"> <li>▶ Occupational Health and Safety Management</li> </ul>
403-4	Health and safety topics covered in formal agreements with trade unions	6.4.1 6.4.2 6.4.6	<ul style="list-style-type: none"> <li>▶ Communication with Employees</li> </ul>
Training and Education (2016)			
404-1	Average hours of training per year per employee	6.4.1 6.4.2 6.4.7	<ul style="list-style-type: none"> <li>▶ Human Resources Development</li> <li>▶ Social Data</li> </ul>
404-2	Programs for upgrading employee skills and transition assistance programs	6.4.1 6.4.2 6.4.7 6.8.5	<ul style="list-style-type: none"> <li>▶ Fair Employment and Benefits</li> <li>▶ Human Resources Development</li> </ul>
404-3	Percentage of employees receiving regular performance and career development reviews	6.4.1 6.4.2 6.4.7	<ul style="list-style-type: none"> <li>▶ Human Resources Development</li> </ul>
Diversity and Equal Opportunity (2016)			
405-1	Diversity of governance bodies and employees	6.2.3 6.3.7 6.3.10 6.4.1	<ul style="list-style-type: none"> <li>▶ Corporate Governance</li> <li>▶ Social Data</li> </ul>

Disclosures		ISO26000 Disclosure	Location
405-2	Ratio of basic salary and remuneration of women to men	6.3.7 6.3.10 6.4.1 6.4.2 6.4.3 6.4.4	
Non-discrimination (2016)			
406-1	Incidents of discrimination and corrective actions taken	4.8 6.3.1 6.3.2 6.3.6 6.3.7 6.3.10 6.4.3	
Freedom of Association and Collective Bargaining (2016)			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.5 6.6.6	
Child Labor (2016)			
408-1	Operations and suppliers at significant risk for incidents of child labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6 6.8.4	<ul style="list-style-type: none"> <li>▶ Procurement Initiatives (Housing and Construction Business)</li> <li>▶ Procurement Initiatives (Distribution Business)</li> <li>▶ Procurement Initiatives (Manufacturing Business)</li> <li>▶ Human Rights Initiatives</li> </ul>
Forced or Compulsory Labor (2016)			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.10 6.6.6	<ul style="list-style-type: none"> <li>▶ Procurement Initiatives (Housing and Construction Business)</li> <li>▶ Procurement Initiatives (Distribution Business)</li> <li>▶ Procurement Initiatives (Manufacturing Business)</li> <li>▶ Human Rights Initiatives</li> </ul>
Security Practices (2016)			

Disclosures		ISO26000 Disclosure	Location
410-1	Security personnel trained in human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	
Rights of Indigenous Peoples (2016)			
411-1	Incidents of violations involving rights of indigenous peoples	4.8 6.3.1 6.3.2 6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	
Human Rights Assessment (2016)			
412-1	Operations that have been subject to human rights reviews or impact assessments	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5	▶ Human Rights Initiatives
412-2	Employee training on human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.5	▶ Human Rights Initiatives
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.8 6.3.1 6.3.2 6.3.3 6.3.5 6.6.6	▶ Procurement Initiatives (Distribution Business) ▶ Human Rights Initiatives
Local Communities (2016)			

Disclosures		ISO26000 Disclosure	Location
413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9 6.5.1 6.5.2 6.5.3 6.8	<ul style="list-style-type: none"> <li>▶ Overseas Housing and Real Estate Business</li> <li>▶ Protecting and Utilizing Domestic Forest Resources</li> <li>▶ Consulting Business</li> <li>▶ Promotion of Social Contribution Activities</li> <li>▶ Examples of Social Contribution Activities in Japan</li> <li>▶ Examples of Overseas Community Development and Regional Contribution Activities</li> <li>▶ Human Rights Initiatives</li> </ul>
413-2	Operations with significant actual and potential negative impacts on local communities	6.3.9 6.5.3 6.8	
Supplier Social Assessment (2016)			
414-1	New suppliers that were screened using social criteria	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	
414-2	Negative social impacts in the supply chain and actions taken	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	<ul style="list-style-type: none"> <li>▶ Procurement Initiatives (Housing and Construction Business)</li> <li>▶ Procurement Initiatives (Distribution Business)</li> <li>▶ Procurement Initiatives (Manufacturing Business)</li> <li>▶ Human Rights Initiatives</li> </ul>
Public Policy (2016)			
415-1	Political contributions	6.6.1 6.6.2 6.6.4	
Customer Health and Safety (2016)			
416-1	Assessment of the health and safety impacts of product and service categories	6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	<ul style="list-style-type: none"> <li>▶ Product Safety and Quality Control (Housing and Construction Business)</li> <li>▶ Product Safety and Quality Control (Manufacturing Business)</li> </ul>

Disclosures		ISO26000 Disclosure	Location
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	
Marketing and Labeling (2016)			
417-1	Requirements for product and service information and labeling	6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	► <a href="#">Communication with Our Customers</a>
417-2	Incidents of non-compliance concerning product and service information and labeling	4.6 6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	
417-3	Incidents of non-compliance concerning marketing communications	4.6 6.7.1 6.7.2 6.7.3	► <a href="#">Responsible Advertising/Promotional Efforts</a>
Customer Privacy (2016)			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1 6.7.2 6.7.7	► <a href="#">Communication with Our Customers</a>
Socioeconomic Compliance (2016)			
419-1	Non-compliance with laws and regulations in the social and economic area	4.6 6.7.1 6.7.2 6.7.6	



## Independent Assurance Report

To the President and Representative Director of Sumitomo Forestry Co., Ltd.

We were engaged by Sumitomo Forestry Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the “Indicators”) for the period from April 1, 2019 to March 31, 2020 included in its Sustainability Report 2020 (PDF version) (the “Report”) for the fiscal year ended March 31, 2020.

### The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting Hachinohe Biomass Power Generation Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

November 24, 2020