

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 CO₂ emissions associated with procuring and processing raw materials, transport and construction. The CO₂ 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.